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Fragmented world worsens finance crunch, derails SDGs

The United Nations has warned that global fragmentation and a severe financing squeeze are pushing development progress backward, especially for the poorest and most vulnerable nations. Instead of advancing toward the Sustainable Development Goals (SDGs), many nations face mounting unmet spending needs amid declining aid, rising capital costs, heavy debt burdens, and escalating losses from environmental degradation and climate impacts.

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Development finance in sharp retreat amid a fragmenting world

The United Nations has warned that development finance is backsliding, with progress on the Sevilla Commitment reversing, as weakened global cooperation, rising protectionism, geopolitical tensions, climate-related shocks, and a backlash against multilateralism deepen a $4 trillion annual financing gap.

by Kanaga Raja

PENANG: Development finance is moving in the wrong direction, with gains not only stalling but reversing on account of weakened global cooperation, rising protectionism, intensifying geopolitical tensions, repeated climate-related shocks, and a growing backlash against multilateralism, the United Nations has warned.

This is the main conclusion highlighted by the United Nations in the Financing for Sustainable Development Report 2026, which assessed progress on the Sevilla Commitment – the blueprint for action on financing for sustainable development agreed at the Fourth International Conference on Financing for Development (FFD4) in 2025.

According to the UN, it seeks to close the $4 trillion annual financing gap by scaling up investment, putting focus on sustainable development impact, and reforming the international financial architecture to strengthen multilateralism.

The report found that an increasing number of developing countries – especially the poorest and most vulnerable – are confronting large unmet UN Sustainable Development Goal (SDG) spending needs amid an overall financing squeeze.

They are simultaneously facing falling aid, rising costs from environmental degradation and climate impacts, high costs of capital, and high debt service.

For example, these countries are facing heavy debt burdens, with debt service reaching 20-year highs in 2024.

They are also facing falling financial aid: official development assistance (ODA) dropped 6% in 2024 to $214.6 billion and is projected to fall by 10-18% in 2025, and up to 25% for least developed countries (LDCs).

Furthermore, foreign direct investment (FDI) fell 11% in 2024 to $1.5 trillion, marking a second consecutive year of decline.

Even before the latest economic disruptions caused by the closure of the Strait of Hormuz, trade and geopolitical tensions had driven steep tariff increases and placed economic costs on developing countries, said the UN.

It said average tariffs on LDC exports surged from 9% to 28% in 2025, while for developing countries excluding China, average tariffs increased more than eight-fold, from 2% to 19%.

"Global development requires working together for common goals to avoid reversing the gains of what has been painstakingly built," said UN Deputy Secretary-General Amina J. Mohammed.

She said: "Implementing the Sevilla Commitment is our best chance to demonstrate the global community's enduring commitment to cooperation and to unlock the finance needed to keep the promise of the Sustainable Development Goals."

In his remarks at the press launch of the Financing for Sustainable Development Report (FSDR) 2026 on 9 April, Li Junhua, UN Under-Secretary-General and head of the UN Department of Economic and Social Affairs, said the main message in the report is clear and urgent: "Development progress is imperilled by global fragmentation, geopolitical tensions and conflict. Developing countries are trapped in a catastrophic financing 'squeeze' from compounding shocks. The implementation of the Sevilla Commitment represents the best hope to close widening financing gaps and achieve the SDGs."

Li said with only four years remaining to deliver the SDGs, a massive scale-up in investments is needed; instead, regrettably "the financing gap is widening".

In this regard, he said that development aid is falling sharply: in 2025, 25 countries decreased their Official Development Assistance (ODA), leading to a 23 percent overall drop from 2024 to 2025, the largest annual contraction on record.

Only four countries met the 0.7 per cent target – Denmark, Luxembourg, Norway, and Sweden. Based on preliminary data, ODA is expected to further decline by another 5.8 percent in 2026, he added.

Developing countries, especially the poorest, face mounting debt pressure, with debt service burdens hitting 20-year highs, Li pointed out.

"The international financial system has not provided sufficient, long-term financing on affordable terms for sustainable development."

Li also said that multilateralism itself is under threat, with powerful nations redrawing trade and investment alliances, often at the expense of the poorest countries, undermining the very foundations of global cooperation.

These challenges were recognized at the Fourth International Conference on Financing for Development in Sevilla, where UN Member States agreed on the ambitious Sevilla Commitment, he noted.

However, he said that the FSDR 2026 shows that these pressures have intensified, with a financing "squeeze" and increasing fragmentation exacerbated by conflicts.

The recent conflict in the Middle East, for instance, has triggered a significant shock to an already fragile global economy, he added.

"While the ultimate impact will depend on the conflict's duration and severity, and the resulting arrangements for shipping and trade, we are already seeing clear repercussions for developing countries in relation to energy, food, trade and debt sustainability."

Despite these headwinds, Li also pointed out that the FSDR 2026 reveals the resilience and determination of the global community.

Against this backdrop, he shared some positive insights:

- First, global growth was unexpectedly resilient in 2025, at 2.7 per cent, while still below the pre-pandemic 3.2 per cent level. Certain regions and countries performed exceptionally well, with South Asia leading at 5.6 per cent.
- Second, the value of South-South trade has increased substantially, now accounting for 54 per cent of total developing country exports.
- Third, renewable energy investment reached a historic US$2.2 trillion in 2024, finally surpassing investments in fossil fuels.

Li reiterated that implementing the Sevilla Commitment remains the only viable path to bridging the financing gap towards the SDGs.

Major challenges

The FSDR 2026 highlighted three major challenges threatening long-term sustainable development prospects: first, the difficult macroeconomic environment; second, a financing "squeeze", particularly for the poorest and most vulnerable countries; and third, growing fragmentation, defined as a policy-driven reversal of global economic integration, which has created high levels of uncertainty, with potentially high economic and social costs.

It said global growth remained resilient in 2025, but the conflict in the Middle East injects new uncertainty to the outlook.

It said prior to the outbreak of this conflict, global growth was projected to hold broadly steady in 2026 despite a challenging global macroeconomic environment – marked by elevated trade tensions and higher United States tariffs, geopolitical conflicts, and heightened policy uncertainty.

The report cautioned that while the global economy has continued to show resilience, supported by easing financial conditions, firm labour markets, and robust consumer spending, this resilience could be undermined through higher energy prices, second-round effects on inflation expectations, tighter financial conditions and other transmission channels.

Growth prospects are highly uneven, and longer-term prospects remain constrained by limited fiscal space, high public debt, and subdued investment, it pointed out.

It said projections of growth for 2026 made prior to the most recent events had varied across developing regions, ranging from 5.6 per cent growth for South Asia to 2.4 per cent for Latin America and the Caribbean.

According to the report, new growth drivers such as rising investment in artificial intelligence (AI)-driven technologies and the expansion of digital trade are beginning to shape the outlook.

"However, the scope and distribution of these benefits remain uncertain, as adoption and capacity vary widely across countries and sectors."

At the same time, the report said elevated interest rates and high debt burden, coupled with eroded business confidence stemming from policy uncertainty, geopolitical tensions and trade restrictions, have dampened broader public and private investment.

It said economic fragmentation and persistent inequalities – both between and within countries – continue to pose downside risk on longer-term growth and persist as significant challenges to sustainable development progress.

The report said the conflict in the Middle East threatens to deliver a significant new shock to the already fragile global economy, with the ultimate impact hinging on the conflict's duration and severity.

Beyond the toll on the affected region, spillover risks from elevated energy prices, rising inflation and financial market volatility are substantial. The conflict is also putting upward pressure on sovereign bond yields.

A protracted conflict would also carry major implications for food security, tourism, and remittances, given the region's role as a major fertilizer trade route, transit hub, and source of remittances, it added.

The report further stressed that the moderation of global inflation is at risk. A further decline in global inflation had been projected for 2026-27, primarily aided by lower energy and food prices.

It said that these trends may now reverse, with elevated global energy and food prices due to the conflict in the Middle East representing the most immediate upside risk, compounded by exchange rate depreciation in many developing economies.

Renewed trade frictions, more fragmented supply chains, and climate-related shocks could also slow the pace of disinflation and add uncertainty to the short-term outlook, it suggested.

Global financial conditions eased in 2025, but many developing economies continue to face elevated borrowing costs and market volatility has increased since the outbreak of the conflict in the Middle East.

Major central banks' policy easing and a depreciating United States dollar supported capital flows to developing economies, albeit with notable regional differences.

Many developing economies continue to face high debt-service burdens, and their financing conditions remain sensitive to shifts in global risk appetite, said the report.

"The uncertainty around the global inflation outlook also complicates major central banks' decisions on policy rates, with implications for global financial conditions and borrowing cost for developing countries.

Elevated asset valuations, particularly in technology and AI-related sectors, raise the likelihood of abrupt market corrections with potential cross-border spillovers, the report cautioned.

Vulnerabilities in non-bank financial institutions - including limited transparency in their lending activities - further add to systemic risk, it said.

With regards to the Sustainable Development Goals (SDGs), the report said that progress remains slow and uneven, with only about one-third of global targets on track or show moderate progress.

While global extreme poverty fell modestly in 2025, the pace of poverty reduction has decelerated significantly over the past decade, it noted.

"Slower poverty reduction, insufficient to keep pace with population growth, translates into higher concentration of global poverty in sub-Saharan Africa and conflict-affected countries. Income convergence between developing and developed economies has also weakened since the pandemic."

Moreover, the report said that growth paths among developing economies are diverging, with some of the poorest countries increasingly falling further behind.

The global economic outlook remains fragile with GDP growth estimated at 2.8 per cent in 2025. Following a projected slight decline to 2.7 per cent in 2026, global growth is forecast to recover modestly to 2.9 per cent in 2027, it added.

However, the report warned that these projections may be revised downward should the conflict across the Middle East persist.

Over the medium term, the pace of global expansion is expected to remain well below the 2010-2019 average of 3.2 per cent, constrained by several structural factors – most notably high debt levels, limited fiscal space and elevated borrowing costs which restrict investment in productive capacity, it said.

Nevertheless, the global economic performance in 2025 was better than previously anticipated despite new trade frictions and a sharp increase in US tariffs.

Furthermore, global economic activity proved resilient, bolstered by the front-loading of shipments, inventory build-up amid trade policy uncertainty, and sustained consumer demand, underpinned by monetary easing and robust labour markets.

The UN said that the recent boom in AI investment has supported global growth but introduces downside risk.

Concentrated largely in the United States, this investment surge has boosted domestic activity and generated positive spillovers globally, it noted.

"However, the pace and scale of investment raise concerns. Increased reliance on debt financing could amplify shocks, particularly if returns disappoint or financial conditions tighten," it cautioned.

Growth in developed economies was projected to remain modest in 2026-2027, reflecting a balance between supportive policies and persistent structural challenges, but the conflict in the Middle East creates uncertainty around these projections, said the report.

It said that in the United States, GDP was forecast to edge up to 2.0 per cent in 2026 and 2.2 per cent in 2027, driven by rising investment in equipment – particularly in AI-related sectors – and robust consumer demand, underpinned by expansionary fiscal and monetary policies, though the prospect of further policy rate cuts is now less certain.

In the European Union, growth was projected at 1.3 per cent in 2026 and 1.6 per cent in 2027, supported by consumer spending amid rising real wages.

However, the report said higher US tariffs, geopolitical uncertainty, and long-standing structural constraints – including competitiveness challenges, high energy costs, slow technological diffusion, and population ageing – continue to weigh on potential output.

Growth prospects vary widely across developing regions, potentially exacerbated by varying exposure to the spillovers from the conflict in the Middle East, it added.

In Africa, growth was projected to rise to 4.0 per cent in 2026, supported by stronger investment and moderating inflation.

However, fiscal pressures, high debt-servicing costs, and declining official development assistance (ODA) constrain policy space.

The report said in East Asia, GDP growth was expected to ease from an estimated 4.9 per cent in 2025 to 4.4 per cent in 2026 as the boost from export front-loading fades, while domestic demand remains resilient, supported by monetary easing and fiscal expansion.

South Asia was projected to maintain robust momentum, with growth projected at 5.6 per cent in 2026, led by India's strong consumption and investment demand, it added.

In Western Asia, growth was projected to strengthen to 4.1 per cent in 2026 as oil exporters were expected to benefit from the unwinding of OPEC Plus production cuts and ongoing economic diversification efforts, but escalating hostilities across the region pose a significant downside risk to that pre-conflict outlook.

The report said in Latin America and the Caribbean, growth was forecast to remain fairly steady at 2.4 per cent in 2026, underpinned by private consumption, stable commodity prices and improved financial conditions, though the region remains vulnerable to geopolitical tensions and US trade policy shifts.

It said the outlook remains very challenging for vulnerable country groups, as limited economic diversification, high debt levels, climate-related shocks, and ODA reductions already weigh on growth prospects.

These risks could be further compounded by the energy and food price shocks and possibly higher inflation and tighter financing conditions, even as some commodity-exporting countries may benefit from higher prices, the report underlined.

It said in the least developed countries (LDCs), growth was projected to rise to 4.7 per cent in 2026, supported by improved macroeconomic stability and robust agricultural output in several large economies.

However, growth remains below pre-pandemic averages and continues to fall well short of the SDG target of 7 per cent. Many LDCs have lower per capita GDP than they did pre-pandemic.

Higher US tariffs and the expiration of the African Growth and Opportunity Act (AGOA) are hampering export prospects, particularly for labour-intensive manufacturing.

The report said landlocked developing countries (LLDCs) were projected to grow by 4.8 per cent in 2026, amid divergent commodity price developments and persistent logistical bottlenecks.

It said that Small Island Developing States (SIDS) were projected to experience a slowdown in growth to 2.8 per cent in 2026 – as narrow economic bases, elevated debt burdens, and high exposure to climate shocks continue to constrain activity.

Nearly one-third of SIDS are classified as being in, or at high risk of, debt distress, underscoring the need to support these countries in addressing their debt challenges, and to expand access to concessional finance, for example, by considering multi-dimensional vulnerabilities in allocations, it added.

"Slower income convergence between developed and developing countries has contributed to persistently high global inequality, which could dampen global demand and growth potential."

It said average GDP per capita growth has followed a downward trend across most developing regions. Africa and East Asia have experienced notable declines in income growth, while South Asia remains the only region showing sustained gains.

The gap in per capita income with developed countries widened in nearly half of developing countries during 2020-2024, resulting in the highest share since the five-year period of 1995-1999.

Rising economic fragmentation carries substantial risks for longer-term growth and economic resilience, the report warned.

A reduction in trade, loss of economic activity and diminished production efficiency put downward pressure on growth, it said.

It said that a shift away from an interconnected global trading regime toward more domestically-oriented value chains – through higher import tariffs, additional constraints on international sourcing and subsidies to domestic production – could reduce global trade by over 18 per cent and global output by more than 5 per cent after five years, with some countries at risk of losing up to 12.2 per cent of GDP.

"Output volatility is estimated to increase in more than half of the economies, suggesting 'relocalizing' value chains may also reduce resilience to shocks."

Longer-term costs could be even greater once reduced knowledge diffusion associated with less global trade is taken into account, with lower-productivity countries and those with stronger ties to innovative countries bearing the largest losses, it concluded. *(SUNS #10421)*

Foreign aid witnesses largest ever annual decline in history

According to the Organization for Economic Cooperation and Development (OECD), international aid fell by 23.1% in 2025 – the steepest annual drop ever recorded – pushing official development assistance down to levels last seen in 2015, the year the 2030 Agenda for Sustainable Development was adopted.

by Kanaga Raja

PENANG: International aid from member countries and associates of the Development Assistance Committee (DAC) fell sharply in 2025 by 23.1% in real terms compared to 2024, the steepest annual decline in the history of official development assistance (ODA), according to preliminary data released by the Organization for Economic Cooperation and Development (OECD).

This contraction pushes ODA back to levels last seen in 2015, the year the 2030 Agenda for Sustainable Development was adopted, marking a major setback after years of commitments to scale up financing for sustainable development, according to the Paris-based OECD.

ODA by DAC member and associate countries amounted to USD174.3 billion in 2025, representing 0.26% of these countries' combined gross national income (GNI), down from USD214.6 billion or 0.34% of GNI in 2024, it said.

In its preliminary ODA statistics posted on its website on 9 April, the OECD said the five largest providers of ODA in 2025 were Germany (USD29.1 billion), which has become the largest provider of ODA for the first time, followed by the United States (USD29.0 billion), the United Kingdom (USD17.2 billion), Japan (USD16.2 billion), and France (USD14.5 billion).

This was the first year on record in which the top five providers all reduced their ODA, accounting for 95.7% of the total decline in ODA overall, with ODA provided by the United States declining by 56.9%, it added.

Eight out of the 34 DAC members maintained or increased their ODA, while four countries exceeded the United Nations' target of 0.7% ODA to GNI: Denmark (0.72%), Luxembourg (0.99%), Norway (1.03%) and Sweden (0.85%).

Bilateral ODA fell by 26.4% to USD126.4 billion, while multilateral ODA declined by 12.7% to USD47.9 billion, said the OECD, pointing out that within the bilateral ODA, grants recorded a much sharper decrease (-29.1%) than loans (-10.3%).

For multilateral ODA, which fell for the second year in a row, declines were concentrated in core contributions to the UN system at -27%, the largest annual drop on record. In contrast, contributions to the World Bank and regional development banks increased, it added.

The Paris-based OECD reported that bilateral aid to development programming faced a historic decline. ODA to development programmes, projects and technical co-operation (excluding in-donor refugee costs, humanitarian aid and debt relief) declined by 26.3%, the largest drop on record for this component.

"These flows have been resilient over time, increasing by 24.2% from 2019 to 2023. The significant decline in 2025 suggests that cuts have extended beyond components of aid that typically fluctuate from year to year, such as in-donor refugee costs and humanitarian aid."

Humanitarian ODA from DAC countries fell 35.8% to USD15.5 billion, the second consecutive fall after five years of growth (2019-2023), the OECD reported.

ODA for in-donor refugee costs decreased by 22.1% over 2024 and remained stable as a share of total ODA (13.2% compared to 13.0% in 2024).

The OECD also recorded declines in bilateral ODA for Ukraine, sub-Saharan Africa and the least developed countries (LDCs).

DAC countries' net bilateral ODA to Ukraine fell by 38.2% in 2025 to reach USD10.3 billion, driven by the decline in US support, despite 23 countries increasing their bilateral ODA to Ukraine.

Bilateral ODA to least developed countries (LDCs) and sub-Saharan Africa also fell by 25.8% and 26.3%, respectively, it said.

Going forward, the OECD projected further cuts to ODA, which rose 32.7% from 2019 to 2023, driven by DAC members' response to the COVID-19 pandemic and to Russia's war of aggression against Ukraine.

That growth has since reversed. ODA fell by 6.1% in 2024 and 23.1% in 2025 amid mounting political and fiscal pressures, bringing it to 4.2% below 2019 levels, it said.

Projections suggest a further 5.8% drop in DAC ODA in 2026, not yet accounting for additional strain from the current crisis in the Middle East, it concluded. *(SUNS #10421)*

Global trade expands, but outlook clouded by Middle East turmoil

Global trade grew by $2.5 trillion in 2025 to reach $35 trillion, but this momentum is increasingly fragile as the ongoing Middle East conflict and shipping disruptions in the Strait of Hormuz are expected to intensify inflationary pressures on an already strained global economy facing geopolitical tensions, policy shifts and limited fiscal space, according to UN Trade and Development (UNCTAD).

by Kanaga Raja

PENANG: Global trade in goods and services expanded by $2.5 trillion in 2025 to reach $35 trillion, but this momentum is increasingly at risk as the conflict in the Middle East and disruptions in the Strait of Hormuz push up energy and shipping costs, strain supply chains, and heighten the vulnerabilities for countries already facing tight fiscal conditions.

This main finding was highlighted by UN Trade and Development (UNCTAD) in the latest edition of its Global Trade Update.

For many developing economies, the disruptions translate into higher import bills, tighter financial conditions and reduced capacity to sustain growth and development, although some emerging economies continue to show resilient demand and support global trade flows, said UNCTAD.

The report said trade gains in 2025 were broad-based, with East Asia and Africa posting the strongest advances while South-South trade also outperformed overall global trends.

However, the report said trade growth is expected to slow considerably in 2026, weighed down by geopolitical uncertainties, persistent inflationary pressures and rising trade costs, with only a few sectors expected to see trade expansion.

Global trends

According to the report, global trade growth remained robust in Q4 2025, rising roughly 2 per cent quarter-over-quarter (QoQ). Both goods and services contributed, with goods up 1.7 per cent and services nearly 3 per cent.

UNCTAD's nowcast indicates that this positive trend continued in Q1 2026, with goods and services expected to grow 2.5 per cent and 2 per cent, respectively, QoQ.

On a trailing four-quarter basis, trade growth was strong, reflecting a persistent expansion rather than short-term fluctuations, it said.

However, growth in services has slowed over the course of the last four quarters. These positive results are being tested by the macroeconomic consequences of the ongoing conflict in the Middle East, it added.

The report said that global trade inflation fell in Q4 2025 but rebounded to nearly 1.5 per cent QoQ in Q1 2026, indicating that part of early-2026 trade growth is driven by higher prices rather than volumes, which suggests that trade growth remains relatively weak.

Over the past 12 months, trade inflation has averaged around 4 per cent, reflecting continued upward pressure on the value of global trade.

The value of global trade increased substantially during 2025 reaching about $35 trillion, an increase of around $2.5 trillion, or almost 7.5 per cent, compared to 2024, said the report.

Goods account for about $1.8 trillion of that rise (about 7 per cent growth), while services contributed roughly $700 billion (about 8 per cent growth).

Trade growth was supported by developing economies in East Asia and Africa and strong South-South trade, the report said.

While trade growth remained solid in the first quarter of 2026, global trade is expected to slow for the remainder of the year, it cautioned.

"The conflict in the Middle East and the shipping disruptions in the Strait of Hormuz are likely to exacerbate inflationary pressures weighing on a global economy already challenged by geopolitical tensions, policy shifts, and limited fiscal space in many countries."

Rising energy costs, combined with higher trade costs from tariffs, regulatory changes, and erosion of trade rules, further dampen prospects, the report suggested.

Although global demand for goods related to AI and some consumer-driven markets and sectors, such as digital technologies and green industries, remain very strong and may provide support to global trade, these factors are unlikely to offset current geoeconomic challenges and mounting trade frictions.

The report said that on the positive side, trade sentiment in many developing regions remains broadly supportive, sustaining commitments to openness and investment in cross-border commerce, pointing out that this could help expand intra-regional and South-South trade.

Overall, however, the outlook for the incoming quarters points to slower global trade growth, with risks skewed to the downside compared with the robust performance observed in 2025, it added.

Key factors

The report highlighted the following negative factors hindering the global trade outlook:

- Conflict in the Middle East and the shipping disruptions in the Strait of Hormuz: The ongoing conflict continues to disrupt energy flows, regional logistics, and broader geopolitical stability. This is the current primary global trade headwind, with direct impacts on energy markets and indirect consequences for global economic activity.
- Persistent uncertainty in United States trade policy: While the rollback of certain United States tariffs provides limited relief, uncertainty remains high due to expanding Section 301 investigations that may result in new selective tariffs. Upcoming United States-Mexico-Canada Agreement renegotiations add further uncertainty for North American trade patterns.
- Geoeconomic competition and fragmentation: Governments

are increasingly deploying export controls, subsidy regimes, industrial policies, and non-tariff measures to boost growth in strategic sectors. These actions are often trade restrictive, reduce predictability, fragment markets, and increase compliance burdens for supply chains.

- Restrictive policies driven by global overcapacity: Industrial policies, combined with potentially weaker global demand, risk exacerbating oversupply in key sectors such as green and advanced manufacturing. This may trigger defensive trade measures and intensify competition within strategic value chains.
- Slowing trade in services: Services trade growth has slowed in recent quarters, and elevated fuel costs are expected to raise travel and transport expenses, reducing a key post-pandemic trade driver. Tighter restrictions on cross-border data and digital services create friction for IT and professional services, further constraining growth.
- Mounting debt pressures in developing economies: Elevated public and private debt continues to constrain fiscal space, stifle investment, and weaken import demand. As global interest rate cuts become less certain, debt sustainability challenges are increasingly relevant to global trade stability.

The report also outlined the following positive factors influencing the global trade outlook:

- Growth in digital, AI, and environmental sectors: Rapid expansion in technology-intensive and green industries continues to drive global trade growth. These sectors support high-value goods and services, including semi-conductors, batteries, AI hardware, and clean-energy equipment.
- Emergence of connector economies: Strategic competition among major economies has created significant opportunities for connector economies, driving investment, manufacturing relocation, and new industrial clusters in previously underused trade corridors. Trade in these economies is expected to continue rising in the near term, providing a stabilizing buffer for global supply chains.
- Expansion of South-South trade: Trade among developing economies is expected to continue growing faster than the global average, reinforcing diversification and boosting regional trade resilience. This trend indicates the increasing role of developing markets as key engines of global trade growth.
- Resilient import demand from emerging economies: Despite macroeconomic uncertainties, several emerging markets continue to exhibit resilient or expanding consumer and industrial demand. Targeted policy measures stimulate key sectors – particularly in China – effectively bolstering global trade flows.
- New regional initiatives and preferential access schemes: Agreements under negotiation could provide incremental trade gains if finalized. Additionally, China's expanded duty-free access for African exports and the potential renewal of African Growth and Opportunity Act support preferential market access, while deepening and implementation of existing regional agreements offer medium-term upside.

Highlighting some trade trends of major economies, the report said that goods trade during Q4 2025 displayed a mixed picture across major economies. Imports declined in several key economies, particularly Brazil and South Africa, while rising substantially in India and the Russian Federation.

It said that on the export side, all major economies experienced growth, with the United States outperforming the rest. Significant export increases were also recorded for Brazil and South Africa.

Most major economies saw an increase in services trade in Q4 2025. Services exports were particularly strong in Brazil, China and India. In contrast, trends in the European Union were relatively muted, with imports declining during the quarter, it added.

On a regional basis, the report said goods trade growth in Q4 2025 was fairly balanced between developed and developing economies, although import growth outside East Asia was more subdued.

South-South trade recorded above-average growth during the quarter and remained well above trend over the past 12 months, expanding by around 9 per cent over the year – driven largely by the strong performance of the East Asian economies.

In Q4 2025, goods trade growth was strong across many regions, but less dynamic in South America and Europe, the report said, pointing out that intra-regional trade expanded in most areas, though it remained weak in South America.

"Over the past 12 months, Europe, East Asia, and Africa have outperformed other regions, while the Pacific and Central Asia have lagged, particularly in terms of export growth."

Global imbalances in goods trade remained relatively stable in Q4 2025. China's goods trade surplus, which had narrowed in Q3, expanded again during the quarter, while the United States trade deficit continued to decline in Q4.

Bilateral trade imbalances in goods among major economies remained elevated in Q4 2025, with some widening over the quarter.

The report said that the United States trade deficits with China, Canada, and the European Union continued to narrow, while its deficits with Mexico and Viet Nam increased. Meanwhile, China's trade surpluses with the European Union and Viet Nam expanded.

"Trade between politically aligned countries remained above historical averages and began rising again in Q4 2025."

The report said trade concentration also increased during the quarter, reflecting faster trade growth among the largest economies.

At the same time, trade trends point to a gradual return to nearshoring, with moderately stronger trade growth between geographically close countries.

Geoeconomic factors continue to play a significant role in shaping key bilateral trade patterns, with substantial effects on trade between major economies and their relationships with other partners, the report noted.

During 2025, trade interdependence between China and the United States has declined markedly, accompanied by notable shifts in trade relations among several of their respective trading partners.

Highlighting the trade consequences of United States-China economic decoupling, the report said that in 2025, trade between the United States and China declined sharply, falling by roughly one-quarter compared with 2024, or about $170 billion.

Despite this drop, overall trade for both economies continued to grow. Some of the missing bilateral trade was redirected through other countries, giving rise to several "connector" economies – those whose trade with both the United States and China increased – which helped sustain positive global trade trends in 2025.

Prominent examples include Egypt, Cambodia, Viet Nam, and Thailand. Very few countries saw their trade flows polarize toward only one of the two poles, indicating that global trade fragmentation remains uneven and should be understood in the context of specific sectors and countries, said the report.

Meanwhile, highlighting global trade trends at the sectoral level, the report said that trade growth in 2025 varied significantly across sectors, with commodity price fluctuations playing an important role.

Agricultural trade expanded strongly, led by animal products, cereals, coffee, tea, and spices; notably, rising coffee prices contributed to this growth." However, the report said that momentum in these sectors slowed in the final quarter of the year. Trade in natural resources declined overall, weighed down by lower prices for mineral fuels.

By contrast, it said manufacturing recorded a strong year, expanding by around 11 per cent, driven by robust growth in machinery, including both electrical and non-electrical segments. Rising prices of precious metals supported strong growth in trade in the other base metals sector.

The report also said that in 2025, trade patterns across the energy, electronics, and automotive sectors shifted markedly.

Fossil fuel trade declined sharply amid falling prices, while renewable energy products delivered mixed results: wind- and battery-related goods expanded, whereas solar products and critical minerals contracted. In the final quarter of the year, wind-related goods continued to grow at an exceptionally strong pace.

Meanwhile, solar products and critical minerals returned to growth after strong decline in the previous quarters.

Electronics trade continued to grow in Q4, making 2025 a standout year for the sector, driven by surging demand for AI-related products. By contrast, trade in the automotive sector remained below average, with growth limited to hybrid and combustion-engine vehicles, the report concluded. *(SUNS #10419)*

Middle East crisis could cost Asia-Pacific up to $299 billion, says UNDP

Human development gains across Asia-Pacific are under mounting pressure as economic shockwaves from the Middle East conflict ripple through the region, with the UN Development Programme (UNDP) warning that 8.8 million people could be pushed into poverty and output losses could reach US$97-299 billion.

by Kanaga Raja

PENANG: Human development gains across the Asia and Pacific region are coming under renewed strain as the economic shockwaves from the recent military escalation in the Middle East spread across households, even amid a temporary ceasefire, the UN Development Programme (UNDP) has warned.

In a new report, UNDP estimates that 8.8 million people in the region are at risk of falling into poverty, with output losses ranging from US$97 billion to US$299 billion, underscoring how quickly external geopolitical crises can erode years of progress in poverty reduction and economic resilience.

Preliminary analysis by UNDP examines how heightened volatility, transmitted through energy, trade, and labour markets, is straining incomes, consumption, jobs and social protection across the region.

Low-income households, informal workers, migrants, and small enterprises are among the most at risk. Women are the most vulnerable across these categories, it said.

The report synthesizes impact and needs assessments covering 36 countries, complemented by macroeconomic simulations, and provides a region-wide outlook as well as how different countries are currently responding to these pressures.

Rising fuel and freight costs are the most immediate pressure point. With over 80 percent of crude and liquified natural gas (LNG) transiting the Strait of Hormuz destined for Asian markets, the region is experiencing rapid pass-through of higher pricing on transport, electricity, food and fertilizer, said UNDP.

In Iran, the estimated decline in the Human Development Index (HDI) is equivalent to one to one and a half years of progress lost.

In other countries, human development losses under a short duration scenario range from weeks to months of foregone development progress, but could escalate significantly if disruptions persist, particularly in economies reliant on remittances, imported energy and food, said the UNDP.

It said that losses are most pronounced in South Asia, reflecting higher exposure to income and price shocks and more limited policy buffers, while East and Southeast Asia experience comparatively smaller setbacks.

"The strain this war is placing across Asia-Pacific is already visible. It is reaching households faster than policy can adjust," said Kanni Wignaraja, UN Assistant Secretary-General and UNDP Regional Director for Asia and the Pacific.

Despite the recent ceasefire, the resulting prolonged volatility in global markets is imposing increasingly difficult tradeoffs between stabilizing prices, supporting vulnerable households, and maintaining essential public services and market investments, Wignaraja added.

"At the same time, we see important opportunities for countries to accelerate long-term resilience through adaptive social protection, stronger local and regional value chains, and diversified energy and food systems."

Channels

According to the UNDP report, the military escalation in the Middle East that began late February 2026 has sent shockwaves through global energy markets, trade routes, and financial systems, with acute implications for Asia and the Pacific – a region deeply exposed through its dependence on imported energy, integration into the global supply chains, and the vulnerability of its poorest households, to rising living costs.

At this stage, the impact of the military escalation in the Middle East is being felt across Asia and the Pacific, with the costs of intermediate and final goods rising and localized shortages beginning to emerge, it said.

Some vulnerable economies are reportedly facing acute supply constraints in critical sectors such as fuel.

The first-round effects are rising fuel and freight costs. If conflict-induced disruption persists, second-round effects are likely to appear through food prices, fiscal pressure, remittance volatility, and weaker tourism receipts, the report cautioned.

Across the region, the evidence points to a clear hierarchy of transmission channels, with energy at the center, the report said, noting that this is followed by trade and supply chains, then food and fertilizer, while remittances and tourism are more concentrated but potentially severe where exposure is high.

Highlighting energy as the dominant transmission channel, the report said that the Strait of Hormuz accounts for roughly one-fifth of global oil and petroleum product consumption, with the vast majority of these flows destined for Asia.

It said in 2024, an estimated 84 percent of crude and condensate and 83 percent of LNG transiting the Strait were destined for Asian markets.

This regional exposure is amplified by the continued importance of oil in Asia-Pacific's energy mix and by the strong macroeconomic pass-through from energy prices.

Oil accounts for a substantial share of primary energy consumption across many economies, including Singapore, Sri Lanka, Thailand, the Republic of Korea, and the Philippines, helping to explain the wide transmission of oil-price shocks across the region, it added.

Among the region's larger importers, India meets over 90 per cent of its oil needs through imports, sourcing more than 40 per cent of crude imports and 90 per cent of LPG imports from the Middle East.

In the Philippines, 98 per cent of crude oil imports come from the Middle East, alongside 97 per cent of liquid petroleum products and 91 per cent of LPG from Asian refineries dependent on Gulf-sourced crude, according to the Department of Energy. Thailand sources about 60 per cent of its oil imports from the Middle East.

The report said vulnerability is even sharper where buffers are limited. For instance, in Nepal, only about 80 per cent of total storage capacity is currently filled as of March 2026.

While full storage could meet demand for 13 days of petrol and diesel, existing stock was sufficient for a maximum of 10 days, with 10 days of aviation fuel and no LPG stock.

The speed of domestic pass-through is already visible: Lao PDR reported that diesel prices rose by almost 50 per cent within a week, it added.

Trade and supply chain disruption is the second major transmission channel, with UNDP country-level analysis indicating significant impacts in 25 out of 36 countries through freight surcharges, war-risk insurance premia, route diversions, and delayed delivery of intermediate and consumer goods.

These pressures are already visible in shipping and air freight markets. War-risk premiums for vessels transiting the Persian Gulf have in some cases risen by more than 1,000 per cent, with hull-war cover moving from around 0.25 per cent to as much as 3 per cent of vessel value, said the report.

It said route diversions are extending delivery times as well: The UN Conference on Trade and Development (UNCTAD) benchmark Asia-Europe example shows that rerouting from Suez around the Cape of Good Hope can lengthen a voyage from roughly 31 to 41 days.

Air freight has also tightened sharply, with rates up by as much as 70 per cent on some corridors since the start of the conflict.

The report said that at the country level, these frictions are producing differentiated impacts.

India's assessment shows that West Asian markets account for 14.0 per cent of exports and 20.9 per cent of imports, with roughly US$48 billion in non-oil exports exposed, particularly in basmati rice, tea, gems and jewelry, and apparel, it noted.

Bangladesh reports significant disruption: as Gulf carriers cancelled flights, shipments from Bangladesh and India were stranded; more than half of Bangladesh's air cargo normally transits through Gulf hubs, while in Sri Lanka, tea export losses are estimated at around US$10-15 million per week.

The trade shock thus extends well beyond slower shipping times; in economies that are highly import-dependent and only weakly integrated into global logistics networks, it can rapidly translate into broader pressures on the cost of living and on the reliability of essential supplies, the report stressed.

It also said food security and fertilizer form a slower but deeper transmission channel, with 22 of 36 countries assessed identifying food and fertilizer price increases as a high risk.

The report explained that the regional mechanism is straightforward: fertilizer production is energy-intensive, and the Middle East is a major hub for global fertilizer production and exports.

Countries such as Iran, Qatar, Saudi Arabia, and Oman are among the world's leading exporters of nitrogen fertilizers, including urea and ammonia.

The report said the Asia-Pacific region accounts for roughly 30-35 per cent of global urea exports and around 20-30 per cent of ammonia exports, while up to 30 per cent of internationally traded fertilizers normally transit the Strait of Hormuz.

"As the conflict escalated, fertilizer markets reacted sharply. This matters because the shock is hitting ahead of key planting cycles and can feed, with a lag, into both lower yields and higher food prices. Despite increased domestic production of fertilizers, the region remains a net importer, highlighting its continued dependence on external supply and vulnerability to global price shocks."

UNDP's country-level evidence confirms that the food channel is especially acute where import dependence is high, and retail pass-through is fast.

The report said that West Asian countries supply over 45 per cent of India's fertilizer imports, while 85 per cent of the country's domestic urea production depends on imported re-gasified liquefied natural gas (RLNG).

Remittances and migrant labour are a narrower channel region-wide, but highly consequential in economies with strong Gulf labour-market ties, the report underlined.

It said that the economic stakes are immense: with total remittance inflows from the Middle East and Gulf to the Asia-Pacific region estimated at nearly US$100 billion in 2024.

Country reporting points to the sharpest risks in South Asia and the Philippines, where employment in Gulf labour markets sustains both household incomes and foreign exchange inflows.

For several countries, the scale of direct exposure to Gulf labour markets and remittance flows is both substantial and consequential, it stressed.

India has the largest absolute exposure: the Ministry of External Affairs reports 9.37 million Indians residing in Gulf Cooperation Council (GCC) countries as of October 2024, sending about 38-40 per cent of India's inward remittances.

In the Philippines, the central bank data indicate cash remittances from the Middle East totaled about US$6.48 billion in 2024, equivalent to roughly 18 percent of overall remittance flows.

Sri Lanka is also highly exposed: 80.2 per cent of migrant-worker departures in 2025 were to the Middle East.

The report also highlighted tourism as a more selective transmission channel, yet it can have pronounced impacts in economies with high dependence on travel-related revenues.

Early signals from the most exposed destinations are already concerning. In the Maldives, Ministry of Tourism data show 34,908 tourist arrivals between 1 and 7 March 2026, down 23.4 per cent year-on-year, while in Sri Lanka, tourist arrivals fell from an average of about 9,976 a day in February to 5,956 a day during 1-8 March 2026, a drop of roughly 40 per cent.

Fiscal pressures are a critical channel through which initial shocks translate into medium-term development setbacks, the report pointed out.

"While governments can provide short-term relief to households through fuel subsidies, tax relief, and cash transfers, these interventions place increasing strain on already limited fiscal space. Over time, rising support measures risk crowding out development spending."

The pressures are most acute where public debt is already elevated, fiscal deficits are large, or foreign exchange buffers are limited, it said.

These strains are already becoming visible. In Indonesia, the fiscal deficit could widen to 3.6 per cent of GDP if oil remains around US$90-92 per barrel, above the legal 3 per cent ceiling.

In more vulnerable economies, fiscal and external buffers are thinner. Fiji has indicated that an increase in oil prices from US$60 to US$100 could reduce foreign reserves by about US$500 million.

Citing another example, the report pointed out that in the Maldives, each month of reduced tourist arrivals and weaker economic activity could cut revenues by US$85-100 million, raising the debt-to-GDP ratio by about 1.2 percentage points and widening the budget deficit by about 21 per cent, against an already high public debt level of about 135.9 per cent of GDP and a projected deficit of 7.1 percent of GDP.

Impact on development

The UNDP report outlined three conflict scenarios in its analysis of the impact of the military escalation in the Middle East on human development across the region: scenario 1 assumes a short-lived disruption lasting 28 days, with immediate adjustment back to pre-military escalation conditions once the conflict ends; scenario 2 applies the same initial shock but assumes a 4-month adjustment period before full recovery; scenario 3 extends the adjustment period to 8 months, capturing more persistent effects on trade, production, and expectations.

Across all three scenarios, the initial shock structure is the same: a temporary 50 percent decline in productivity across sectors in conflict-affected economies during the conflict period, a complete halt in oil and gas production, and a ten-fold increase in export trade costs, it summarized.

Economic growth remains foundational to human development, shaping income generation, employment, and the fiscal capacity of governments to finance health, education, and social protection systems, said the report.

"Shocks to GDP therefore transmit directly and indirectly into human development outcomes, influencing both immediate welfare and longer-term development trajectories."

UNDP said that simulation estimates show that output losses remain moderate in relative terms but substantial in absolute magnitude, reflecting the region's economic scale.

Total losses range from approximately US$97 billion to US$299 billion across scenarios, equivalent to about 0.3 to 0.8 per cent of regional GDP.

Impacts are uneven across sub-regions: South Asia accounts for the largest losses in both absolute and relative terms, reaching over US$183 billion and up to around 3.6 percent of GDP in more severe scenarios, reflecting higher exposure and more limited buffers, it added.

East Asia experiences sizeable absolute losses exceeding US$108 billion but with relatively modest proportional declines of up to around 0.4 per cent, while Southeast Asia records smaller losses both in absolute and relative terms.

By income group, the report said that upper-middle-income economies account for the bulk of total losses, while lower-middle-income countries experience comparatively similar percentage declines relative to GDP.

In the aggregate, human development losses remain moderate across Asia and the Pacific under short-duration shocks but increase progressively across scenarios and vary considerably across sub-regions and income groups, it pointed out.

"Losses are most pronounced in South Asia, reflecting higher exposure to income and price shocks and more limited policy buffers, while East and Southeast Asia experience comparatively smaller setbacks."

The report further said that upper-middle-income countries within this region register the largest declines in terms of lost progress, despite relatively stronger economic fundamentals, whereas the region's lower-middle-income countries experience more modest but still meaningful setbacks.

Overall, the report said while losses remain contained in the near term, they are equivalent to several weeks to months of foregone progress and are expected to compound under more prolonged disruptions.

Highlighting the case of Iran, it said the losses are far more severe, even under a short-duration scenario: UNDP simulations indicate that Iran's HDI could decline by an amount equivalent to roughly one to one and half years lost of human development progress, underscoring the scale of the shock relative to recent gains, and more severe scenarios suggest even larger setbacks.

India is projected to experience a loss of approximately 0.03-0.12 years of HDI progress, followed by Nepal at around 0.02-0.09 years and Viet Nam at 0.02-0.07 years, while for China, the estimated effects on HDI remain limited in magnitude, ranging roughly 0.01-0.05 years.

Pakistan also experiences losses in the range of 0.01-0.04 years and Thailand up to 0.02-0.07 years.

The report said that other countries, including Bangladesh, the Philippines, Sri Lanka, Cambodia, and Lao PDR, show similarly modest losses of roughly 0.01-0.05 years, indicating limited short-term impacts.

UNDP also said simulation results suggest that poverty impacts across the region remain modest in relative terms but increase significantly across scenarios and are unevenly distributed across sub-regions and income groups.

"The number of people pushed into poverty rises from approximately 1.9 million to nearly 8.8 million across scenarios, with South Asia accounting for the largest share, ranging from about 1.7 million to over 8.0 million, reflecting both the sub-region's population size and its higher exposure to income and price shocks."

East Asia and Southeast Asia experience comparatively smaller increases, with impacts ranging from around 100,000 to over 600,000 and 30,000 to around 150,000, respectively, while effects in the Pacific are limited in both absolute and relative terms.

By income group, the report said that upper-middle-income countries account for the majority of new poor, rising from around 1.4 million to nearly 5.8 million, driven by population scale effects, whereas lower-middle-income

(continued on page 15)

Hormuz crisis could turn into global agrifood catastrophe, warns FAO

The Chief Economist of the Food and Agriculture Organization of the United Nations (FAO) has called for shipments of key agricultural inputs to immediately resume through the Strait of Hormuz, cautioning that prolonged disruptions could trigger inflationary pressures and supply chain shocks similar to those seen after the COVID-19 pandemic.

by Kanaga Raja

PENANG: Ships carrying essential agricultural inputs must resume passage through the Strait of Hormuz immediately to avoid a sharp rise in global food prices later this year, according to the Food and Agriculture Organization of the United Nations (FAO).

FAO warned that prolonged disruptions could trigger inflationary pressures and supply chain shocks reminiscent of the post-COVID-19 period.

"The clock is ticking," and crop calendars put poorer countries most at risk of scarce and pricey fertilizer and energy inputs, said FAO Chief Economist Maximo Torero in a podcast published by FAO on 13 April together with David Laborde, Director of FAO's Agrifood Economics Division.

Highlighting the magnitude of the potential impact of the closure of the Strait of Hormuz, Torero said that "we have 30 to 35% of crude oil which is not moving, 20% of natural gas which is used for nitrogen fertilizer, and between 20 to 30% of other fertilizers that are not moving out."

He said it also means that 45 to 50% of sulfur, which is used to create phosphate fertilizer, is not moving out.

Since the ceasefire started, the expectation is that vessels will start to move, said Torero, adding: "We have an important pipeline of vessels that are not moving."

Citing an example, he noted that at the end of March, the last vessel moving out of the Strait of Hormuz has arrived at its destination.

He cautioned that if these vessels don't move out, the key inputs for the agrifood system and also for economic growth and the day-to-day operations of many sectors will be substantially impacted.

"So, our expectation is that vessels – let's hope in the following days – will start to move, and let's hope we don't go backwards to a situation where the Strait is again closed."

"The clock is ticking," the Chief Economist said, explaining that everything that relates to the agrifood system is linked to the crop calendar.

"If we don't follow the crop calendar, and we don't have the inputs in the time that is needed for planting ... that implies that producers will have to produce with less inputs and therefore they could have lower yields and that will affect the next season, the next half of the year, or potentially the next year," he pointed out.

"So, that is the level of urgency we have right now because the last thing we want is less yields for the next half of the year and for next year," as well as higher food and commodity prices and higher food inflation.

Higher food inflation means higher overall inflation in the world and that means countries will have to put policies in place, like they did during COVID-19 after the recovery, to try to lower prices, he said, noting that interest rates will go higher and that will have an economic impact.

"So, its really important that these vessels start to move now," Torero emphasized.

The latest FAO Food Price Index covered the month of March and was relatively stable thanks to ample supplies of most food commodities, especially cereals.

However, Torero noted that pressure is rising in April and will intensify in May as "farmers will make decisions" on whether to switch planting choices to adapt to fertilizer availability as well as whether to allocate more land and resources to biofuels to benefit from higher oil prices but curtailing global food supplies.

He said that is why it is essential that the ceasefire continues and that vessels in the Strait start to move so that agricultural inputs can flow and "we avoid this problem of food inflation in the future".

Torero pointed out that energy, oil and diesel prices are central to all the countries that operate in the agrifood system, and these are needed for many parts of the whole value chain – from the farm to the market.

Furthermore, he said fertilizers are crucial – not only typical fertilizers like nitrogen, phosphorus and phosphates – but also the inputs to produce them like sulphur in the case of phosphates.

FAO urged all countries to closely ponder biofuel mandates and above all to avoid export restrictions on energy and fertilizers.

Torero also warned that food inflation is a huge risk to the world.

"If we have food inflation, that means we will have overall inflation in the world and that means that countries will have to react with policies that will restrict the monetary supply by increasing interest rates and that will mean that economies will grow slightly later."

The Chief Economist stressed that this is not something abstract, but something that is real and that is why we need to ensure that vessels keep moving in the Strait.

Also speaking during the podcast, David Laborde, Director of FAO's Agrifood Economics Division, underlined that the Strait of Hormuz is a key channel for oil and fertilizer, as well as to bring food to the Gulf countries.

"So, getting it open is critical," he said, noting that in February a number of ships left the Strait and they have supplied the world during the month of March, but this is stopping now.

That is why today it has become critical that more traffic is seen in the

Strait, he added.

"We are in an input crisis; we don't want to make it a catastrophe," said Laborde. "The difference depends on the actions we take."

Highlighting some policy recommendations, Torero said in the short term, "we need to avoid export restrictions, especially now for fertilizer and energy and later maybe for commodities as well".

According to the FAO, if the standoff in the Strait of Hormuz is not quickly ended, anticipatory actions should be considered, in particular asking multilateral institutions to provide financing to countries at risk of losing access to basic fertilizer inputs given their planting has started.

In this regard, Torero said the International Monetary Fund's balance of payment facilities, and the Food Shock Window, following the Food Import Financing Facility that FAO suggested in 2022, could be used as an input-financing facility allowing countries that need fertilizers today to get them quickly without triggering distorting subsidy competitions.

"Let's avoid this perfect storm – be aware of those risks and putting the policies in place and doing the diplomatic solutions that are required to not create a food crisis when we don't need to have a food crisis," Torero said. *(SUNS #10423)*

Global food prices rise amid energy shock from Mideast conflict

World food commodity prices rose for a second straight month in March, with all major commodity groups witnessing price increases, reflecting both underlying market fundamentals and the pass-through effects of rising energy prices associated with the escalating Middle East conflict.

by Kanaga Raja

PENANG: World food commodity prices rose for the second consecutive month in March, driven mainly by higher energy costs stemming from the escalating conflict in the Middle East, according to the Food and Agriculture Organization of the United Nations (FAO).

According to FAO, its Food Price Index (FFPI) averaged 128.5 points in March 2026, up 3.0 points (2.4 per cent) from its revised February level, marking a second consecutive month of increase.

It said price indices across all commodity groups – cereals, meat, dairy, vegetable oils and sugar – rose to varying degrees, reflecting not only underlying market fundamentals but also responses to higher energy prices linked to the conflict escalation in the Near East.

Compared to historical levels, the FFPI stood 1.2 points (1.0 per cent) above its value a year ago but remained as much as 31.7 points (19.8 per cent) below the peak reached in March 2022, it added.

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

"Price rises since the conflict began have been modest, driven mainly by higher oil prices and cushioned by ample global cereal supplies," said FAO Chief Economist Maximo Torero in a video interview.

"But if the conflict stretches beyond 40 days with high input costs with current low margins, farmers will have to choose: farm the same with fewer inputs, plant less, or switch to less intensive fertilizer crops. Those choices will hit future yields and shape our food supply and commodity prices for the rest of this year and all of the next," he added.

According to the FAO, its Cereal Price Index averaged 110.4 points in March, up 1.7 points (1.5 per cent) from February and 0.7 points (0.6 per cent) from its year-earlier level, with the increase reflecting higher quotations for all major cereals except rice.

It said international wheat prices rose by 4.3 per cent, supported by deteriorating crop condition ratings in the United States of America amid drought concerns and expectations of reduced plantings in Australia in response to anticipated higher fertilizer costs.

FAO said these upward pressures were partly offset by generally favourable crop conditions in Europe and strong competition among exporters, underpinned by still comfortable supply levels.

"World maize prices increased by only 0.9 per cent, as ample global availability continued to weigh on markets, despite some support from fertilizer affordability concerns ahead of northern hemisphere planting and indirect support from improved ethanol demand prospects linked to higher energy prices."

Prices of barley and sorghum also increased. By contrast, the FAO All Rice Price Index declined by 3.0 per cent in March 2026, reflecting price decreases across all major market segments, driven by a combination of harvest pressure, weaker import demand, and currency depreciations against the United States dollar, said FAO.

According to the FAO, its Vegetable Oil Price Index averaged 183.1 points in March, up 8.9 points (5.1 per cent) from February and marking a third consecutive monthly increase.

The index also stood 21.3 points (13.2 per cent) above its level one year ago. The continued increase was driven by higher quotations across palm, soy, sunflower and rapeseed oils, it said.

It said that international palm oil prices reached their highest level since mid-2022 and moved to a premium over soyoil, largely reflecting spillover effects from the sharp increases in crude oil prices, while lower-than-expected production estimates in Malaysia provided additional support.

World soyoil prices edged up only marginally, as expectations of stronger biofuel uptake in the United States of America were partly offset by seasonally rising export supplies from South America.

Meanwhile, international sunflower and rapeseed oil prices were underpinned, respectively, by lingering supply tightness in the Black Sea region and prospects of stronger feedstock demand amid substantially elevated world energy prices, said FAO.

According to the FAO, its Meat Price Index averaged 127.7 points in March, up 1.2 points (1.0 per cent) from February and 9.4 points (8.0 per cent) above its level a year ago.

The increase was mainly driven by higher pig meat prices, alongside a modest rise in bovine meat quotations, while ovine (lamb and mutton) and poultry meat prices softened, it said.

Pig meat prices surged, underpinned by rising quotations in the European Union ahead of strengthening seasonal demand, it added.

According to the FAO, world bovine meat prices also rose, led by Brazil, where tightening cattle availability curtailed exportable supplies against the backdrop of solid global demand; this was partly offset by stable prices in Australia, supported by ample availability.

On the other hand, the UN agency said ovine meat prices declined due to increased export supplies from New Zealand, although firmer prices in Australia – supported by sustained demand in key markets – partly mitigated the decline, despite higher tariffs imposed by the United States of America and logistical constraints affecting access to the Near East markets.

"World poultry meat prices edged lower, reflecting weaker quotations in Brazil amid ample supplies and steady import demand, with shipments to key Near East destinations rerouted through the Red Sea."

According to the FAO, its Dairy Price Index averaged 120.9 points, up 1.5 points (1.2 per cent) in March, but remained 27.8 points (18.7 per cent) below its level a year earlier.

It said this marked the first increase since July 2025, driven primarily by higher quotations for skim milk powder (SMP), butter, and whole milk powder (WMP), while lower international cheese prices limited the overall rise.

FAO said SMP and WMP prices extended the upward trend observed since January, supported by firm global import demand and a seasonal decline in milk supplies in Oceania as the production cycle moved past its peak.

The UN agency said that international butter prices also edged up, with stronger gains in Oceania reflecting tightening milk fat availability, while increases in the European Union remained moderate due to comfortable cream supplies amid improving seasonal milk flows.

On the other hand, FAO said that cheese prices declined further in the European Union, where increased milk availability, higher cheese output, and subdued export demand weighed on quotations, while prices in Oceania firmed, supported by tighter supply conditions and relatively strong demand.

According to the FAO, its Sugar Price Index averaged 92.4 points in March, up 6.2 points (7.2 per cent) from February and reaching its highest level since November 2025 but remaining 24.5 points (21.0 per cent) below its level a year ago.

The increase in March was mainly influenced by higher international crude oil prices, raising expectations that Brazil, the world's top sugar exporter, would rely more on sugarcane-based ethanol during the upcoming harvest, it said.

"Additional upward pressure on sugar prices stemmed from concerns over the impact of the Near East conflict escalation on sugar trade flows."

Nevertheless, FAO said that the overall increase in world sugar prices was contained by the generally favourable global supply outlook for the 2025/26 season, supported by good harvest progress in India and Thailand. *(SUNS #10417)*

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countries experience smaller but still significant increases, from roughly 0.5 million to 3.0 million, reflecting greater vulnerability to shocks.

Iran records the largest increase, from about 1.2 million to over 5.0 million, followed by India, where poverty is expected to rise from around 400,000 to 2.5 million, and Pakistan, from about 73,000 to over 420,000.

Meanwhile, China is estimated to experience a more moderate increase in the number of people at risk of falling into poverty, from around 115,000 to over 620,000, reflecting small proportional changes applied to a very large population base.

Under the most severe scenario, the estimated increase remains limited relative to population size, underscoring the country's stronger buffers to manage shocks, the report suggested.

The report noted that in response to the crisis, governments across the region have responded rapidly to cushion the domestic shocks through fuel price stabilization, targeted subsidies, limits on transport, and early adaptive measures such as diversifying energy supply and improving energy efficiency.

It said in some countries, responses have included nationwide energy saving campaigns and temporary changes to public sector work arrangements to ease pressure on fuel consumption and public budgets. *(SUNS #10425)*

Rights expert unveils roadmap for eradicating poverty beyond growth

A United Nations expert has called for a fundamental overhaul of global development, unveiling a new roadmap aimed at ending poverty without relying on endless economic growth, while urging governments and international institutions to adopt a rights-based, systemic shift in how poverty is addressed.

by Kanaga Raja

PENANG: A United Nations human rights expert has urged a fundamental rethinking of global development, presenting a UN-backed roadmap that rejects the long-dominant assumption that economic growth is the primary path out of poverty and instead outlines concrete measures for transitioning to a "human rights economy".

Unveiling his "Roadmap for Eradicating Poverty Beyond Growth" on 22 April, Mr Olivier De Schutter, the UN Special Rapporteur on extreme poverty and human rights, called for a decisive change in how governments and international institutions tackle the issue.

"For decades, the dominant narrative has been that economic growth is the only route out of poverty," said De Schutter. "Yet, this is neither realistic nor sustainable, and is often counterproductive."

"The global economy we have built is funnelling vast wealth into the hands of a tiny elite, weakening democratic institutions, and trapping millions in poorly paid work," De Schutter said.

"It relies on the plundering of natural resources and cheap labour in the Global South, and has caused irreparable damage to the planet."

"In the name of competitiveness and growth, governments have also weakened labour protections, deregulated markets, and cut public services – deepening insecurity and inequality," the expert said.

The Roadmap draws on contributions from more than 400 experts across the UN system, academia, governments, civil society and trade unions, and identifies a range of measures that can contribute to the fight against poverty without leading to further environmental collapse, emphasizing the need for a reformed international economic order to enable efforts at the domestic level.

It also identifies tools for the governance of the transition, recognizing the need for democratic planning of a post-growth transition, the role of indicators on equitable, inclusive and sustainable well-being to guide policy action, and the need to encourage participatory and deliberative democracy to strengthen legitimacy and the effectiveness of the transition, as well as to build countervailing power.

Its recommendations are structured around five pillars – economic systems transformation; labour market policies and the care economy; universal social protection and essential services; climate, environment and resource management; and trade, finance, debt and global solidarity – underpinned by a transversal focus on governance and participatory democracy.

"There is a growing consensus on the need for credible alternatives to our growth-at-all-costs economic model," De Schutter said.

He added: "When I began my mandate six years ago, the 'beyond growth' agenda was at the margins. Today, as our economic structures hurtle us towards climate catastrophe and extreme levels of inequality, it is increasingly shaping the debate."

The Special Rapporteur outlined policies in the Roadmap which aim at strengthening universal public services and care systems, guaranteeing access to decent work through a public employment guarantee, introducing income security mechanisms such as a universal basic income, and reducing working time while ensuring fair and living wages.

The expert also stressed the requirements needed to finance these transformations, from wealth and inheritance taxes, to cancelling the unsustainable sovereign debt burdens that prevent many countries from investing in social protection.

While low- and middle-income countries may still require growth to invest in infrastructure, public services and social protection, he warned that the challenge is to support growth that is less dependent on exploitative global supply chains, enabling development without perpetuating inequality or environmental harm.

A report presented by the Special Rapporteur outlining the roadmap for eradicating poverty beyond growth addressed the following question: how can we address the poverty and inequality emergencies without seeing economic growth as the precondition for progress?

Economic growth, the Special Rapporteur showed in a report to the Human Rights Council (in 2024), inevitably results in higher levels of resource use, in further biodiversity loss, and in more waste and pollution.

Moreover, gross domestic product (GDP) – as a measure of total economic output – provides a wrong compass for policy action, De Schutter pointed out.

The expert said a focus on increasing GDP distorts decision-making in favour of forms of development that may end up weakening workers' rights and impacting mental health due to the pressures of increased competition.

It may also result in inequalities worsening, as countries seek to attract investors by lowering taxes on corporate profits and by reshaping the regulatory framework in their favour.

"This is what the report called the counter-productivity of growth; and this is why we now need something else," said De Schutter.

He said that once the limits of growth are acknowledged, new questions emerge: How can we make economies more inclusive and sustainable by design? Where growth is still needed – in low-income countries in particular, how can we ensure that it is less extractive and exploitative than it is in its current form? Which governance mechanisms should be put in place to escape path dependencies, and to inject long-term thinking in policy-making, to ensure inter-generational fairness?

He said the Roadmap on Eradicating Poverty Beyond Growth builds on the wide range of proposals received to enrich the policy toolbox against poverty, with a view to moving beyond the "grow-tax-transfer" sequence on which the fight against poverty has traditionally relied: while post-market compensation is still needed to support redistribution, in-market reforms and pre-market social investment should now be equally ranked as priorities.

He added that the Roadmap therefore identifies a wide range of policy measures that could be adopted to move in this direction: it thereby gives concrete content to the vision of a "human rights economy" put forward within the Office of the High Commissioner for Human Rights.

The Special Rapporteur said that countries at different levels of development have different needs, and they face different challenges.

"For low-income countries (in the World Bank classification), or least-developed countries (according to the listing of UNCTAD), it may still be necessary to increase total economic output in order to satisfy the needs of the population and thus contribute to the realization of human rights."

The expert said for these poor countries, the challenge is not to dispense with growth: it is, rather, to ensure growth is truly inclusive and sustainable, and to escape forms of growth that are export-dependent, and thus geared towards satisfying the demand of the high-value markets of rich countries, rather than addressing local needs as a matter of priority.

Guiding principles

According to the report by the Special Rapporteur, the central objective of the Roadmap is the eradication of poverty in all its dimensions, through the dismantling of social exclusion and institutional maltreatment, and the structural reduction of inequalities in income, wealth, power, status and voice.

It said the shift beyond growth is not an abstract economic choice; it is a necessary condition for fulfilling States' obligations under international human rights law – including the International Covenant on Economic, Social and Cultural Rights – in a manner that is sustainable, democratic and consistent with planetary boundaries.

According to the Special Rapporteur, the following Guiding Principles articulate the normative foundations of this transformation:

- Primacy of human dignity and the eradication of poverty: All economic and social policies must be designed and assessed with the eradication of poverty – understood as material deprivation, social exclusion, stigma and institutional maltreatment - as their primary objective. Poverty is relational and multidimensional: it denies equal participation in society and undermines human dignity. States must move beyond compensatory approaches and address the structural drivers of poverty embedded in economic governance, labour markets, fiscal systems and social institutions. No economic objective, including growth, can justify policies that entrench deprivation or exclusion.
- Substantive equality and structural redistribution of resources and power: Reducing inequalities in income, wealth, power, status and voice is indispensable to poverty eradication. Extreme concentrations of wealth and corporate power distort democratic decision-making and undermine equal enjoyment of rights. States must deploy fiscal, monetary, financial, competition and regulatory policies to redistribute resources and curb excessive economic power. Equality and non-discrimination – including on grounds of race, ethnicity, caste, descent, religion, gender, disability, age, migration status, sexual orientation and gender identity – must guide all economic reforms. Structural redistribution is not optional; it is a human rights obligation.
- A human rights economy beyond growth dependence: Economic growth is not a precondition for the realization of human rights. The Roadmap affirms the transition toward a human rights economy that organizes production, distribution and consumption around the satisfaction of needs, universal access to essential goods and services, and collective well-being within planetary boundaries. Macroeconomic governance – including fiscal, monetary, financial, trade and industrial policy – must be aligned with human rights obligations and assessed for its impacts on people in poverty and marginalized groups. Moving beyond growth dependence is necessary to prevent ecological breakdown, social fragmentation and the "modernization" of poverty in increasingly unequal societies.
- Ecological sustainability, inter-generational justice and responsibility toward future generations: The economy is embedded within ecological systems and dependent upon them, and decisions taken today shape the rights, opportunities and living conditions of present and future generations. States have obligations to respect, protect and fulfil human rights in ways that safeguard ecological integrity and exercise stewardship over natural, financial and institutional resources, including the legal recognition of the rights of nature and the strengthening of biodiversity protection. Economic governance must be reoriented toward sufficiency, regeneration and long-term resilience, ensuring that the satisfaction of present needs does not compromise the ability of future generations to enjoy their rights. This requires precautionary approaches, long-term democratic planning, and governance arrangements that integrate future impacts into present decision-making, consistent with respecting planetary boundaries.
- Democratic governance and economic planning in the public interest: The economy is a site of political choice, not a neutral technical sphere. Decisions about investment, production, taxation, employment and resource allocation must be subject to democratic deliberation and accountability. States should institutionalize participatory and deliberative mechanisms – including social dialogue, citizens' assemblies, participatory budgeting and social audits – and ensure binding follow-through. Democratic planning, anchored in multi-year anti-poverty and well-being strategies, is essential to manage trade-offs, phase down harmful activities, protect livelihoods, and allocate resources fairly between present and future needs.
- Fair social organisation of care: Care work and social reproduction are foundational to both economic life and poverty eradication. States must strengthen a fair social organisation of care by recognizing, reducing and redistributing unpaid care work, by rewarding those (mostly women) who perform it and by ensuring adequate representation of care workers; ensuring decent working conditions, fair remuneration and social protection for paid care workers; and investing in

universal, high-quality and accessible care systems. Reorienting economic priorities toward care, social cohesion and collective well-being strengthens resilience, reduces gender and social inequalities, and addresses the structural drivers of poverty.

- Centrality of lived experience and the dismantling of social exclusion: Policies must be grounded in the lived experience of people in poverty. Those directly affected must participate meaningfully in the design, implementation and monitoring of anti-poverty strategies. Institutional practices that stigmatize, surveil or punish people in poverty must be dismantled. Poverty eradication demands repairing social relationships, restoring trust and ensuring full participation in civic, economic and cultural life.
- Collective self-determination and rights of indigenous peoples: Poverty and inequality are inseparable from histories of colonialism, dispossession and structural domination. The Roadmap is grounded in the lived realities, priorities and development challenges of countries and communities in the Global South, recognizing the diversity of pathways to poverty eradication. The Roadmap affirms the right of all peoples to self-determination, including economic self-determination. The rights of Indigenous peoples – to lands, territories and resources; to maintain and strengthen their distinct institutions; to free, prior and informed consent; and to preserve knowledge systems – must be fully respected. Commons-based governance systems and collective tenure arrangements should be protected from privatization and extractive exploitation. Post-growth transitions must be anti-colonial in orientation and attentive to global asymmetries.
- International solidarity and common but differentiated responsibilities: Eradicating poverty within planetary boundaries requires a just international order. States must cooperate to create enabling global conditions, including fair taxation, responsible financial governance, debt justice and equitable trade rules. High-income countries, having contributed most to ecological overshoot and accumulated wealth through unequal global arrangements, bear heightened responsibilities to reduce excessive consumption, mobilize resources and support policy space in low- and middle-income countries. International solidarity is not charity; it is a legal and moral obligation grounded in shared humanity and differentiated capabilities.
- Accountability, transparency and institutional integrity: A rights-based post-growth transition requires that States are held accountable to what truly matters: well-being, rather than growth. Measuring progress requires indicators that capture multidimensional deprivation, hidden dimensions of poverty, and collective agency – not merely aggregate output. Accountability also requires robust safeguards against corruption, corporate capture and undue influence. States must ensure transparency in lobbying and political financing, protect whistleblowers, strengthen independent oversight institutions, and guarantee access to information and effective remedies.

De Schutter said that together, these Guiding Principles establish a coherent normative framework: poverty eradication and the dismantling of inequality are the primary objectives; ecological sustainability, democratic governance and macroeconomic reform are the means through which those objectives can be achieved.

The expert underlined that moving beyond growth dependence is not a rejection of development, but the condition for a development trajectory that contributes to the full realization of human rights, and that is inclusive, and sustainable for present and future generations.

Human rights economy

The report by the Special Rapporteur articulates the Roadmap's alternative: a post-growth approach to poverty eradication anchored in the concept of a human rights economy.

This framework positions internationally recognized human rights at the centre of economic governance, and embeds accountability, non-discrimination, participation and ecological limits into the architecture of policy design, it said.

The report further said it presents the human rights economy as a unifying, legally grounded framework capable of bridging and systematising diverse "new economy" approaches – including well-being, feminist, care-centred, de-colonial and ecological perspectives – within a coherent normative structure focused on rights, democratic governance and planetary boundaries.

Poverty is not an accident. It is manufactured – produced and reproduced through the choices that societies make about how to organise production, distribute resources, value care, and structure power, said De Schutter.

He said that if poverty is manufactured, it follows that unmaking it requires more than redistribution at the margins: it requires changing the architecture of the economy itself.

Yet the dominant response to poverty has been to wait for growth to do the work – to expand the pie before attending to how it is divided.

The expert said that this wager has failed: growth has proven unable to reliably generate decent employment, ecological sustainability, or the fiscal capacity needed to provide universal basic services; and in its pursuit, it has often entrenched the very inequalities it was meant to dissolve.

"The question that remains is not whether to grow, but how to organise the economy differently: around what it produces, for whom, at what ecological cost, and under what conditions of equality and power."

A variety of "post-growth" approaches have addressed exactly that question. What it has lacked, until now, is a vehicle with the institutional reach, legal teeth, and universal normative grounding to translate those insights into binding obligations. The human rights economy provides exactly that, the Special Rapporteur emphasized.

He said that the human rights economy promotes people-centred economic policies oriented toward the effective realization of economic, social and cultural rights for all, without discrimination, and anchored in a commitment to a safe and healthy environment – drawing on the authoritative principles of the Universal Declaration of Human Rights and deploying the International Covenant on Economic, Social and Cultural Rights (ICESCR) as the primary structural lever for realising the UN's 2030 Agenda, with its obligations of progressive realisation, non-retrogression, and maximum use of available resources providing the normative backbone for any rights-consistent economic policy.

According to the Special Rapporteur, rather than introducing new normative requirements, it focuses on ensuring the fulfilment of obligations that states have already voluntarily undertaken, treating civil, political, economic, social and cultural rights – as well as the right to development and the right to a clean, healthy and sustainable environment – as universal, indivisible and interdependent.

De Schutter said that it places the equal, active, free and meaningful participation of individuals and peoples at the centre of all economic decision-making, embracing an inter-sectional approach to overcoming multiple and overlapping forms of discrimination, and recognizing that realization of human rights depends on international cooperation, solidarity and mutual support among countries.

"It equally underscores the importance of responsible and sustainable business models, and affirms the inherent right of all peoples to enjoy and freely utilize their natural wealth and resources – in full respect of everyone's right to a clean, healthy and sustainable environment," said De Schutter.

He said in practice, the human rights economy framework translates into six interconnected policy imperatives: reorienting fiscal, monetary, industrial and ownership structures toward rights fulfilment; guaranteeing decent work, valuing care as foundational economic infrastructure, and deepening economic democracy; ensuring universal access to basic services and social protection for all; embedding ecological limits and climate justice into every dimension of economic governance; transforming the international financial architecture so that it enables rather than constrains the policy space every country needs to realise rights; and building the democratic planning and governance institutions capable of holding all of the above accountable.

Against this backdrop, the report turns to the question of how to operationalise this transition.

It said that the roadmap for policy transformation is organized around six mutually reinforcing policy pillars – (1) transforming economic systems; (2) labour, care and economic democracy; (3) universal basic services and social protection; (4) ecological justice; and (5) transforming the international economic order – complemented by a transversal pillar (the governance core) on democratic planning and economic governance.

These pillars are not conceived as standalone silos, but as interdependent domains of transformation that must advance in parallel to eradicate poverty while remaining within planetary boundaries, it stressed.

The governance pillar underpins the five other pillars, setting out the institutional architecture required to steer and sustain the transition to a human rights economy beyond growth.

This pillar explains how collective priorities are democratically defined, how long-term social and ecological objectives are embedded into public decision-making, and how progress is assessed through multidimensional well-being frameworks beyond GDP, said the report.

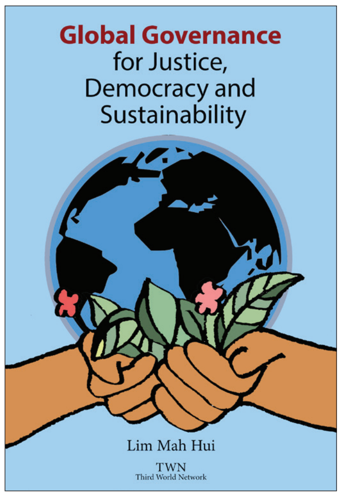
It also examines the safeguards needed to prevent corporate capture, the reform of budgeting, macroeconomic modelling and national accounts, and the institutionalization of participatory and deliberative mechanisms.

The Special Rapporteur underscored the need to shape the next generation of anti-poverty efforts – including the global development goals that will replace the Sustainable Development Goals when they expire in 2030, as well as the creation of a new International Panel on Inequality – to avoid repeating the mistakes of the past.

"Both will fall short if they do not look beyond growth," De Schutter said. "Ending poverty is one of humanity's most urgent challenges, but it will remain out of reach unless we are willing to rethink the economic assumptions that have misguided policymaking for generations." *(SUNS #10430)*

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.

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