

Winners and losers in a changing trade landscape

Trade policy changes can rapidly reshape global competition by altering prices and market conditions and these adjustments influence sourcing decisions and redirect trade flows, often creating winners and losers in a short span of time, according to UN Trade and Development (UNCTAD).

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ECONOMICS

Trends & Analysis

Published by Third World Network
Bhd (198701004592 (163262-P))

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Who are the winners and losers when trade policies shift?

Rapid shifts in trade policy – through changes in tariffs, preferences, and other trade costs – are increasingly reshaping global export competition and these changes can reorder which countries gain or lose ground in international markets, according to UN Trade and Development (UNCTAD).

by *Kanaga Raja*

PENANG: Shifts in trade policy are increasingly reshaping global export competition, as when governments adjust tariffs, preferences, and other trade costs, they alter prices and competitive conditions, according to UN Trade and Development (UNCTAD).

In the latest edition of its Global Trade Update, UNCTAD said that these changes can quickly reorder which countries gain or lose ground in international markets, influencing sourcing patterns and the direction of global trade flows.

It showcased how these shifts play out in practice in light of recent United States trade measures, pointing to a more restrictive and uneven trade landscape – with clear losses for some exporters, but new opportunities for others.

According to the report, changes in trade policy generate distributional effects both within economies and across foreign suppliers.

“Measures such as regional trade agreements, preferential schemes, tariff adjustments, and localized trade cost frictions modify demand conditions and relative prices in domestic and international markets.”

These shifts affect the competitive positions of countries and firms, influencing their ability to compete with domestic producers and with other foreign suppliers, it said.

As a result, trade policy changes can reallocate market shares not only between domestic and foreign firms, but also among foreign producers and exporters.

The report said over time, these developments shape production, sourcing decisions, and the configuration

of global value chains, influencing broader patterns of trade and investment.

It said in the context of recent United States trade measures, the scale and direction of tariff changes have had measurable implications for exporters' competitiveness in accessing the United States market.

The effects have been uneven, as suppliers have moved from largely uniform tariff treatment to sharply differentiated tariff levels depending on the origin.

For instance, the report said that as of early 2026, United States imports of South African wine are roughly 17 percentage points more expensive relative to other wine-exporting countries than they were in 2024.

For rice, United States imports from Italy have become, on average, about 12 percentage points cheaper than rice imported from other suppliers.

Although product quality and variety continue to influence sourcing decisions, these relative tariff differences are likely to shape procurement strategies and may gradually shift trade flows, the report suggested.

New realities

In 2024, access to the United States market was primarily governed by World Trade Organization (WTO) most favoured nation (MFN) rules, under which most trading partners faced similar tariff rates, said the report.

“Exceptions applied to trade conducted under preferential arrangements, including free trade agreements and unilateral preference schemes, which provide duty-free access

for eligible products from beneficiary countries.”

Overall, the report said, nearly two-thirds of United States imports entered under MFN tariff rates in 2024.

Since then, average applied tariffs increased by nearly 15 percentage points, and by early 2026, only about 20 per cent of United States imports were subject to MFN or duty-free rates.

According to UNCTAD, this marked a shift toward a more differentiated tariff structure shaped by reciprocal measures, bilateral arrangements, sector-specific policies, and targeted exemptions for goods not produced or cultivated domestically.

Tariffs rose across all major sectors; however, both the magnitude of the increases and the degree of variation across suppliers – the dispersion – differed significantly, the report stated.

For example, it said that tariffs on iron and steel have increased substantially but in a relatively uniform manner across suppliers, resulting in limited dispersion.

On the other hand, average tariffs on chemicals rose only moderately, yet the variation across exporters widened considerably, creating more pronounced differences in competitive conditions among suppliers.

The report pointed out that the international effects of United States tariff adjustments depend on several factors, including the magnitude of the tariff change, the relative importance of the United States market in global trade for the products concerned, and how sensitive importers and consumers are to price changes.

To gauge the sectoral exposure, UNCTAD examined the average change in global tariffs associated with United States tariff adjustments.

For instance, it said although the United States is a significant market for coffee, tea, and spices, tariffs in these categories have changed little, likely reflecting limited domestic production alternatives and suggesting relatively modest global impacts.

“While tariff increases have been higher for cereals, the United States represents only a small share of global cereal imports, so global effects have been limited.”

However, it said the automotive

and transport equipment sector exhibits greater sensitivity to United States tariff changes: the United States accounts for nearly 20 per cent of global imports in this sector, and its average tariff has increased by almost 20 percentage points, indicating the potential for significant global repercussions.

Implications for South

Recent tariff increases in the United States have varying implications across trading partners, reflecting both the scale of the tariff adjustments and the extent to which individual economies depend on the United States market, said the report.

Grouping countries into three broad categories, namely, developed economies, developing economies, and least developed countries (LDCs), UNCTAD said that on average, developed economies appear less exposed to recent United States tariff changes.

It said they tend to face smaller tariff increases and ship a relatively limited share of their exports to the United States, while their diversified export structures and relatively modest tariff adjustments help moderate the overall impact.

However, the report said developing economies show higher levels of exposure. They generally face larger tariff increases and export a higher proportion of their goods to the United States.

As a result, the report said changes in United States tariff policy may have more noticeable effects on their price competitiveness and export performance.

Meanwhile, it said that the LDCs exhibit a distinct pattern of exposure. Although the United States represents a smaller share of their total exports, LDCs face some of the steepest tariff increases, even though many benefit from preferential access under the African Growth and Opportunity Act (AGOA) program.

While their lower export shares reduce direct exposure, the magnitude of the tariff changes, combined with their typically narrow export bases and limited capacity to reorient trade, may still lead to significant effects, it said.

Furthermore, the report said a closer look beyond averages shows that

recent United States tariff changes are highly uneven across economies, even within the same country groups.

“Some economies have experienced substantial increases in the tariffs applied to their exports, while others have seen relatively small adjustments.”

According to the report, approximately 37 economies, mostly developing economies, including 10 LDCs, have faced an average tariff increase of less than 5 percentage points.

By contrast, the largest number of economies fall within the 5-15 percentage points range.

It said a significant group of economies, predominantly developing economies, along with several developed economies and four LDCs, have experienced average tariff increases exceeding 20 percentage points. For two LDCs, the increase exceeded 35 percentage points.

Such large adjustments can considerably reduce the price competitiveness of affected exporters in the United States market, the report emphasized.

Overall, it said the wide dispersion in tariff changes indicates that recent United States trade policy adjustments have had diverse effects across economies.

“This heterogeneity reflects differences in sector-specific tariff changes, the structure of country-specific tariff schedules under United States trade policy, and variations in trading partners' export baskets. As a result, the global effects of the tariff increases are unevenly distributed, with some economies facing significantly greater adjustment challenges than others.”

Differentiated tariff structures tend to produce uneven market access conditions among trading partners, the report observed.

Even when tariff levels increase across all suppliers, non-uniform tariff adjustments can alter relative costs and generate both gains and losses for exporters, it said.

“For many products, domestic production cannot rapidly substitute for all imported inputs or final goods, so imports continue but may shift toward suppliers facing smaller tariff increases,” it said, pointing out that such changes in sourcing patterns are consistent with

well-documented trade diversion effects.

On average, the changes in relative competitiveness associated with recent United States tariff measures appear to favour suppliers from developed economies, it stressed.

“The uneven application of tariff increases changes cost structures for United States importers, incentivizing a shift toward exporters that face comparatively lower duties.”

Prior to the latest measures, exporters from developed economies had an average tariff advantage of roughly 1.5 percentage points in the United States market, and this margin has increased by about 2 percentage points.

On the other hand, developing economies have experienced a widening of their relative tariff disadvantage, from approximately one percentage point to nearly three.

Least developed countries, previously in a broadly neutral position, now face an estimated relative disadvantage of about two percentage points, said the report, adding however that LDCs’ disadvantage in tariff treatment has been mitigated by the recent renewal of AGOA.

These changes do not imply that imports from developing economies or least developed countries will stop, the report said.

However, higher relative tariffs increase costs and may reduce the competitiveness of their exports.

This can raise the likelihood that United States importers adjust sourcing toward suppliers facing lower duties, potentially reinforcing existing structural challenges related to market access and competitiveness, it added.

Winners & losers

For many trading partners, the recent United States tariff measures are expected to alter relative competitiveness in the United States market, the report said.

In several product categories, tariffs have increased more sharply for some large emerging economies, including Brazil, China and South Africa, resulting in comparatively smaller increases for other suppliers.

In such cases, exporters facing

relatively lower tariff adjustments may experience improved cost competitiveness.

The analysis of relative preferential margins, which measure how much better or worse a country’s exports are treated tariff-wise relative to its competitors, indicates that approximately three-quarters of United States trading partners could see some degree of improvement in their relative tariff position, while roughly one-quarter may experience a decline, the report suggested.

Looking beyond averages, it said the change in relative competitiveness in accessing the United States market varies widely, even among countries within the same group.

Most economies seeing a deterioration are developing economies and LDCs, while a few developed economies may also be affected.

In many instances, the change in relative competitiveness is modest – below 5 percentage points – though some economies, including a few LDCs, experience more pronounced shifts.

Overall, the report said that these developments illustrate how differentiated tariff changes can generate varied impacts across and within country groups, influencing exporters’ relative positions in the United States market depending on the sectoral composition and magnitude of tariff adjustments.

As a result of the United States tariff increases, changes in relative competitiveness in the United States market vary widely across both sectors and country groups, it added.

Developed economies generally maintain strong competitive positions, with improved preferential margins in most sectors, although competitiveness has declined slightly in a few areas, such as base metals and fuels.

On the other hand, UNCTAD said developing economies tend to face greater relative disadvantages, with notable losses in competitiveness across several sectors, including cereals, oilseeds, machinery and plastics.

Notably, LDCs display the most diverse outcomes: they gain competitiveness in resource-based sectors and many agricultural products, but lose ground in a range of manufactured goods.

While it is still too early to quantify the full trade effects of these tariff changes, the implications for suppliers to the United States market are clear, UNCTAD pointed out.

In several sectors, tariffs are likely to prompt shifts in sourcing across countries. For example, machinery and textiles may see substantial changes in sourcing patterns, largely favouring exporters from developed economies.

The report suggested that when United States importers have strong incentives to reallocate sourcing toward countries facing lower relative tariffs, trade diversion can occur, even in product lines where a country had minimal or no previous exports to the United States.

In practical terms, UNCTAD said that large and uneven tariff shifts can allow countries to gain a foothold in the United States market for products they already export successfully to the rest of the world, but where they were previously priced out relative to other foreign suppliers.

“These opportunities can be particularly significant in sectors where tariff differences become wide enough to offset logistical or scale disadvantages.”

More importantly, the report said LDCs can benefit in cases where tariff hikes disproportionately affect their competitors – particularly in agricultural products, resource-based industries, and some low-tech manufacturing sectors – thanks in part to the advantages provided by the AGOA scheme to some of them.

While these openings may be narrow or product-specific, they nonetheless represent real prospects for export diversification and upgrading, it suggested.

One important aspect of tariff changes is tariff escalation: the pattern in which raw materials typically face low tariffs, intermediate goods moderate tariffs, and processed products face higher tariffs, UNCTAD noted.

Non-uniform changes in the tariff structure can either reduce or exacerbate this escalation.

In the latter case, it can become more difficult for raw-material exporters to move into higher-value segments of a value chain, as relatively higher tariffs on processed goods provide incentives to locate production closer to consumers, it

said.

The report highlighted United States tariff changes along the cocoa-chocolate value chain to illustrate this latter scenario.

It said raw cocoa beans typically enter the United States duty-free, while chocolate products face higher tariffs.

Under recent United States tariff changes, duties on cocoa beans remain unchanged, but tariffs on chocolate have increased significantly, and not all exporters have been affected equally.

Countries that are already major suppliers of chocolate to the United States, such as Canada, Mexico, Belgium, and Switzerland, have faced smaller tariff increases than many cocoa-producing

countries.

As a result, while exporting raw cocoa remains viable for producers such as Cote d'Ivoire, Ecuador, Ghana, or Indonesia, upgrading into chocolate exports to the United States has become even more difficult, reinforcing existing patterns of specialization and limiting opportunities for value addition, the report underlined.

Changes in trade policy affect not only a foreign supplier's market access conditions but also those faced by its competitors, shaping relative competitiveness among trading partners, it stressed.

As a result, trade policy shifts reallocate market shares, influence

production and supply decisions, and transform global trade and investment patterns.

According to the report, in the case of recent United States tariff changes, the magnitude and direction of these changes have had significant repercussions among foreign suppliers' competitiveness in accessing the United States market.

The report suggested that in the context of shifting trade policies, policy efforts should explore opportunities to diversify export markets when relative market access becomes more restrictive, while also taking advantage of newly improved preferential positions. (SUNS #10382)

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

Jessica Dempsey

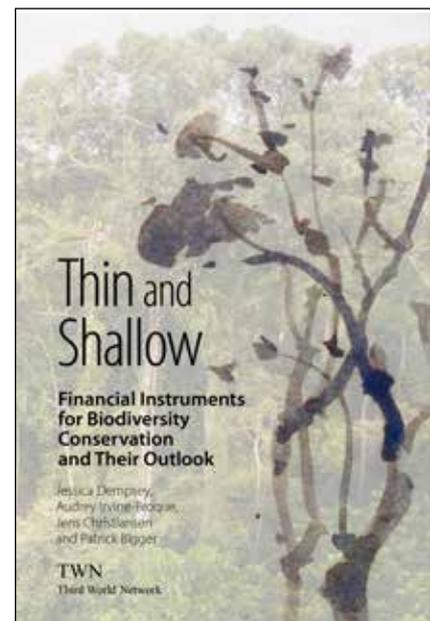
Audrey Irvine-Broque

Jens Christiansen

Patrick Bigger

This paper examines the track record of private financial mechanisms aimed at funding conservation of biological diversity. It finds that, due to lack of rigorous and consistent benchmarks and monitoring, these investments may not necessarily safeguard biodiversity and could even, in some cases, have adverse impacts. Further, despite decades of attempts to draw private capital to biodiversity protection, the quantum of finance remains limited, especially in the highly biodiverse countries of the Global South where it is most needed.

Written for a research project established by a group of central banks and financial supervisors, this paper cautions these authorities from deploying resources towards promoting such biodiversity-focused private financial instruments. Instead, the supervisory bodies are urged to step up policy coordination to address drivers of biodiversity loss in the financial system.



Published by TWN

Year: 2024 No. of pages: 55

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

WTO DG backs contentious reform agenda, sidesteps dispute settlement

The Director-General of the World Trade Organization (WTO) has come under criticism for strongly defending three contentious WTO reform proposals while remaining silent on what many members view as the core reform priority: restoring the two-tier dispute settlement system and addressing longstanding, mandated issues that remain unresolved.

by *D. Ravi Kanth*

GENEVA: The Director-General of the World Trade Organisation has defended the three controversial reform issues – amending the consensus-based decision-making process, revising special and differential treatment for developing countries based on a self-designation framework, and introducing level-playing field issues – while remaining conspicuously silent on the core reform issue of restoring the two-tier dispute settlement system, as well as addressing the unresolved mandated issues.

Ahead of the WTO's 14th Ministerial Conference (MC14) beginning in Yaounde, Cameroon, on 26 March, the DG, Ms Ngozi Okonjo-Iweala, told reporters at a press conference on 11 February: "We will be looking for ministers to endorse a programme of work on reforms. They will have honest conversations on these reforms and on the challenges confronting the organisation, and we hope that will result in their endorsing work on the reforms post-MC14."

Elaborating on the reform work being carried out by the Norwegian facilitator, Ambassador Petter Olberg of Norway, the DG said, "You know, the discussions and engagement on, basically, I think, the three broad areas that the reform facilitator Ambassador Olberg has laid out" include "decision making, how we make decisions."

She said the facilitator "laid out discussions on development issues which are very important to our members" and "he laid out discussions on level playing field issues, (and) fairness issues."

When asked about the foundational issues, the DG said: "I think that one

should never be afraid to engage on the issues of the day, including foundational principles. Especially at a time when you're trying to, in a world of uncertainty and geopolitics, you should have a conversation. I believe ministers should have a conversation that looks at these key issues and you know allows members to see how these issues, these principles work for us. You should never be afraid to have questions and to have good exchanges on founding foundational issues. That's my view."

Explaining further on the foundational issues, she asked rhetorically, "What does it mean? I'm sure that you see the evidence before us is that most members are trading on MFN principles. So as I, as we, as I keep telling everyone, 72% of world global merchandise trade is still on MFN. So it speaks for itself. It speaks to the strength and the resilience of the organization and the principles on which it was brought. But does that mean you should never speak about it or have a conversation about it? I think it's good."

However, as reported in the SUNS and according to several countries, particularly Paraguay, the three proposed reform issues appear to be inconsistent with Paragraph 3 of the Outcome Document from the WTO's 12th ministerial conference (MC12), held in Geneva in June 2022, which specifically stated: "We acknowledge the need to take advantage of available opportunities, address the challenges that the WTO is facing, and ensure the WTO's proper functioning. We commit to work towards necessary reform of the WTO. While reaffirming the foundational principles

of the WTO, we envision reforms to improve all its functions. The work shall be Member-driven, open, transparent, inclusive, and must address the interests of all Members, including development issues. The General Council and its subsidiary bodies will conduct the work, review progress, and consider decisions, as appropriate, to be submitted to the next Ministerial Conference."

Furthermore, a footnote attached to the above paragraph also stated that "for greater certainty, in this context, this does not prevent groupings of WTO Members from meeting to discuss relevant matters or making submissions for consideration by the General Council or its subsidiary bodies."

The DG praised the functioning of the WTO's committee system, particularly the committees on sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT) – "where members can exchange concerns, you know, prior to dispute settlement."

To recall, even before the establishment of the WTO, there was a non-binding dispute settlement system in the GATT where parties were able to block the findings of the panels.

However, following the Uruguay Round of trade negotiations, a binding dispute settlement system, with the Appellate Body as the final adjudicating arm, was created in 1995.

In Paragraph 4 of the MC12 Outcome Document, trade ministers acknowledged "the challenges and concerns with respect to the dispute settlement system including those related to the Appellate Body, recognize the importance and urgency of addressing those challenges and concerns, and commit to conduct discussions with the view to having a fully and well-functioning dispute settlement system accessible to all Members by 2024."

Without identifying the source of the ongoing trade tensions and "threat of fragmentation," Ms Okonjo-Iweala maintained that "you need fora like the WTO, where you can come together, whether on specialized issues like trade or more generally to try to handle these problems."

On consensus-based decision-making, the DG presented it as universally valued and merely in need of being made "faster" and "nimble."

Yet, as Paraguay pointed out in a recent communication (WT/

GC/W/987), the reform track that the DG supports explicitly explores differentiated thresholds, alternatives to Article IX of the Marrakesh Agreement (on decision-making), and flexible formats that would, in practice, reduce the protective force of consensus for smaller Members.

The DG's comments on "decision making" and "level playing field issues" as frontline reform pillars, while treating development as one workstream among others, seem to underplay the Marrakesh Agreement commitment that development concerns and implementation of existing mandates, particularly on agriculture and S&DT, are core purposes of the system rather than optional add-ons.

At the press conference, the DG said that despite geopolitical and geostrategic tensions, she has continually cited the continued dominance of MFN trade and the absence of tariff wars as evidence of the WTO's "resilience".

She appears to conflate traders' reliance on bound tariffs and transparency with satisfaction about the rule-making record, and glosses over longstanding imbalances in areas such as agriculture, TRIPS, and industrial tariffs that many developing Members regard as unresolved.

Further, the treatment meted out to dispute settlement reform tends to fold the current paralysis into a general story of "resilience" and institutional evolution, which obscures the fact that the Dispute Settlement Understanding was designed as a qualitative break from the GATT's blockable, positive consensus model, said a trade envoy, who asked not to be quoted.

For the past several years, around 130 members have repeatedly called for filling all seven vacancies at the WTO's Appellate Body but the United States has continually blocked the initiative on seemingly extraneous considerations.

The DG, in her comments on the US positions, particularly its new trade envoy, said at the press conference: "Whilst you may not like the unilateral actions of the United States, but agree, I mean, I agree, let me say that with a lot of the criticisms ... And it's across several administrations that the US has been critical of certain things not working in the way they would like to see it. And I share those criticisms."

Her praise for the "constructive engagement" by the US on WTO reform

does not grapple with the asymmetry that one Member has both repeatedly blocked the full restoration of the dispute settlement system and pushed for a redesign of the rules and procedures that aligns closely with its own concerns about subsidies, industrial policy, and state capitalism, including through convergence with other major players.

Notably, the US did not engage in the WTO reform consultations held on 9 February, with many Members alleging that they are not happy with the facilitator's process, said a trade envoy, who asked not to be quoted.

Ms Okonjo-Iweala said: "But it's not just the US. Developing countries have been criticizing because they feel that the system is not working well enough, especially the least developed, to integrate them faster into the system."

When asked about framing rules for digital trade and artificial intelligence (AI), the DG expressed excitement.

"Digital trade is so exciting, and we need to reform to be able to make decisions or rules that can help members. Green trade is exciting. Services ... so there are really exciting things in trade,

and that's why I'm very animated. I want us to reform to seize those opportunities."

The DG's emphasis on "issues of the time" such as digital trade, green trade, AI, and level playing field issues is not matched by a comparable insistence on resolving the longstanding development mandates, which risks reorienting the WTO's agenda toward new disciplines on industrial and technological policies while leaving unimplemented commitments that matter most to the majority of the Members.

She framed the upcoming MC14 primarily as an occasion to endorse a process-heavy, open-ended reform work programme.

Instead of taking substantive corrective steps on enforcement, agriculture, and development, the DG's comments "risk locking in a post-MC14 architecture in which small group formats, senior officials' oversight, and flexible decision-making experiments gradually reshape how the WTO operates, without an explicit political choice by the full Membership on those systemic shifts," said a trade envoy, who asked not to be quoted. (SUNS #10381)

Global Governance for Justice, Democracy and Sustainability

By *Lim Mah Hui*

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



Publisher: TWN

Year: 2026 No. of pages: 28

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

Paraguay issues stark warning over WTO reform proposals

Paraguay has sharply rejected the three World Trade Organization (WTO) reform proposals advanced by the Norwegian facilitator, arguing in a formal communication that these ideas pose a serious threat to the future of the WTO as a multilateral institution.

by D. Ravi Kanth

GENEVA: Paraguay, a middle-income and landlocked South American developing country, has severely criticized the three reform issues - changing the practice of consensus-based decision-making, weakening special and differential treatment provisions, and level-playing field issues - proposed by the Norwegian facilitator overseeing the reform of the World Trade Organization.

In its communication (WT/GC/W/987) circulated on 3 February, Paraguay suggested that the reform ideas of the facilitator, Ambassador Petter Olberg of Norway, "posed a grave danger and threat to the continuation of the WTO as a multilateral organization," said several people familiar with the six-page proposal.

Paraguay also tabled a draft ministerial decision to counter the facilitator's "heavily biased statement" in favour of the three controversial reform issues, said people familiar with the development.

Pointing out that it is "a middle-income and landlocked developing country (LLDC)," with one of the most open economies in the world and the second most open in Latin America, Paraguay argued that "the multilateral trading system has been and remains essential for national development and prosperity."

Earlier, in an article in SUNS #10377 dated 9 February 2026, the dangers of pursuing the facilitator's proposed reforms were highlighted.

Against this backdrop, Asuncion said that it "seeks to contribute to the discussions on WTO reform, from the perspective of a developing country that has put its faith in multilateralism and, notably, the WTO since the Organization's inception, and that wishes to play a constructive role in WTO negotiations."

It made several general observations on the ongoing facilitation process:

1. "The Facilitator's reports and one-page document (JOB/GC/483), while useful for furthering discussions among Members, are not consensus documents; rather they reflect the Facilitator's own reflections."

2. "The lack of consensus is not limited to the details, but extends to the scope of the WTO reform process and to the identification of the issues."

3. "Therefore, these documents cannot be 'approved' by Ministers without additional substantive work by Members."

4. Ahead of the WTO's 14th Ministerial Conference (MC14), to be held in Yaounde, Cameroon, from 26 to 29 March, "we agree that it would be appropriate for Ministers to discuss the reform and provide a mandate to continue the work, ideally with a timetable, clearly defined checkpoints and regular progress reports."

5. "With a view to preserving the Member-driven character of the Organization, we believe that this should not include a list of specific topics or elements, or possible solutions on which there is no consensus."

6. Paraguay said "given the limited time remaining for discussions, we do not think it is feasible to have this list ready for MC14."

General considerations

Under the sub-heading "general considerations", Paraguay said "discussions on WTO reform and any eventual outcome should focus on institutional topics that will allow progress to be made towards achieving the objectives and purpose of the reform."

On "decision-making at the WTO", Paraguay said, "the practice of

consensus as a guiding principle at the WTO gives decision-making legitimacy and authority."

"If we (members) intend to remain an Organization at which the rules are binding, consensus is essential for those who will be subject to those rules," Paraguay said emphatically.

It pointed out: "The decision-making mechanisms of other international organizations would not necessarily lead to better results at the WTO. The drafting of non-binding instruments that are not subject to members' approval has created negative precedents and has eroded the credibility of other institutions, by deviating from the member-driven model."

Plurilateral initiatives

Paraguay argued that fracturing the practice of consensus-based decision-making is primarily aimed at legitimizing plurilateral initiatives in which developing countries would be mere "takers of commitments", with limited or no role.

According to Paraguay, "Plurilateral initiatives should be defined more precisely, and should not undermine the efforts or be undertaken to the detriment of multilateral negotiations."

It said the following issues should be explored: the minimum number of Members needed to launch a plurilateral initiative; how to tackle plurilateral initiatives that could compete with each other; and the mechanisms for incorporating their outcomes into the institutional framework of the WTO.

Another key issue is the link between consensus and plurilateral initiatives.

More importantly, it is pertinent to explore how members "can move forward on new topics of interest to some Members without neglecting the interests of others; particularly when the proponents of these topics are those who cite 'sensitivities' when trying to make constructive progress in multilateral negotiations, for example, in the agriculture negotiations."

Paraguay argued that negotiations on plurilateral initiatives must not only "cause no injury" but also must not break good-faith negotiations on issues of interest to others, preventing trade-offs and balance.

Therefore, it is "essential to build

trust among Members and Members' trust in the processes, through greater transparency and constructive dialogue, which should be open, inclusive and transparent.”

S&DT

The facilitator's proposals on S&DT are allegedly aimed at breaking the self-designation framework, thereby differentiating among developing countries for availing of S&DT.

Paraguay said, “Widespread exclusions make it impossible to move multilateral negotiations forward. A key issue that needs to be defined as part of the reform and that could lead to a breakthrough in negotiations at the WTO is special and differential treatment.”

“The current self-classification system, without objective criteria or graduation criteria, makes it difficult to achieve consensus on formulating new rules,” Asuncion said.

Also, “the lack of granularity and equal treatment for economies of different relative weights and with different needs, far from closing the gaps between developed and developing countries, creates new inequalities between them.”

Paraguay said, “Special and differential treatment must be needs-based, precise, effective and operational, so that it helps to address the particular difficulties of each Member and leads to the application of the negotiated rules, ensuring that the benefits of trade extend to everyone.”

Need for binding DSS

Amid likely fierce opposition, discussions on the reform of the Dispute Settlement System (DSS) are being sidelined, said people familiar with the development.

In its communication, Paraguay said while it is not “a frequent user of the system, it considers it important to have a binding dispute settlement system, as without a system to apply and enforce the rules, the formulation of new regulations lacks real value.”

It called for “a well-functioning DSB, that is accessible to all Members and provides the necessary predictability for effective compliance with the rules, as well as for the impartial and binding settlement of disputes,” which “must

ensure the necessary predictability for effective compliance with WTO rules.”

Fairness

Paraguay, a major farm exporter, noted that “the ongoing agriculture reform process is one of the main pending issues of the multilateral trading system.”

“The playing field between WTO rules for agricultural products and non-agricultural products remains uneven, even though agriculture reform has been mandated by Article 20 of the Agreement on Agriculture, a legally binding obligation on all Members of this Organization,” it said.

However, it did not mention that the derailed Doha Round of trade negotiations was launched primarily to bring fairness to global farm trade.

Paraguay said: “Agricultural markets remain among the most distorted in international trade. Measures that have been found to be inconsistent with rules-based trade in other sectors and, thus, prohibited, continue to be permitted in the agricultural sector.”

Without naming the United States or the G-10 group of farm-defensive countries, Paraguay argued that “state intervention in support of the agricultural sector, in the form of agricultural subsidies and high levels of protection, remains a key element in these distortions, with adverse effects for Members in terms of competition, market access and development opportunities.”

“WTO rules that are considered to be outdated and not reflective of today's realities cannot be modernized without agriculture reform, otherwise unfair trade advantages and practices will continue to be perpetuated, creating imbalanced trade patterns for agricultural goods, and we could not speak of true fairness at the WTO,” Paraguay noted.

In short, it said that “as part of the work on fairness, and with a view to building trust among Members to move forward on new issues, efforts to advance agricultural trade reform should be stepped up in order to remove the most distorting forms of domestic support as a matter of urgency and substantially reduce protections that can be seen in the ongoing existence of non ad valorem tariffs, tariff escalation and peaks, agricultural safeguards, and tariff rate quotas.”

Institutional matters

Paraguay said that it is “essential to build Members' trust in each other and in the Secretariat.”

Joining other countries concerned about a potential loss of Secretariat impartiality, it maintained that “as a Member-driven Organization, the neutrality and impartiality of the Secretariat must be ensured.”

“Therefore, institutional safeguards must be established and the Organization's budget reformed to allow Members to properly control how their resources are used,” Paraguay said.

It is an open secret that WTO budget funds are being used to promote the Joint Statement Initiatives on digital trade and investment facilitation, said several members who preferred not to be quoted.

According to Paraguay, “the (WTO) Secretariat's external relations with other agencies, the private sector and other relevant stakeholders are not and should not be independent of the will and scrutiny of WTO Members.”

It pointed out that “institutional improvements in the functioning of the regular bodies and the Secretariat, through ‘reform by doing’, facilitate Members' access to information, especially those with limited human resources, and allow them to participate more actively.”

Paraguay saw no need for ministerial involvement to continue this process but said its importance should be recognized.

Next steps

Paraguay stated bluntly that “the approach taken to date, though constructive, does not allow for a detailed discussion of the substantive issues by the Members in the time remaining before MC14.”

Given the paucity of time for MC14, it is important that members “define a road map for the Fourteenth Ministerial Conference and secure Members' support for a meaningful outcome on reform.”

Paraguay suggested that members focus on: “Identifying topics for discussion at the ministerial level; and mechanisms for following up on and implementing any decision to ensure that

it is put into effect.”

It warned: “The need for institutional reform to overcome the challenges faced by the Organization should not be exploited to include new substantive issues, on which there is no consensus and that are not ready to be presented at the Ministerial Conference.” Further, “Post-MC14 work, like all WTO discussions, should be guided by the principles of transparency and inclusion, and should remain open to all WTO Members,” Paraguay said.

It cautioned against small group discussions given the “wide variety of topics and positions”, adding that “no small group could be representative of the interests of all Members.”

“Small groups may prove useful as spaces for consultation, provided that adequate transparency mechanisms are in place so that all Members can follow up on the discussions that take place within those groups,” Paraguay said.

It warned that “the creation of new structures with decision-making powers that limit the participation of Members would not only undermine the legitimacy of any process, but it would also only benefit large delegations with the capacity to allocate resources to access those decision-making spaces.”

“This is what has been observed in other international organizations that have established similar mechanisms,” Paraguay noted.

Lastly, Paraguay “reaffirms its commitment to a rules-based, non-discriminatory, open, fair, inclusive, equitable and transparent multilateral trading system, in which the WTO plays a central role.”

Draft Ministerial Decision

Paraguay also tabled a draft Ministerial decision for “post-MC14 reform work,” aimed at “setting out the mandate from Ministers to continue the work according to a timetable with clearly defined checkpoints and regular progress reports, which at the same time provides for sufficient flexibility with regard to the agenda and the topics to be discussed by all Members.”

The draft ministerial decision states as follows:

“The Ministers:

Reaffirming the importance of the rules-based, non-discriminatory, open, fair, inclusive, equitable and transparent multilateral trading system with the

WTO at its core;

Recognizing the need to reform the WTO in order to strengthen the predictability, transparency, fairness, inclusiveness and equity of the multilateral trading system, and to ensure that the Organization continues to contribute to the fulfilment of its founding objectives enshrined in the Marrakesh Agreement;

Reaffirming also our commitment made in the MC12 Outcome Document (WT/MIN(22)/24) and the Abu Dhabi Ministerial Declaration (WT/MIN(24)/DEC) adopted at MC13, to work towards necessary reform of the WTO to improve all its functions and acknowledging the progress made in this regard;

Reiterating the need to take advantage of available opportunities, address the challenges that the WTO is facing, and ensure the WTO’s proper functioning;

Taking note of the work conducted by the Reform Facilitator;

Highlighting the importance of conducting the reform work in an open, transparent, inclusive and Member-driven manner, that addresses the interests of all Members;

Decide:

1. To continue to work towards the necessary reform of the World Trade Organization in a transparent, inclusive and open manner, ensuring the participation of all Members that wish to be actively involved.

2. To instruct the General Council to identify substantive issues to be addressed as part of that process and to carry out that work, reporting at regular intervals not exceeding six months to the Senior Officials on the progress made, in accordance with the work plan attached thereto.

3. To instruct the General Council to present a report on the work undertaken and to make such recommendations as it considers relevant to the Fifteenth Ministerial Conference.

WTO Reform Work Plan

1. Objective: To propose concrete recommendations for consideration by Ministers at the Fifteenth Ministerial Conference, with a view to reforming and improving the functioning of the Organization across all its functions.

2. Scope: Topics to be covered by consensus among Members, in a transparent, open, inclusive and

participatory manner, shall be identified during the first six months following the conclusion of the Fourteenth Ministerial Conference.

– Modality: In principle, four co-facilitators shall be appointed, representing different levels of development and perspectives, to lead reform discussions in a holistic manner, under the auspices of the General Council.

– The discussions shall take place in working groups open to all interested Members, and overlapping meetings of the different groups shall be avoided to facilitate the participation of Members and ensure inclusiveness.

– Once the thematic areas to be addressed for each function of the Organization have been identified, two additional facilitators may be appointed for each identified area, representing different points of view and levels of development.

– At all times, the discussions shall be led by Members and decisions taken by consensus. The Secretariat may, at the request of Members, provide technical support and gather data to facilitate discussions on topics where Members consider it appropriate.”

Organization of activities and checkpoints:

April-September 2026:

– Appointment of four co-facilitators for the reform process.

– Consultations to identify reform topics and objectives.

– Senior Officials Meeting in September to approve the thematic work calendar and appoint thematic co-facilitators.

October 2026-April 2027:

– Discussions in open-ended working groups by thematic area.

– Senior Officials Meeting in April 2027 to assess progress and make adjustments.

May-September 2027:

– Ongoing discussions to prepare a draft decision for MC15.

– Senior Officials Meeting to assess progress.

October-November 2027:

– Finalization of the draft decision to be presented to the Senior Officials.

December 2027:

– Senior Officials Meeting to approve the recommendations to be submitted to Ministers for their consideration at the Fifteenth Ministerial Conference. (SUNS #10379)

WTO reform plan – a death warrant for MTS and WTO?

The Norwegian facilitator's confidential "Reform Ministerial" draft for the World Trade Organization's 14th Ministerial Conference (MC14) outlining proposed activities on three contentious issues is being seen by many as undermining the foundations of the WTO and pushing reforms that could weaken its multilateral character, prompting some to describe it as a virtual death warrant for the institution.

by *D. Ravi Kanth*

GENEVA: Framed under the title "Reform Ministerial", the Norwegian facilitator overseeing the reform of the World Trade Organisation outlined "key activities" in his confidential draft ministerial text on three controversial issues – "Decision-making, Development and S&DT, and Level Playing Field issues" – to be adopted at the WTO's 14th Ministerial Conference (MC14) in Yaounde, Cameroon, on 26-29 March 2026.

The confidential draft ministerial text, seen by the SUNS, was issued to members on 3 February.

Interestingly, the facilitator's draft text resembles a corporate blueprint prepared by McKinsey & Company, a management consultancy, which was earlier engaged in reforming the WTO Secretariat at a cost of around \$1 million, because the terms used do not seem to have originated from give-and-take negotiations between countries, said trade envoys familiar with the development.

"WTO negotiations have all along been based on the principle of payment in terms of what a country must secure on its issues for accepting issues that are not part of the agenda – like the introduction of TRIPS or services in the Uruguay Round, and trade facilitation in the unfinished Doha trade negotiations," said a former chair of the WTO's General Council from Africa.

"But in the facilitator's reform discussions, there is no such payment, as developing countries are being asked to pay without any return in resolving their specific mandated issues in agriculture and other areas," the chair said, preferring not to be quoted.

"Simplifying the reforms to be carried out in the WTO's rulebook in a corporate framework raises issues of integrity and credibility," said one trade envoy, who asked not to be quoted.

Under "decision-making", the facilitator and his developed-country supporters, particularly the so-called "Friends of the System" group, appear determined to fracture the practice of decision-making by consensus enshrined in the Marrakesh Agreement.

The first sentence of Article IX of the Marrakesh Agreement that established the WTO in 1995 states explicitly: "The WTO shall continue the practice of decision-making by consensus followed under GATT 1947."

Further, the primary goal of fracturing the practice of decision-making by consensus is to legitimize plurilateral negotiations, which are otherwise not permitted without prior multilateral consensus.

The "Objectives," "Diagnosis Phase," "Exploration Phase," and "Convergence and Results Phase" in the confidential draft ministerial document issued on 3 February appear to be palatable.

They seem designed to trap trade ministers of developing and least-developed countries at MC14 to approve them with grand promises, somewhat akin to what happened at the launch of the Uruguay Round of trade negotiations in 1986 and the Doha Development Agenda in 2001, said several trade envoys, who preferred not to be identified.

"It has become a familiar tactic to promise grand outcomes for developing countries and later leave them in the lurch, as is the case with the unfinished

Doha Round," said trade ministers, who asked not to be quoted.

But the unstated objectives, based on the discussions on the three reform issues, are anything but fair and beneficial to developing countries. In reality, the three reform issues appear to contradict the mandated issues, trade envoys said.

Decision-making

In the confidential draft text, under the title of "decision-making", the facilitator, Ambassador Petter Olberg of Norway, said the objectives include:

1. "Rebuild trust and alignment in decision-making through a clearer understanding of the factors contributing to recurring delays in reaching consensus.

2. Improve efficiency and outcome orientation in decision-making by exploring flexible approaches and clarifying when and how flexibility tools may be applied through practical guidance.

3. Facilitate the integration of plurilateral outcomes with guidelines with defined parameters to maintain confidence."

Significantly, the facilitator does not mention decision-making by consensus, while introducing terms like "responsible consensus" and "flexible consensus" to "facilitate the integration of plurilateral outcomes."

Developing countries could suffer greatly if the organization turns from a multilateral to a plurilateral one, as is happening with a few countries concluding plurilateral agreements on critical raw minerals in Washington in apparent disregard of the Marrakesh Agreement, said people familiar with the development.

The issue in adopting plurilateral agreements, where developing countries will only be takers of commitments without any role in deciding on them, could result in the burial of the multilateral trading system, said trade envoys familiar with the argument.

According to the draft confidential text, the facilitator suggested a "Diagnosis Phase." That phase, seemingly designed by the facilitator, suggests: "Compile factual evidence and take stock of: Past mandates; tools/practices that have been used to facilitate decision-making in the WTO; and types of WTO decisions."

It is somewhat puzzling why the facilitator did not mention the word

“consensus” in this “Diagnosis Phase,” said trade envoys familiar with the development.

To seemingly confuse trade ministers, the facilitator included an “Exploration Phase” that states, “review the outcomes of the diagnostic phase and, drawing on Members’ discussions, determine needed reforms and develop options or recommendations for reforms.”

Under the “Convergence and Results Phase,” Ambassador Olberg says, “build convergence on explored reform options or recommendations, seeking political guidance, and agree on outcomes.”

The facilitator appears to confound the issues in such a way without revealing the intended goals, said trade envoys, preferring not to be quoted.

Development and S&DT

Under the rubric of “Development & S&DT” – a treaty right stated explicitly in the Enabling Clause of 1979 – the facilitator wants to bring about differentiation among developing countries for availing of S&DT, said trade envoys who asked not to be quoted.

Ambassador Olberg said the objectives of “Development and S&DT” include:

1. “Clarify and operationalize development-oriented approaches for policy space for industrialization, structural transformation, and economic diversification.”

2. “Make S&DT precise, effective, operational, targeted and evidence-based.”

3. “Strengthen technical assistance and capacity-building, monitoring institutional coherence.”

The objectives are seemingly aimed at doing away with treaty-based right of self-designation by developing countries in availing of S&DT and putting an end to the Enabling Clause of the Tokyo Round of the GATT contracting parties.

According to the Enabling Clause: “Following negotiations within the framework of the Multilateral Trade Negotiations, the CONTRACTING PARTIES decide as follows:

1. Notwithstanding the provisions of Article I of the General Agreement, contracting parties may accord differential and more favourable treatment to developing countries,

without according such treatment to other contracting parties.

2. The provisions of paragraph 1 apply to the following:

- (a) Preferential tariff treatment accorded by developed contracting parties to products originating in developing countries in accordance with the Generalized System of Preferences.

- (b) Differential and more favourable treatment with respect to the provisions of the General Agreement concerning non-tariff measures governed by the provisions of instruments multilaterally negotiated under the auspices of the GATT;

- (c) Regional or global arrangements entered into amongst less-developed contracting parties for the mutual reduction or elimination of tariffs and, in accordance with criteria or conditions which may be prescribed by the CONTRACTING PARTIES, for the mutual reduction or elimination of non-tariff measures, on products imported from one another;

- (d) Special treatment on the least developed among the developing countries in the context of any general or specific measures in favour of developing countries.”

In the objectives stated for S&DT, the real intention of bringing about differentiation among developing countries for availing of S&DT was echoed by the US during the first term of President Donald Trump’s administration in 2019, said people familiar with the development.

In the facilitator’s telling, differentiation is reflected in the phrase “operational, targeted and evidence-based,” which takes away the right of self-designation, said a legal analyst who asked not to be quoted.

Under the “diagnosis phase”, the facilitator suggests the need to “compile and analyse information on – S&DT usage, beneficiaries, effectiveness, and gaps; WTO provisions relevant to industrial development; “Crisis-response tools”; and WTO technical assistance and capacity-building programs.”

The underlying goal of the “diagnosis phase” on S&DT seems to be to gradually make S&DT available only to least-developed countries, as the US has demanded since 2019, the legal analyst said.

In the “exploration phase,” the facilitator underscores the need to “review

the outcomes of the diagnostic phase and, drawing on Members’ discussions, determine needed reforms and develop options or recommendations for reform.”

In the proposed “Convergence and Results Phase,” the facilitator calls for “build(ing) convergence on explored reform options or recommendations [for differentiation among developing countries to avail of S&DT], seek political guidance, and agree on outcomes.”

Level Playing Field Issues

The genesis of the “Level Playing Field Issues” took place in the trilateral initiative of the United States, the European Union, and Japan, and is primarily aimed at China’s alleged subsidies to its state-owned enterprises.

But now, under the aegis of the Norwegian facilitator on WTO reforms, level playing field (LPF) issues have become one of the major reforms to target China, said envoys familiar with the development.

The stated objectives in the facilitator’s draft text include:

1. “Establish a shared understanding of LPF challenges, the WTO’s role, and priority areas for focused work”;

2. “Strengthen transparency, notification, and compliance”;

3. “Assess relevant rules and disciplines to determine if and how they can be made more effective in addressing level playing field concerns, including potential distortions, harm, and spillovers, while maintaining flexibility for development policy objectives.”

“While the facilitator lays considerable emphasis on LPF issues, why is it that the same level of importance is not given to agricultural subsidies, in which Norway is a major subsidizer, and a prioritized area of focused work?” asked a trade envoy familiar with the negotiations.

During the diagnosis phase, the facilitator identified the following issues concerning LPF: “Identify transparency and notification gaps”; “Map level-playing field concerns and identify priority areas for focused work”; and “Review and assess relevant rules and disciplines and explore if and how they can be made more effective in addressing identified level playing field concerns, while maintaining flexibility for development policy objectives.”

According to the facilitator, in the

exploratory phase of LPF issues, “review the outcomes of the diagnostic phase and, drawing on Members’ discussions, determine needed reforms and develop options or recommendations for reform.”

In the convergence phase, the facilitator wants members to “build convergence on explored reform options or recommendations, seek political guidance, and agree on outcomes.”

Dispute Settlement Reform

Although the reform of the dispute settlement system, with its highest adjudicating arm, the Appellate Body, has been the core mandated reform issue since MC12 in Geneva in June 2022, it has been seemingly de-linked from the WTO reform discussions by the current General Council chair since last year, several envoys complained.

In a seemingly secondary treatment of the paralyzed dispute settlement system, which ought to have been the main priority, the facilitator states: “Members acknowledge that fundamental concerns have been raised with respect to the WTO Dispute Settlement system. Members recognize that a well-functioning, reformed dispute settlement system is an important priority. Members agree that further consultations regarding dispute settlement reform, under the auspices of the DSB, should resume after MC14.”

The question remains: why was this not done after MC13, and why was it de-linked from the proposed WTO reforms since 2022, asked one trade envoy.

Other areas/Issues of our time

Towards the end of the controversial confidential document, which includes recent concerns raised by the US and the EU like the discontinuation of MFN (most-favoured-nation) treatment, the facilitator states: “Members may raise additional issues for further work without prejudging outcomes. Some areas of interest mentioned by some Members include MFN, reciprocity, balance of rights and obligations, the use of GATT Articles XX (general) and XXI (essential security) exceptions, the role of the Secretariat and topics under the “Issues of Our Time” track in the Facilitator’s report, among others.”

Timeline and checkpoints

The facilitator wants the next two years after MC14 to be allotted for reform

issues on an expeditious basis.

Even though trade ministers agreed at the Hong Kong Ministerial Conference in 2005 to deal with the cotton issue “ambitiously, expeditiously, and specifically” to address the concerns raised by the Cotton-Four countries - Benin, Burkina Faso, Mali, and Chad - they are seemingly buried at the Centre William Rappard that houses the WTO, said a trade envoy who asked not to be quoted.

The facilitator’s timelines to address the three reform issues include:

“Commence the trust-building and diagnostic phase and identify any additional issues Members wish to raise: 2026 April to July”;

“Continue trust-building and diagnosis and start exploration in areas where diagnosis is complete: 2026 September to December”;

“Start or continue exploration phase, as appropriate: 2027 January to July”;

“Review progress: 2027 July GC (General Council)”;

“Commence convergence and results: 2027 September to December”;

“Review progress: 2027 December GC”;

“Finalize convergence and results phase and begin preparing progress report to ministers including recommendations for action: 2028 Lead up to MC15”;

“Finalize convergence results phase: 2028 A month before MC15.”

The so-called “reform ministerial meeting” to be held in Yaounde seems more like a proverbial death warrant for the multilateral trading system (MTS) and the multilateral framework embodying the WTO, said trade envoys and analysts. (*SUNS #10377*)

US forms critical minerals bloc to challenge China’s grip

The United States has announced new critical mineral agreements with the European Union, Japan, and Mexico, a move analysts see as part of Washington’s broader strategy to counter China in an emerging geopolitical contest over key resources such as lithium, cobalt, and rare earth elements.

by *D. Ravi Kanth*

GENEVA: The United States unveiled separate critical mineral deals with the European Union, Japan, and Mexico on 4 February, as Washington appears to be building the groundwork for targeting China in an incipient “Cold War” over these minerals that includes lithium, cobalt, and rare earth elements with significant implications for economic and technological security, said analysts.

Notwithstanding the seemingly humiliating treatment the three countries – the EU, Japan, and Mexico – received under the unilateral reciprocal framework agreements with the US last year, the coming together of these countries appears to indicate an attempt to reshape global supplies of critical minerals that are central to a range of sectors, from semiconductors to magnets.

US Secretary of State Marco Rubio did not mince words when he said that

the global supply of critical minerals is heavily concentrated in the hands of one country, at a time when US President Donald Trump is planning to visit Beijing.

“And that lends itself to, at worst-case scenario, being used as a tool of leverage in geopolitics, but it also lends itself to any sort of disruptions. And so, it’s key and important, and I think there’s a growing global recognition that we need to have supply chains for critical minerals that are reliable and diverse across the world.”

Coincidentally, as the US, the EU, and Japan have decided to develop “Action Plans” ostensibly to strengthen critical minerals supply chain resilience and move towards deeper plurilateral cooperation in economic security, according to the US Trade Representative, President Trump spoke to his Chinese

counterpart President Xi Jinping on several issues, including the purchase of more soy products by China.

However, Vice-President J D Vance, while justifying the takeover of Venezuela for global oil supplies, said, “there is no realer thing than oil - and I would add to that there’s no realer thing than critical minerals.”

He continued: “Now, we know that today the international market for critical minerals is failing. It’s failing to create domestic markets or dignified jobs for our labor forces, and it’s failing to keep our nations safe. Supply chains remain brittle and exceptionally concentrated. Asset and commodity prices are persistently depressed, driven downward by forces beyond any individual country’s control.”

Given the long time span involved in developing critical raw minerals such as lithium and gallium, among others, the Vice-President said that “advanced economies with deep capital markets are finding that projects (of critical raw minerals) cannot clear costs.”

The announcements came on the same day the US State Department hosted a meeting with trading partners that Washington hopes will join a cooperative effort to create reliable global supply chains in critical minerals.

Secretary of State Rubio told the gathering that currently global supply is heavily concentrated.

China’s opposition

In a seemingly furious response to the US move to form a new plurilateral bloc over critical minerals, a spokesperson for the Chinese Foreign Ministry on 5 February said that Beijing opposes any country setting up exclusive blocs to disrupt the international economic and trade order.

At a regular press briefing on 5 February, when asked for comments on the launch of the alliance, which will be chaired by South Korea through June, Chinese Foreign Ministry spokesperson Lin Jian said an open, inclusive international trade environment that benefits all serves the common interests of all countries.

All parties have the responsibility to play a constructive role in keeping global industrial and critical mineral supply chains stable and secure, the Chinese Foreign Ministry spokesperson

said.

Meanwhile, these developments come at a time when the Wall Street Journal, in a detailed news report on 5 February, titled “The American and Chinese Economies Are Hurling Toward a Messy Divorce”, pointed out that “the two countries (US and China) are starting to manage a messy divorce on the most sensitive issues of trade. Both view their economic competition as a matter of national security.”

According to the WSJ report, “China’s leaders have determined that disentangling the two economies - often called “decoupling” or “de-risking” - is inevitable. The shift fulfills a longstanding Chinese ambition to no longer be a junior partner to the West. It’s a break with decades of Beijing’s orthodoxy that China’s economic success depended on selling low-cost goods to American consumers and building its technological might with US money and know-how.”

In a separate press release issued on 4 February, US Trade Representative Jamieson Greer also claimed that the US, the European Commission, and Japan intend to develop Action Plans for critical minerals supply chain resilience.

Under these Action Plans, the US, the European Commission, and Japan will develop coordinated trade policies and mechanisms, such as border-adjusted price floors, that can mitigate critical mineral supply chain vulnerabilities, the press release said.

Although the press release did not specifically mention China, some US media outlets claimed that the moves are aimed at China.

The WSJ highlighted that “the US enlists Mexico, EU and Japan in its minerals race with China.”

US-Mexico plan

The USTR also announced a US-Mexico Action Plan that appears to be already enacted and operational in nature.

Under this first-of-its-kind bilateral framework, the US and Mexico will, over the next 60 days, identify specific critical minerals of interest, examine the feasibility of border-adjusted price floors for critical minerals imports, and consult on how such price floors could be incorporated into a binding plurilateral agreement.

The plan also calls for coordination

on regulatory standards, investment promotion and screening, geological mapping, research and development, rapid-response mechanisms, and coordinated stockpiling, as well as the identification of priority mining, processing, and manufacturing projects for policy and financing support, according to a report in the Washington Trade Daily on 5 February.

The USTR said the US-Mexico action plan reflects a shared effort to counter market distortions that have left North American supply chains exposed, linking the initiative to the upcoming USMCA Joint Review discussions.

Following is the text of the US-Mexico Action Plan:

UNITED STATES-MEXICO CRITICAL MINERALS ACTION PLAN

1. Introduction

In recent decades, distortions resulting from pervasive non-market policies and practices have left critical minerals supply chains of market-oriented economies vulnerable to a myriad of disruptions, including economic coercion.

Correcting these vulnerabilities is imperative, as critical minerals are strategic assets integral to modern and innovative industrial economies, and diverse, resilient, and market-based supply chains are essential for our economic and national security.

To this end, the United States and the United Mexican States (“Mexico”) (collectively, “the Participants”) seek to develop a new paradigm for preferential trade in critical minerals supported by price floors and other measures, and have established an Action Plan to deliver concrete, near-term results towards securing mutual supply chain resilience for critical minerals.

2. Action Plan

The Participants, in accordance with their respective laws and grounded in mutual respect for sovereignty, will implement the following Action Plan over the next 60 days:

- The Participants will discuss the feasibility and development of coordinated trade policies and mechanisms, including border-adjusted price floors for critical minerals imports, focusing in the

first instance on certain select critical minerals to be determined.

- The Participants will further consult on how such price floors may be embodied in a plurilateral agreement on trade in critical minerals, including any other provisions that would be necessary to ensure supply chain resilience for contracting parties to such an agreement. Such other provisions may include, but would not be limited to:

- Trade measures to support a resilient critical minerals marketplace among the contracting parties;
- Regulatory standards for mining, processing, or trade in critical minerals;
- Technical and regulatory cooperation;
- Investment promotion and screening;
- Geological mapping coordination;
- Coordinated rapid responses to prevent disruptions and crises in critical minerals supply chains;
- Research and development of new critical minerals technologies; and
- Coordinated stockpiling.

- The Participants will identify specific mining, processing, and manufacturing projects for critical minerals of mutual interest in the United States, Mexico, or third countries, which comply with internationally recognized responsible business conduct standards, and will prioritize financing and other policy support for those projects.

The Participants will endeavor to bring more transparency to the market by sharing information about the location of potential critical mineral deposits developed by their respective government surveyors, including the US Geological Survey and the Mexican Geological Survey.

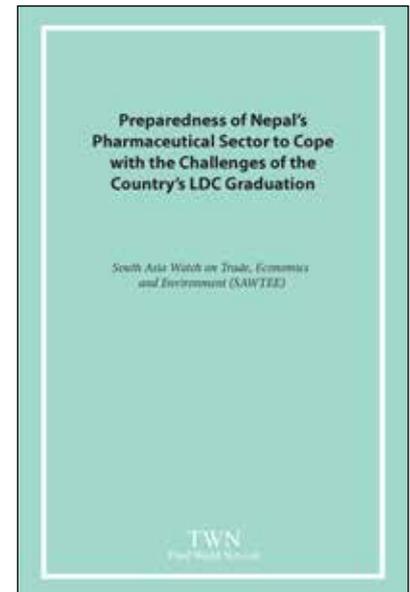
3. This Action Plan will be developed on behalf of the Participants by the Office of the United States Trade Representative (“USTR”) and the Mexican Secretariat of Economy (“Economy”). (SUNS #10377)

Preparedness of Nepal’s Pharmaceutical Sector to Cope with the Challenges of the Country’s LDC Graduation

South Asia Watch on Trade, Economics and Environment (SAWTEE)

As a least-developed-country (LDC) member of the World Trade Organization, Nepal is not required, under the WTO’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), to provide patent protection for pharmaceutical products. With no patent restrictions in force, Nepal’s domestic pharmaceutical industry has expanded over the years to meet an increasing share of the country’s medicine needs. This growth is now under threat, however, as Nepal is set to lose its LDC status – and, with it, the TRIPS exemption – in 2026.

This paper assesses how the Nepali pharmaceutical sector can face the challenges posed by implementation of the WTO intellectual property rules after the country’s graduation from the LDC category. It calls for full utilization of policy flexibilities allowed by the TRIPS Agreement and strengthened government support to boost the local pharmaceutical industry and enhance access to affordable medicines.



Publisher: TWN
Year: 2024 48 pages

South Asia Watch on Trade, Economics and Environment (SAWTEE) is a non-government organization registered in Nepal with a vision of ensuring fair, equitable, inclusive and sustainable growth and development in South Asia. Established in 1999, SAWTEE has been actively engaged in research, advocacy, capacity building, sensitization and alliance building on issues of trade, economics and environment. The SAWTEE team is comprised of highly skilled and experienced professionals who are passionate about contributing to informed and inclusive policymaking. Researchers at SAWTEE have provided inputs to regional and global organizations, besides the Government of Nepal and the Nepali private sector.

<https://twm.my/title2/books/Preparedness%20of%20Nepal's%20Pharmaceutical%20Sector.htm>

World food prices fall for fifth consecutive month, says FAO

World food commodity prices declined for the fifth straight month in January, with the Food and Agriculture Organization of the United Nations (FAO) attributing the drop mainly to falling international prices for dairy, sugar, and meat products, signaling continued easing in global food markets despite persistent uncertainties in supply and demand conditions.

by Kanaga Raja

PENANG: World food commodity prices fell for the fifth consecutive month in January, driven mainly by declining international prices for dairy, sugar, and meat products, according to the Food and Agriculture Organization of the United Nations (FAO).

According to the FAO, its Food Price Index (FFPI) averaged 123.9 points in January 2026, down 0.5 points (0.4 percent) from December.

It said declines in the price indices for dairy products, meat and sugar more than offset increases in cereals and vegetable oil, marking the fifth consecutive monthly decline of the index.

The FFPI stood 0.8 points (0.6 percent) below its level one year ago and as much as 36.4 points (22.7 percent) down from 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.

According to the FAO, its Cereal Price Index averaged 107.5 points in January, up marginally by 0.2 points (0.2 percent) from December but remaining 4.4 points (3.9 percent) below its level a year earlier.

World wheat prices were broadly stable in January, declining by just 0.4 percent from December, it said.

“Upward pressure stemming from strong export sales by Australia and Canada, along with weather concerns affecting dormant crops in the Russian Federation and the United States of America, was offset by an overall comfortable global supply situation.”

Expectations of good harvests in Argentina and Australia, together with high global stock levels, continued to exert downward pressure on prices, it said.

International maize prices also continued their downward trend, easing by 0.2 percent from December, it added.

The FAO said although weather-related concerns over planting conditions in Argentina and Brazil, combined with strong ethanol demand in the United States of America, provided some price support, they did not offset the generally bearish market sentiment driven by ample global supplies.

Among other coarse grains, FAO said that world barley prices recorded a modest increase, supported by robust demand for Argentinian supplies, while sorghum prices mirrored movements in the wheat market, easing slightly.

On the other hand, it said that the FAO All Rice Price Index increased by 1.8 percent in January 2026, reflecting firmer demand, especially for fragrant varieties.

According to FAO, its Vegetable Oil Price Index averaged 168.6 points in January, up 3.4 points (2.1 percent) from December and standing 10.2 percent above its level a year earlier.

It said the increase reflected higher world prices of palm, soy and sunflower oils, which more than offset lower rapeseed oil quotations.

Meanwhile, it said that international palm oil prices rose for the second consecutive month, underpinned by seasonal production slowdowns in Southeast Asia and firm global import demand driven by improved price

competitiveness.

World soy oil prices rebounded on tightening export availabilities in South America and expectations of robust demand from the biofuel sector in the United States of America, it added.

Regarding global sunflower oil prices, the FAO said that after declining for two successive months in late 2025, they also recovered, driven by continued supply tightness in the Black Sea region, where farmer selling remained limited.

On the other hand, it said rapeseed oil prices edged lower, reflecting ample availability in the European Union following large recent import arrivals.

According to the FAO, its Meat Price Index averaged 123.8 points in January, down 0.5 points (0.4 percent) from December, but still 7.1 points (6.1 percent) above its level a year earlier.

The decline mainly reflected lower international pig meat prices, while quotations for bovine and ovine (lamb and mutton) meats remained broadly stable, it said, adding, however, that world poultry meat prices increased.

“Pig meat prices dropped largely due to softer quotations in the European Union amid subdued international demand and ample supplies, including the clearance of backlogs associated with temporary abattoir closures during the end-of-year holidays.”

Despite relatively tight supply conditions, world ovine meat prices remained largely stable, as seasonal demand softened following high end-year purchases, said the UN agency.

Bovine meat prices were also broadly stable, amid shifts in Brazilian exports to other destinations following the rapid exhaustion of the United States of America tariff-free quota and subsequent application of the 26.4 percent out-of-quota tariff, FAO noted.

“Shipments were increasingly redirected toward China, where importers accelerated purchases to secure volumes ahead of the announced beef safeguard quota, offsetting potential downward pressure on Brazilian prices.”

Meanwhile, the FAO said poultry meat quotations rose, mainly reflecting higher prices in Brazil underpinned by strong international demand.

According to the FAO, its Dairy

Price Index averaged 121.8 points in January, falling by 6.4 points (5.0 percent) from December and standing 21.3 points (14.9 percent) below its level a year ago.

“This marked the seventh consecutive monthly decline of the index, driven largely by lower world cheese and butter prices, which more than offset modest increases in the quotations of milk powders.”

International cheese prices registered the sharpest drop in January, reflecting heightened global competition, it said.

It said ample supplies in Europe and the United States of America exerted downward pressure on quotations, outweighing firmer prices in New Zealand.

FAO also said world butter prices continued to fall, reflecting seasonally higher milkfat availability, accumulated inventories in Europe, and ample exportable supplies from other major producing regions.

On the other hand, world prices of milk powders firmed, with skim milk powder recording a more pronounced increase, supported by renewed, price-sensitive import demand following several months of declines, particularly from the Near East, North Africa and parts of Asia.

Whole milk powder prices rose only modestly, as demand remained below historical levels, limiting the extent of the increase, said FAO.

According to the FAO, its Sugar Price Index averaged 89.8 points in January, down 0.9 points (1.0 percent) from December and 21.4 points (19.2 percent) from its value a year ago.

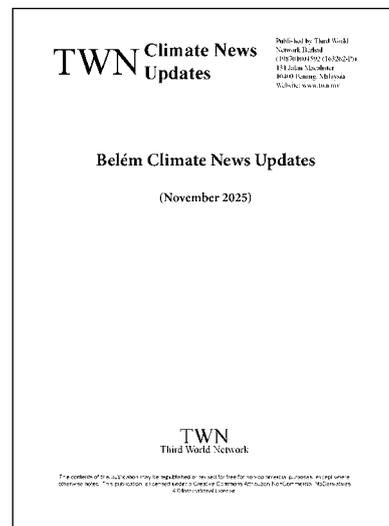
It said the decline was driven by expectations of increased global sugar supplies in the current season, largely underpinned by a significant production rebound anticipated in India and favourable prospects in Thailand.

In addition, the UN agency said that despite a reduction in the share of sugarcane allocated to sugar production, the overall positive production outlook for the 2025/26 season in Brazil contributed to bolster the global supply expectations, reinforcing the downward pressure on world sugar prices. (SUNS #10379)

Belém Climate News Updates (November 2025)

This is a compilation of 22 News Updates prepared by the Third World Network for and during the United Nations Climate Change Conference – encompassing the 30th session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP 30), the 20th session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP 20), the 7th session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA 7), as well as the 63rd sessions of the Subsidiary Body for Scientific and Technological Advice (SBSTA 63) and the Subsidiary Body for Implementation (SBI 63) – held in Belém, Brazil, on 10–22 November 2025.

https://www.twn.my/title2/books/pdf/Belem_Climate_Updates_Nov_2025.pdf



Publisher: TWN
Year: 2026 No. of pages: 104

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Trade liberalisation undermines development

*Jomo Kwame Sundaram** argues that trade liberalisation is often promoted as a driver of development, but critics note that these claims lack solid evidence or theoretical grounding, with only a small number of countries actually gaining significant employment from expanded external market access.

ZAMBOANGA: Despite lacking both evidence and theory, many economists claim trade liberalisation accelerates development. But only a few economies have gained many jobs from external market access.

Instead, most economies have experienced greater de-industrialisation and food insecurity, besides deepening their vulnerability to recent tariff threats.

Multilateral trade liberalisation

In conventional trade theory, gains from trade liberalisation are mainly one-time increases in output and exports due to static comparative advantage.

Post-World War Two (WWII) US foreign policy transformed multilateral relations and transnational institutions, including international economic governance.

With the growing power of transnational corporations, many multilateral institutions, including the United Nations system, have been reconfigured or marginalised.

The General Agreement on Tariffs and Trade (GATT) was a “second-best” compromise after the US Congress vetoed the creation of the International Trade Organisation, despite widespread international enthusiasm for the 1948 Havana Charter.

Almost half a century later, the World Trade Organisation (WTO) was established in 1995, following the 1994 Marrakesh Declaration concluding the Uruguay Round of GATT negotiations.

Trade mahaguru Jagdish Bhagwati argued that multilateral trade has been undermined by plurilateral and bilateral arrangements favouring dominant partners.

With the era of trade liberalisation essentially over since the 2008-09 global financial crisis (GFC), free trade advocacy

has received a new lease of life from myth-making about the “pre-Trump” era.

Uneven, mixed effects

Mainstream trade theory does not entertain the possibility of “unequal exchange”, however defined.

Nor does it even incorporate Bhagwati's notion of “immiserising growth” when productivity gains reduce prices for consumers, rather than increase producers' earnings.

The three decades of trade liberalisation from the 1980s saw slower, but more volatile growth than the post-WWII quarter-century termed the “Golden Age”. More recently, stagnationist tendencies have dominated since the GFC.

With trade liberalisation, many developing countries have experienced greater food insecurity and de-industrialisation, as the manufacturing shares of their national income shrank.

Much import-substituting industrialisation after WWII or independence has since collapsed. Besides resource processing, very few new industries have emerged in Africa.

“Aid for Trade” for poorer developing countries implicitly acknowledges trade liberalisation's adverse effects by mitigating some of them. Why then should they abandon protectionism if they need to be compensated for doing so?

Wealthy nations have also insisted that developing countries end manufacturing tariffs. But as Dani Rodrik has quipped, why rich nations “need to be bribed by poor countries to do what is good for them is an enduring mystery”.

African nations and Caribbean and Pacific small island developing states enjoyed preferential access to European markets, which full multilateral trade

liberalisation would eliminate.

Such preferences for Sub-Saharan Africa have pitted African against Asian least developed countries, undermining the collective negotiating strengths of both.

Many countries had expected the current Doha Round to eliminate rich nations' producer subsidies, tariffs, and non-tariff barriers, but that has not happened.

Cutting farm support in the North could make food agriculture in developing countries more viable, but would also raise food import prices in the interim.

World Bank “structural adjustment” programmes and IMF fiscal discipline requirements have undermined rural infrastructure and productivity, setting back smallholder agriculture in most developing countries.

Setbacks, not gains

Trade liberalisation also reduces tariff revenue. Such losses have hurt developing nations, especially the poorest, for whom tariffs often accounted for up to half of all tax revenue.

Such revenue cuts severely undermined the fiscal means of developing nations, crucial for government spending and investment, including for development and welfare.

Most governments are unable to replace lost tariff revenue with new or higher taxes. Meanwhile, more borrowing to offset lost tariff revenue has worsened indebtedness.

Trade liberalisation advocates are typically vague about how it is supposed to raise exports, incomes, and tax revenue, besides compensating for lost tariff revenue.

Instead, tax burdens typically become more regressive as overall tax revenue declines. Real consumption is supposed to rise as import prices fall with lower tariffs, but could also decline due to increasing consumption taxes.

Less policy space

Trade liberalisation has also reduced available development policy tools, especially those relating to trade, investment, and industrialisation.

The constraints imposed by trade liberalisation and investment agreements have generally limited the scope for

and potential of development policy initiatives.

The actual role and impact of trade policy for growth and employment remain moot. But there are no analytical reasons or robust empirical evidence that trade liberalisation per se ensures sustainable development.

World Bank and most other studies acknowledged modest, if not negative, net gains for most developing countries from any realistically achievable outcome.

It is often ignored that realistic expectations of gains from trade liberalisation rely crucially on a strong positive export supply response.

However, such a response is unlikely when internationally competitive, productive and export capacities do not already exist, as in most developing countries, especially the poorest.

Hence, most of the Global South has not been able to overcome the worst consequences of trade liberalisation to achieve sustainable development.

In any case, the WTO Doha Round talks were ended by rich nations in 2015. With the increasingly blatant self-interested contravention of WTO rules by the US, European and other wealthy nations, developing countries may best

enhance their development prospects by reverting to GATT rules.

This would allow them to opt in, as appropriate, rather than resign themselves to the uniform "one size fits all" WTO rules and regulations, regardless of context, circumstances, capacities and capabilities. (IPS)

[* **Jomo Kwame Sundaram**, a former economics professor, was United Nations Assistant Secretary-General for Economic Development, and received the Wassily Leontief Prize for Advancing the Frontiers of Economic Thought in 2007.]

Putting the Third World First

A Life of Speaking Out for the Global South

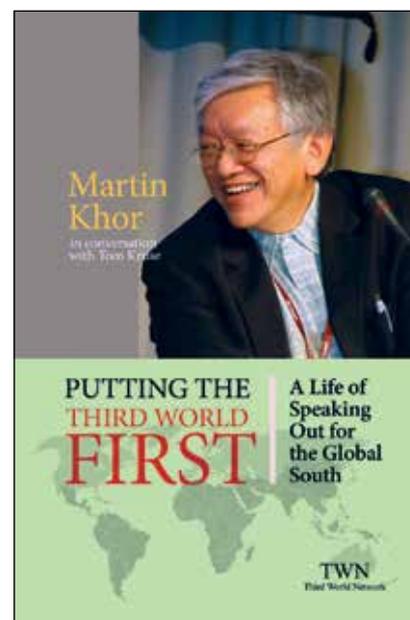
Martin Khor in conversation with Tom Kruse

Martin Khor was one of the foremost advocates of a more equitable international order, ardently championing the cause of the developing world through activism and analysis. In this expansive, wide-ranging conversation with Tom Kruse – his final interview before his passing in 2020 – he looks back on a lifetime of commitment to advancing the interests of the world's poorer nations and peoples.

Khor recalls his early days working with the Consumers Association of Penang – a consumer rights organization with a difference – and reflects on how he then helped build up the Third World Network to become a leading international NGO and voice of the Global South. Along the way,

he shares his thoughts on a gamut of subjects from colonialism to the world trade system, and recounts his involvement in some of the major international civil society campaigns over the years.

From fighting industrial pollution in a remote Malaysian fishing village to addressing government leaders at United Nations conferences, this is Khor's account – told in his inimitably witty and down-to-earth style – of a life well lived.



Martin Khor (1951-2020) was the Chairman (2019-20) and Director (1990-2009) of the Third World Network.

To buy the book: <https://twon.my/title2/books/Putting%20the%20TW%20first.htm> or email twon@twonetwork.org