

2025

Trade and Development Report

On the brink

Trade, finance and the reshaping of the global economy

OVERVIEW

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**United
Nations**

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Geneva, 2025

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Foreword

When we discuss international trade, we typically speak of supply chains – networks of factories, farms, ports and transport routes that move goods across borders. But there is another architecture lying beneath this visible flow, one less discussed yet equally powerful: the architecture of balance sheets.

Trade is not just a concatenation of suppliers. It is also the concatenation of credit lines, payment systems, currency markets and capital flows. Over 90 per cent of world trade depends on trade finance and cross-border banking infrastructure. While one system – the network of suppliers – has become increasingly decentralized and diversified, the other – the financial infrastructure enabling trade – remains remarkably concentrated. This asymmetry matters. The linkages to finance carry their own dynamics: how credit flows and at what price, which countries can access it, and which cannot, and how risks are propagated through the system when shocks hit.

This year's *Trade and Development Report* places these financial dynamics centre stage, understanding that the intersection between trade and finance has never been more critical. The global economy is showing an uneasy resilience in the face of significant headwinds. Despite the sharpest tariff increases in decades and mounting geopolitical tensions, world trade grew approximately 4 per cent in real terms during the first half of 2025. Netting out frontloading and investments related to artificial intelligence, we calculated the underlying trade growth at about 2.5–3.0 per cent. As in recent years, services and South–South trade are outperforming global averages.

Yet this resilience may prove fleeting. Developing economies remain vulnerable to currency volatility, financial infrastructure disruptions and shifts in risk pricing originating in distant financial centres. When major central banks adjust monetary policy, or investor appetite for risk shifts, these movements ripple through the global financial system, affecting the real economy and trade conditions across the global South.



The asymmetry is striking. Economies of the global South today account for over 40 per cent of global output, above 50 per cent of foreign direct investment inflows and more than 40 per cent of trade. Their share of merchandise exports has grown from roughly 30 per cent in 2000, to over 45 per cent today. Yet their position in global financial markets tells a different story. They remain peripheral to the equity and bond markets that finance long-term development: the North's market capitalization stands at over three times that of the South, with 40 per cent of the global bond market residing in just one country. Sitting on the periphery means that developing countries access credit on far more expensive terms and operate with financial infrastructure lacking the depth and liquidity to support domestic capital formation. This gap in access constrains fiscal space, limits domestic capital raising and reinforces external financing dependence, creating structural headwinds that domestic policy efforts can seek to navigate, though not fully offset, in the absence of complementary reforms in the global financial system.

The report also examines how financialization has transformed commodity markets, where pricing increasingly reflects financial strategies rather than supply and demand. In global food systems, financial intermediation accounts for over 75 per cent of major trading companies' revenues. Producers in developing countries struggle to compete against large multinational enterprises using financial markets for pricing advantages, while structured credit and securitization raise concerns about stability, illicit finance and market concentration.

The enduring dominance of the dollar is likewise addressed. While its share in official foreign exchange reserves has declined since 2000, no other currency has risen to replace it. The dollar continues to dominate international payments and capital markets, shaping both opportunities and constraints for developing economies.

What does genuine resilience require? Integrated policy frameworks that recognize links between trade, finance and sustainability. Strengthening of domestic financial ecosystems while advancing regional capital markets alongside trade integration. Reform of the international monetary arrangements to reduce volatility. The tools exist; the challenge is coordination and commitment.

Fundamentally, trade and finance cannot be treated separately; they are interrelated and central to development. Choices about financial architecture directly shape which countries can trade, what they trade, and whether trade advances sustainable development.

This *Trade and Development Report* maps out the terrain where trade meets finance, identifies mechanisms through which financial conditions shape trade outcomes and proposes concrete measures to build resilience while preserving openness. The report puts a spotlight on that hidden architecture – and charts pathways to strengthen it for shared prosperity.

Rebeca Grynspan
Secretary-General of UNCTAD







Trade in the age of financialization

▼
2025 policy shocks affected labour markets, investment and taxation, encompassing all major global flows: goods, people and capital.

A century after the Great Depression, tariffs have once again consumed global policy debates. Rising trade barriers and geopolitical tensions are straining multilateral norms and weighing on global economic prospects. But the economic shocks of 2025 have not been confined to tariff hikes. Policy changes have affected labour markets, investment and taxation regimes, encompassing all major global flows of goods, people and capital. As 2025 draws to a close, it is clear that ongoing shifts will have impacts far beyond tariffs and trade policies.

This fundamental reshaping of the global economic architecture unfolds at a critical juncture. Economic transformations, technological breakthroughs and myriad uncertainties add to existing structural hurdles for developing countries. Across the global South, countries must adapt strategies for global economic integration, given diminishing prospects for export-led growth, the shifting opportunities and risks of post-industrial economies, and the mounting costs of the climate crisis.

How prepared are developing economies for what lies ahead? What sources of resilience do they have, and how can they strengthen these? What vision of a multilateral order does the current period of transition demand?

The 2025 Trade and Development Report explores these questions. It analyses the role of the global financial ecosystem in shaping international trade cycles as well as the implications of the global trade–finance nexus for the integration of developing countries.

Trade and finance are deeply interdependent. Across the three major dimensions of trade – in commodities, manufactured goods and services – financial operations such as credit provision, bank lending, securitization, insurance, capital market operations and financialization more broadly, play critical roles.

▼
As value chains evolve, the financialization of trade deepens: Over 90% of world trade depends on global financial infrastructure.

As value chains evolve, the financialization of trade deepens. Over 90 per cent of world trade depends on global finance. Monetary policies, currency fluctuations and investor sentiment transmit through the global financial system, shaping trade flows and the real economy. This mutual dependence can amplify shocks, especially where underlying vulnerabilities exist, such as exposure to currency volatility, commodity dependence and food insecurity, costly external debt and the climate crisis.

Surveying the global trade–finance nexus at its current inflection point, the report examines the structural and cyclical roles of the global financial system in shaping the international trade and development trajectories of the global South. It considers five core dimensions:

- 1 The fleeting resilience of 2025
- 2 Trade and financialization
- 3 The enduring dollar
- 4 Financialization and the global South
- 5 Building resilience while avoiding further fracture



The fleeting resilience of 2025

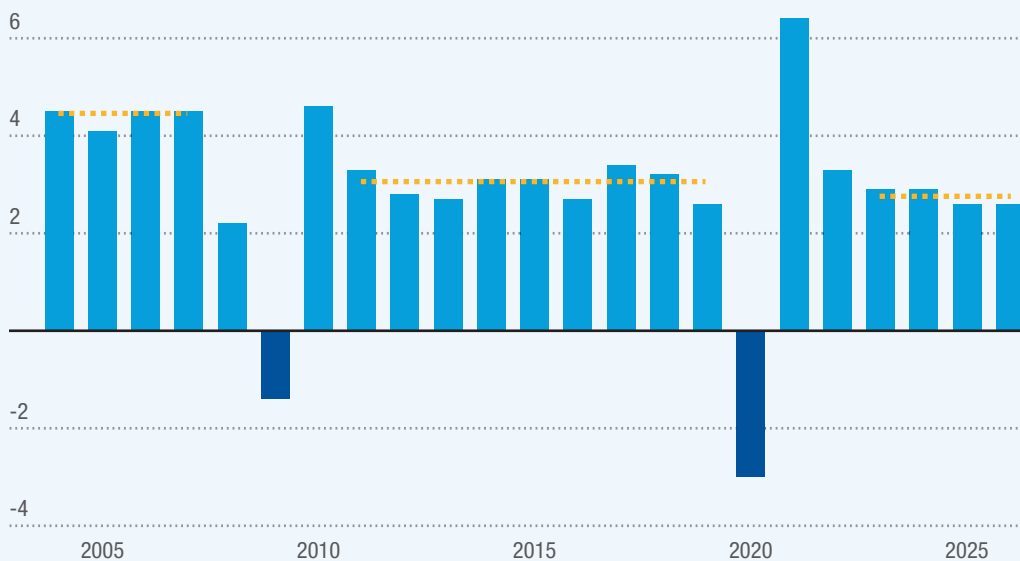
The distortionary impact of policy shifts and ensuing uncertainty have spawned an increasingly challenging global environment. Global growth will decelerate to 2.6 per cent in 2025, from 2.9 per cent in 2024 (figure 1). The rate of expansion is 0.4 percentage points below the pre-pandemic average (2016–2019). Growth in developing economies is projected to stay at 4.3 per cent in 2025.



Figure 1

Faltering global growth shows no signs of picking up in the near term

Global output growth, 2004–2026
(Percentage)



Despite potential gains from new technologies like artificial intelligence, global growth is projected to remain subdued in 2026, at 2.6 per cent. Growth in developing economies is expected to slow marginally to 4.2 per cent in 2026.

While frontloading has provided a boost to trade in 2025, continuing policy uncertainty complicates firms' decision-making, impacting business spending and capital expenditure as companies delay investment and hiring decisions amid a likely reconfiguration of supply chains and policy volatility. Financial markets are at record heights. But productive investments, outside the technology sector and artificial intelligence, remain low.

Global trade imbalances have been growing since 2020 and have become central to policy discourse in 2025 (figures 2a and 2b). This issue extends beyond trade, with deficits reflecting deeper transformations of capitalism and resulting in financial imbalances between major economies. An important factor here has been the global shift towards a system where services, digitalisation and intangible assets take on an ever-greater role.

Internationally, the imbalances are driven by large economies, partly reflecting internal economic and financial structures. Among the large economies, the United States continues to exhibit the largest trade deficit, while China maintains the largest surplus. Among other economies,

Heightened levels of uncertainty have hampered growth.



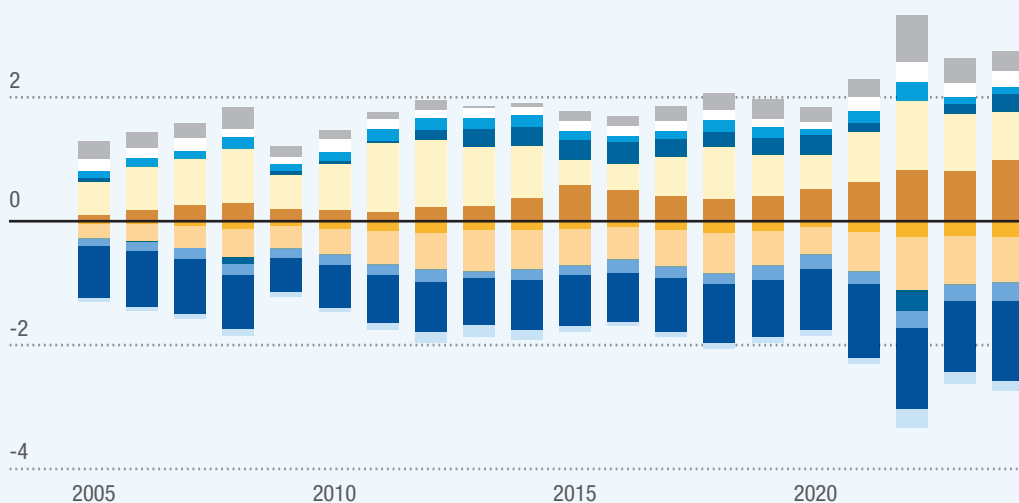
the European Union recorded a significant trade surplus in 2024, while India and the United Kingdom, for instance, registered significant deficit (figure 2).

Figure 2
Global trade imbalances have widened in recent years

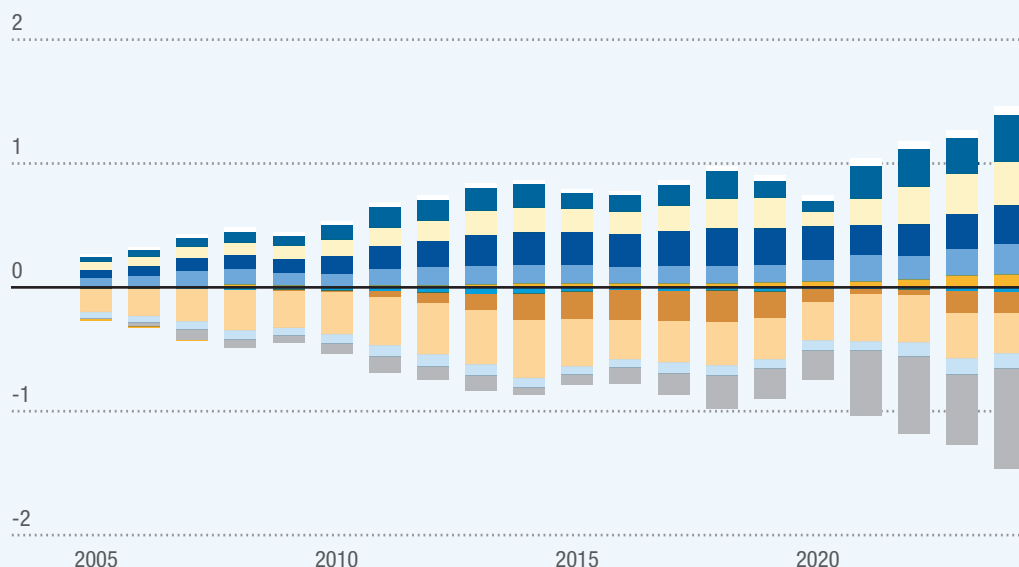
Nominal contributions to trade balances
(Trillions of dollars)

A. Merchandise goods

China India Other developing deficit economies Other developing surplus economies European Union Russian Federation
United Kingdom United States Other developed deficit economies Other developed surplus economies Residual



B. Services



Source: UNCTAD based on UNCTADstat.

Note: Residuals reflect challenges in compiling international statistics, including data availability constraints; conceptual and methodological differences; asymmetries between partner countries; reporting time lags; mode of supply estimation; exchange rate and valuation issues; timing and accrual adjustments.

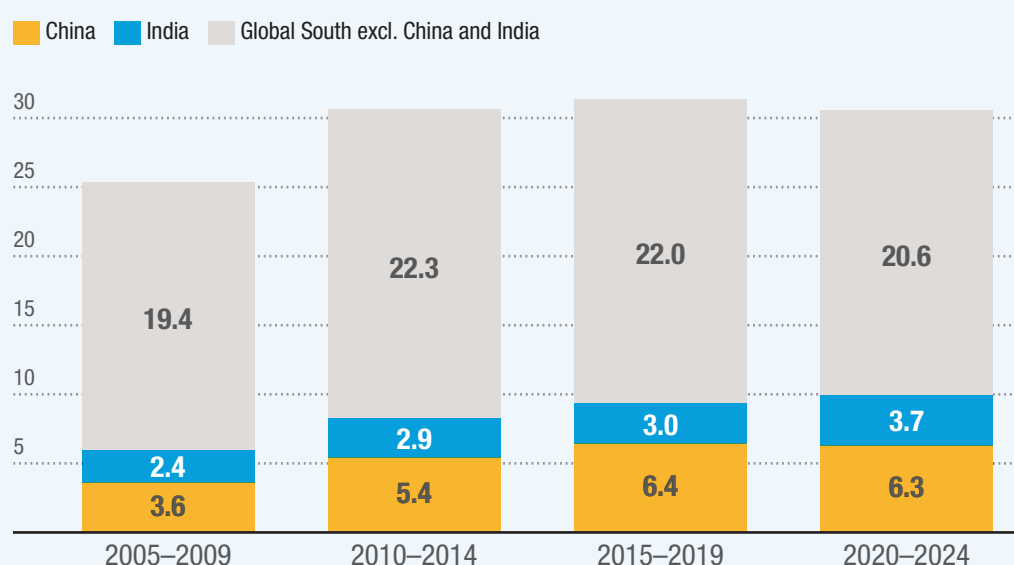
The picture is partly inverted in the services trade. The European Union, the United Kingdom, the United States and other advanced economies dominate the large surplus nations. Developing economies account for less than 30 per cent of all service exports globally. Much of the increase across the global South has been driven by China and India, which together accounted for nearly 10 per cent of global services trade at the end of 2024 (figure 3).



Figure 3

China and India drive service trade growth from the global South

The share of developing countries in global services trade
(Percentage)



Source: UNCTAD based on UNCTADstat.

The multidimensional nature of global trade and financial imbalances underscores the need for coordinated international policy measures at the multilateral level to address the deepening misalignments.

A. Generalized downturn affects everyone

Economic growth in the United States is expected to slow to 1.8 per cent in 2025 and 1.5 per cent in 2026. Although equity markets have rebounded and investments in artificial intelligence remain strong, these positives are insufficient to offset the shortfall in consumption and other investment spending.

In Europe, a significant expansionary pivot in Germany's fiscal stance and ongoing monetary loosening may provide some growth impetus, although without fully offsetting deterioration in the external environment.



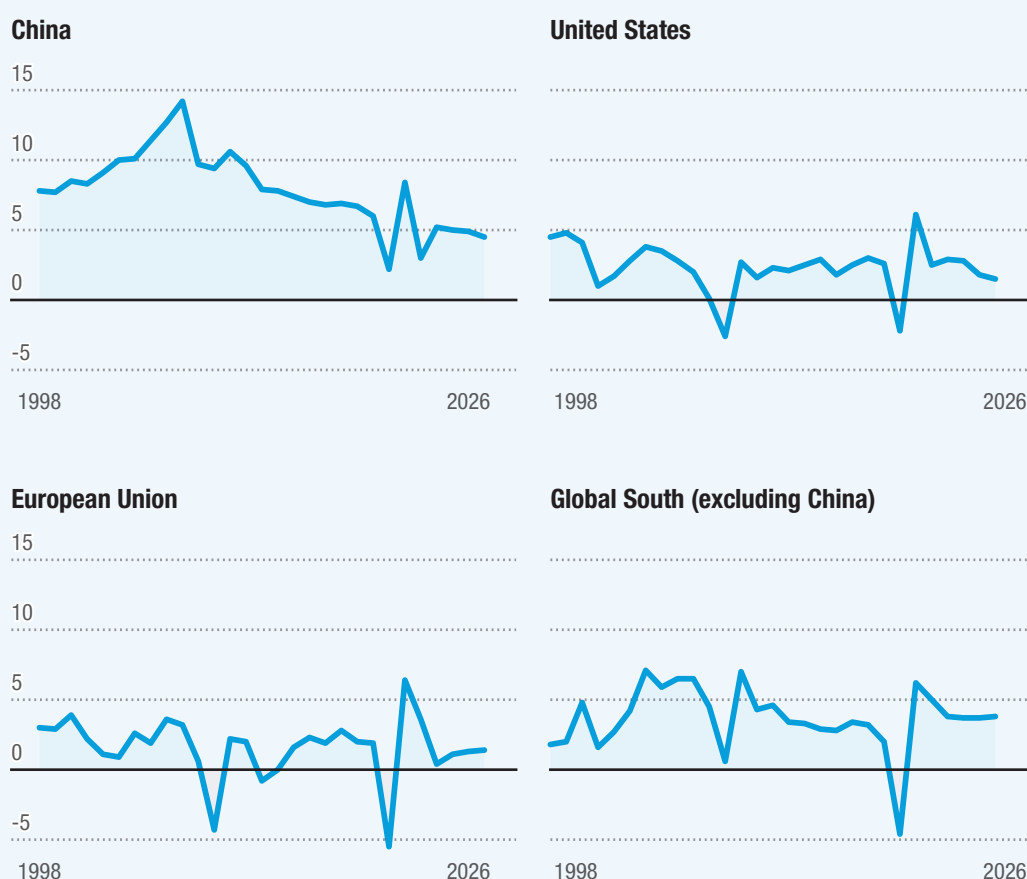
China's rapid diversification of export markets, alongside expansionary fiscal policies – such as consumer subsidies, household transfers and increased infrastructure spending – and monetary easing, have supported growth. A gradual moderation in the rate is projected, from 5.0 per cent in 2025 to 4.6 per cent in 2026.

For the rest of the global South, a challenging external environment complicates the outlook. Policy shifts reverberate in volatile international financial markets, leading to greater instability in capital flows and exchange rates, and deteriorating international financing conditions.

UNCTAD expects moderate growth in the global South in 2025, with many developing regions experiencing a decline relative to 2024 (figure 4).

▼
UNCTAD expects moderate growth in the global South in 2025, with many developing regions experiencing a decline relative to 2024.

Figure 4
A deteriorating policy environment stymies growth across the globe
Real GDP growth, selected economies
(Percentage)



Source: UNCTAD.

Note: Output growth is based on GDP at constant 2015 prices (market exchange rates). Data for 2025 and 2026 are projections.

Amid the subdued global growth outlook, the developing economies of the global South are expected to contribute the lion's share of global economic expansion in 2025, contributing just under 70 per cent of global output growth (table 1).

Table 1
Relative contribution to global growth
(Percentage)

	1995	2000	2005	2010	2015	2019	2024	2025 ^a	2026 ^a
► Africa	2.1	2.3	4.7	4.5	3.7	3.3	3.6	4.6	5.2
► Americas	29.3	34.6	33.5	26.1	23.3	23.5	29.1	21.9	19.4
► Northern America (excl. Mexico)	26.8	28.6	25.5	16.5	23.3	25.0	24.3	17.0	14.4
► Latin America and the Caribbean	2.5	6.0	8.0	9.6	0.0	-1.5	4.8	4.9	5.0
► Asia	43.9	31.5	42.3	53.7	55.7	54.7	55.6	61.4	62.2
► Central Asia	-0.6	0.4	0.6	0.6	0.4	0.9	0.9	1.1	1.1
► East Asia	29.5	20.2	27.2	36.3	37.2	38.6	35.3	39.3	37.5
► South Asia	4.9	3.4	5.6	7.1	7.8	6.6	10.2	10.4	11.6
► South-East Asia	6.2	3.1	3.6	5.2	5.1	6.1	6.1	5.9	6.2
► Western Asia	3.9	4.4	5.3	4.5	5.2	2.5	3.1	4.7	5.8
► Europe	22.8	30.4	18.1	14.6	15.5	17.0	11.1	10.9	11.6
► European Union	21.4	20.4	10.5	9.7	13.7	12.7	6.2	7.9	8.5
► Other European economies	1.4	10.0	7.6	4.9	1.8	4.3	4.9	3.0	3.1
► Oceania	1.9	1.4	1.4	1.1	1.7	1.6	0.6	1.1	1.6

Source: UNCTAD.

^a Projection.

For 2026, the internalization of trade policy shifts undertaken during 2025 is expected to bring some degree of clarity to the international policy environment. Yet disruptions in international production and increasing economic fragmentation could temper any rebound in global economic activity. While investments in new technologies have provided a boost to economic resilience in 2025, it is unclear whether this impetus will suffice to offset the risks of a more fragile global trade and economic environment.

B. The mounting costs of the climate crisis

The reset in global trade norms unfolds at a perilous moment. Nearly half of low-income countries facing debt distress also suffer from acute climate vulnerability. Climate shocks weaken fiscal capacity. They may prompt a vicious cycle of more borrowing, higher debt servicing costs and lower credit ratings.

Asymmetries in international financial markets magnify debt distress through greater borrowing and debt servicing costs. Estimates for the member States of the Climate Vulnerable Forum indicate that they transfer \$20 billion per year to creditors just to cover higher interest rates associated with greater climate risks. This cost has risen from \$5 billion in 2006; cumulatively, from 2006–2023, it totalled \$212 billion (figure 5). The amount represents more than two years of the \$100 billion annual climate finance pledge made by developed countries, prior to a new goal of \$300 billion and an aspirational target of \$1.3 trillion agreed in 2024.

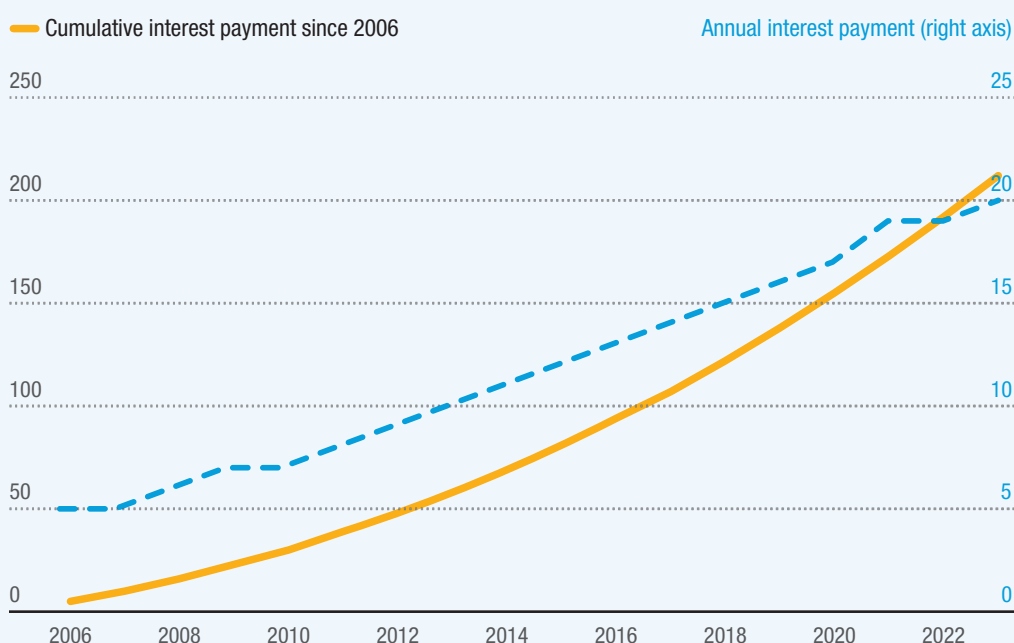
▼ Nearly half of low-income countries facing debt distress suffer from acute climate vulnerability.



Figure 5

Interest costs for external debt have soared due to climate vulnerability

Interest payment on total external debt attributable to climate vulnerability, V20 countries (Billions of dollars)

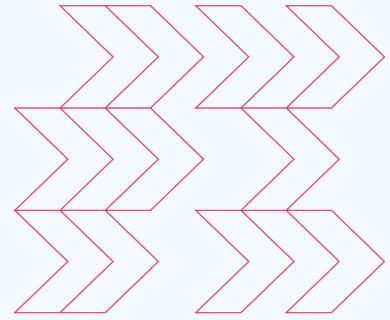


Source: UNCTAD based on World Bank data and methodology from Buhr et al. (2018). Climate Change and the Cost of Capital in Developing Countries. Imperial College London, SOAS University of London and UN Environment.

Note: Interest payments attributable to climate vulnerability are computed by using the estimate proposed by Buhr et al. (2018) of the additional cost of sovereign borrowing attributable to climate vulnerability in countries in the Vulnerable 20 Group. This estimate is multiplied by the stock of total external debt of these countries.



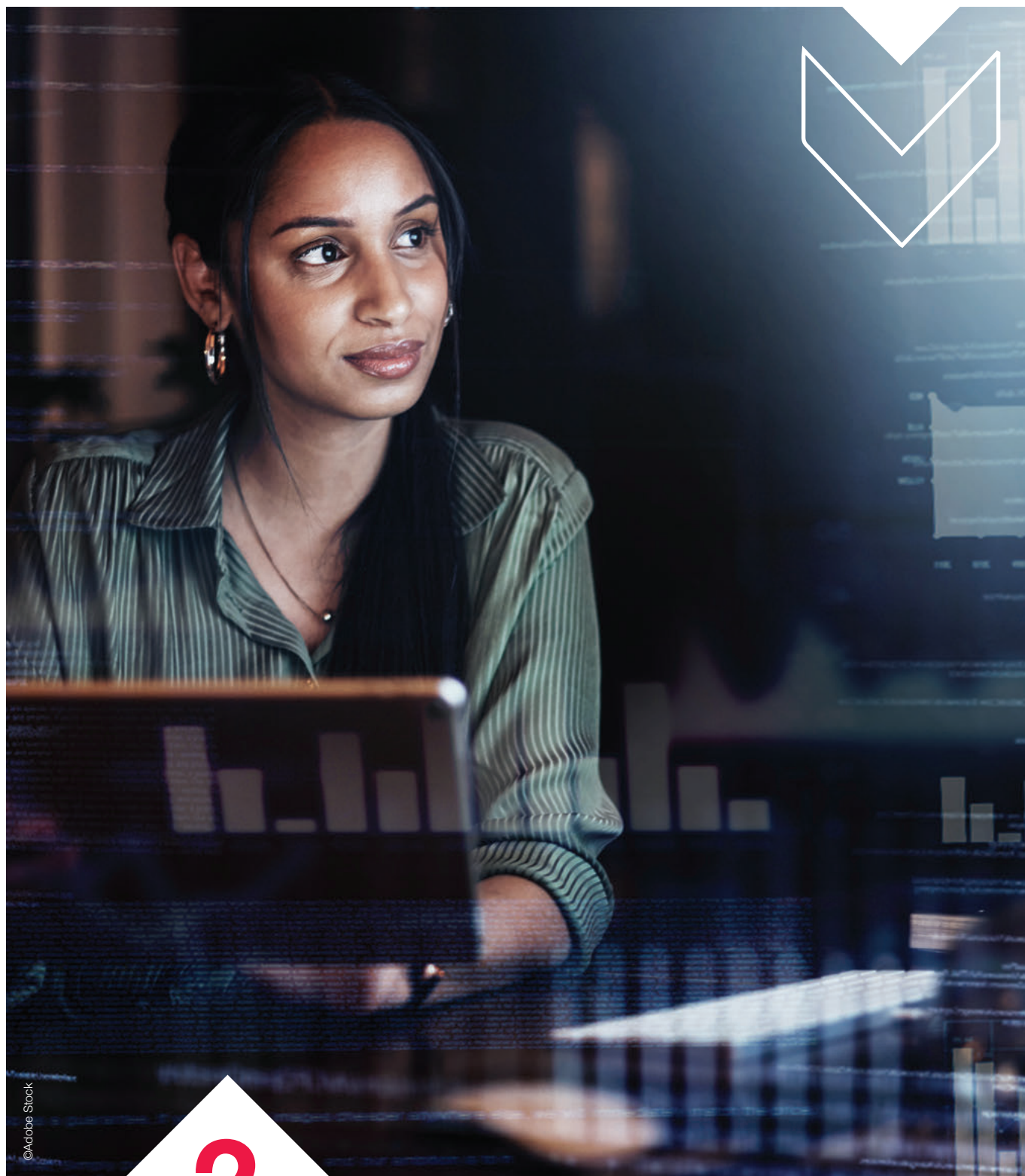
Policy focus



Proactive policy action is crucial to shield economies from the adverse effects of current heightened uncertainty and subdued growth expectations.

Priorities include:

- 1 Where fiscal pressures constrain critically needed public spending and investments**, particularly amid increasing debt-servicing costs and waning external financing, governments can look to boost public resources through enhanced and more efficient frameworks of domestic revenue mobilization and curbing tax and regulatory arbitrage.
- 2 A key factor in reducing exposure to trade policy shifts is diversifying export markets** by deepening regional integration. Regional initiatives can help diversify productive structures, preventing excessive reliance on particular exports and individual markets, and providing a bridge to global trade integration based on higher value-added goods and services.
- 3 Combining national and coordinated international actions across the macroeconomy, trade and finance**, would be most effective in addressing external imbalances. It would also mitigate negative fallout from required macroeconomic adjustments, domestically and globally.
- 4 UNCTAD calls for waiving new United States tariffs on vulnerable economies** to help protect their development prospects. Trade flows from these countries have only marginal effects on the United States trade deficit.



Trade and financialization



World trade grew about 4 per cent in real terms in the first half of 2025, buoyed by pre-tariff frontloading and investments in artificial intelligence (figure 6).

Excluding these transient factors, however, reveals underlying trade growth closer to 2.5 to 3.0 per cent. A projected trade deceleration into late 2025 and 2026 reflects deeper challenges which suggest a cautious outlook for 2026, with trade growth likely to slow further. Low-income economies and small enterprises remain the most vulnerable, as limited access to finance and ongoing uncertainty hinder long-term planning and investment.

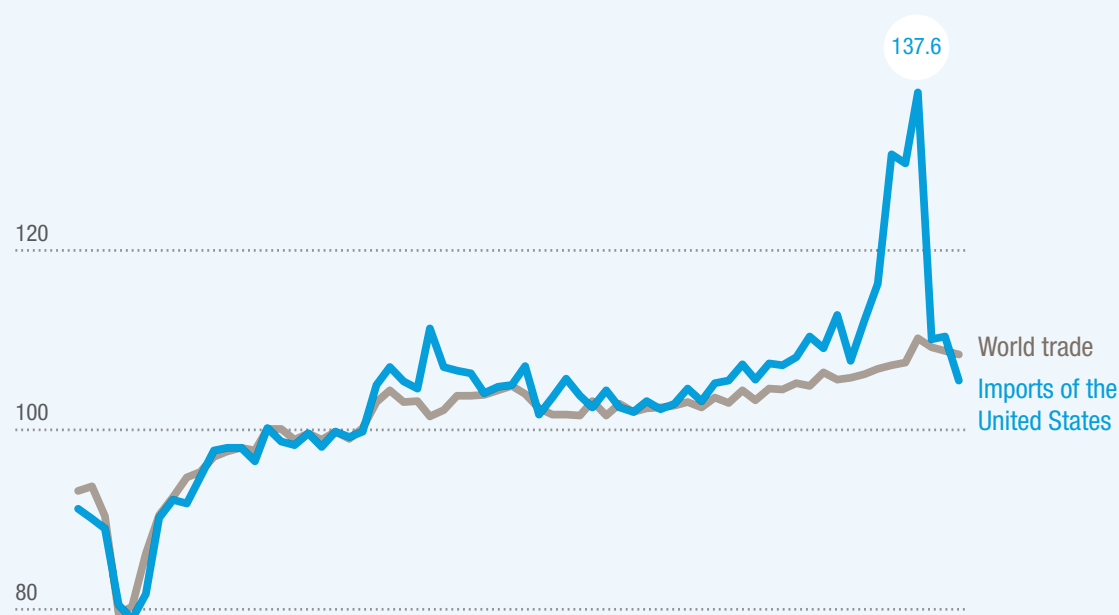
From January to July 2025, South–South trade amounted to \$2.87 trillion, representing a 4.7 per cent increase from the same period in 2024. In 2025, South–South trade is projected to outperform global trade growth.



Figure 6

Tariff anticipation triggered a short-lived boost in world trade in early 2025

Merchandise trade flows in real terms, January 2020–August 2025
 (Average 2021=100)



Source: World Trade Monitor database of the CPB Netherlands Bureau for Economic Policy Analysis.
 Note: Trade flows are seasonally adjusted.



A. The global financial cycle of trade

The global financial ecosystem enables trade, but also conditions trade outcomes. Over 90 per cent of global trade relies on trade finance and cross-border banking infrastructure. Capital flows, asset prices and the dynamics of financialized commodity markets also affect trade flows, influencing credit availability, exchange rate movements and risk pricing. The global financial cycle generates powerful swings in credit, capital movements and risk appetite, often transmitting non-economic shocks (figure 7).

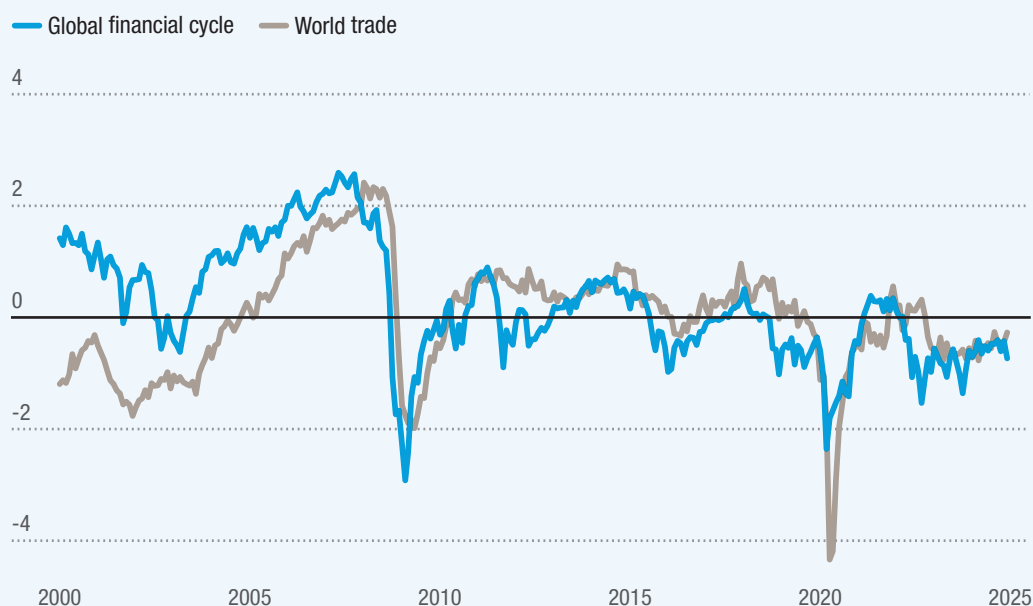
Insight

The **global financial cycle** is a conceptual framework used in international macroeconomics and finance that characterizes synchronized movements in asset prices, credit conditions and investor sentiment. Empirically, it exerts a powerful influence on the trade cycle.

See: Rey H. (2013). Dilemma not trilemma: The global financial cycle and monetary policy independence. In: *Proceedings – Economic Policy Symposium*. Federal Reserve of Kansas City. Jackson Hole: 285–333.

Figure 7
World trade and the global financial cycle move strongly in sync

The monthly global financial cycle and detrended world trade volumes (Standard deviations)



Source: UNCTAD based on an updated version of Miranda-Agrippino and Rey (2020) and the CPB World Trade Monitor.

Note: The global financial cycle is a statistical construct that captures common fluctuations in financial activity based on more than 800 asset prices related to credit conditions, risk-taking, capital flows, leverage, etc. (see sources for more details). Trade data have been linearly detrended. The two series are standardized with a mean of 0 and a standard deviation of 1. The correlation between the two series equals 0.54.

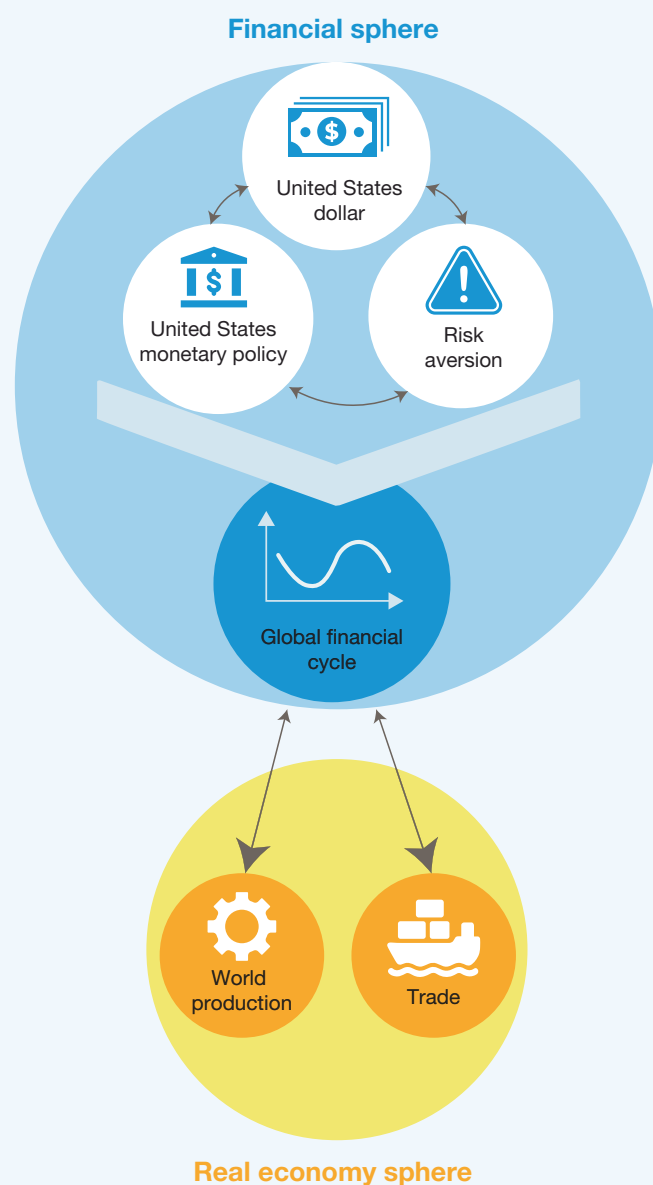
Such dynamics have a profound impact on developing economies. Their trade structures are vulnerable to currency convertibility issues, disruptions in financial infrastructure and non-economic risks. Shifts in United States monetary policy, fluctuations in the dollar and changes in investor risk aversion ripple through the financial system, impacting the real economic cycle and trade conditions (figure 8). Additionally, higher levels of financial volatility in developing economies often lead to disruptions in trade volumes (figure 9).



Figure 8

Financial factors also shape trade

Schematic representation of key transmission channels linking financial factors to trade outcomes



Source: UNCTAD.

Note: The figure illustrates how financial drivers, such as changes in United States monetary policy, movements in the dollar and shifts in investor risk aversion, interact to shape the global financial cycle. This, in turn, transmits to the real economy, notably affecting trade and global industrial production. Arrows indicate the direction of influence.

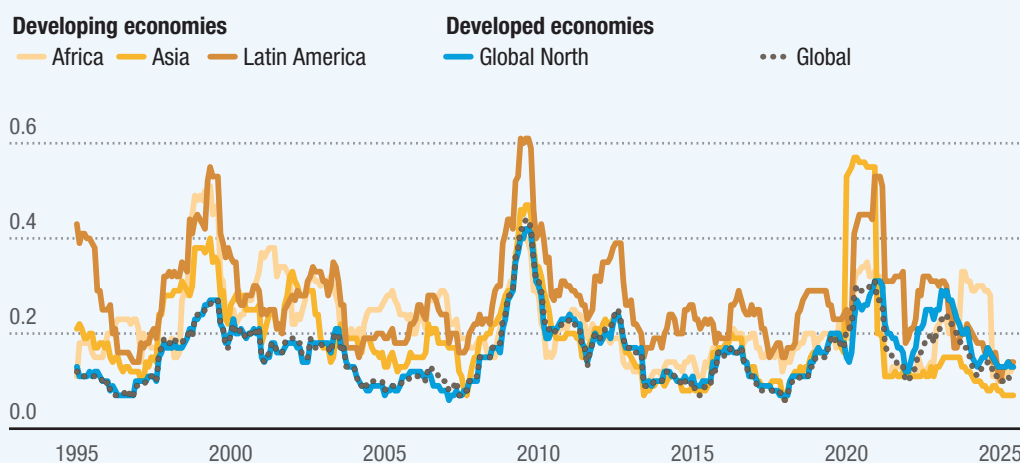




Figure 9

Developing economies are more exposed to financial volatility

Twelve-month rolling standard deviation of monthly market capitalization, selected country groups
(Standard deviation)



Source: UNCTAD based on LSEG DataStream.

Note: Market capitalization is proxied by 333 large-cap companies across 39 countries, of which 109 are based in the global North and 224 are located in the global South.

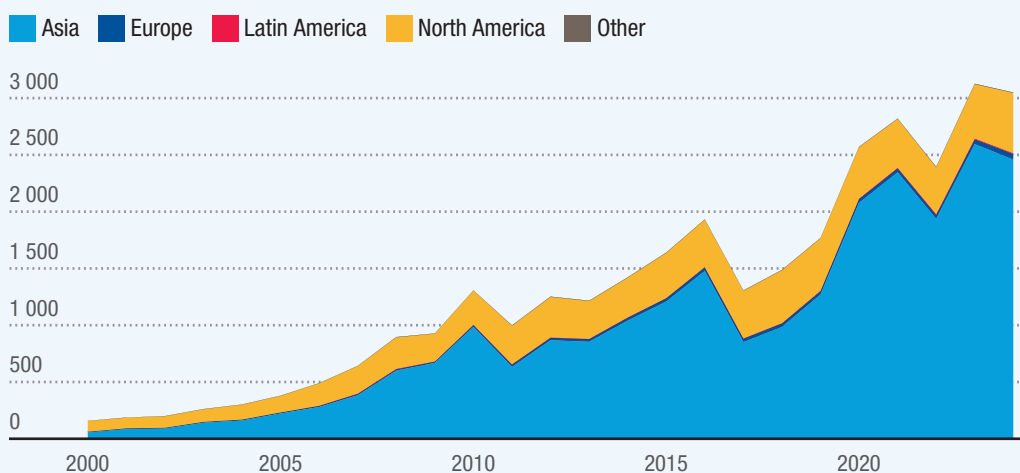
As value chains evolve, reflecting an increasingly complex economy, the financialization of trade deepens. In commodity markets, where price dynamics are anchored in financial derivatives markets (figure 10), financialization has driven profound shifts.



Figure 10

Financial instruments sustain the global commodity trade, including agriculture

Exchange-traded agricultural derivatives, by region
(Millions of dollars)



Source: UNCTAD based on the ETD tracker database of the Futures Industry Association.

Note: The financial instruments traded on global exchange-traded derivative markets include futures and options.



In the global food system, food commodity traders act as financial intermediaries and active participants in global capital markets. Today, income from financial intermediation accounts for more than 75 per cent of the revenues of major food trading companies worldwide (figure 11).

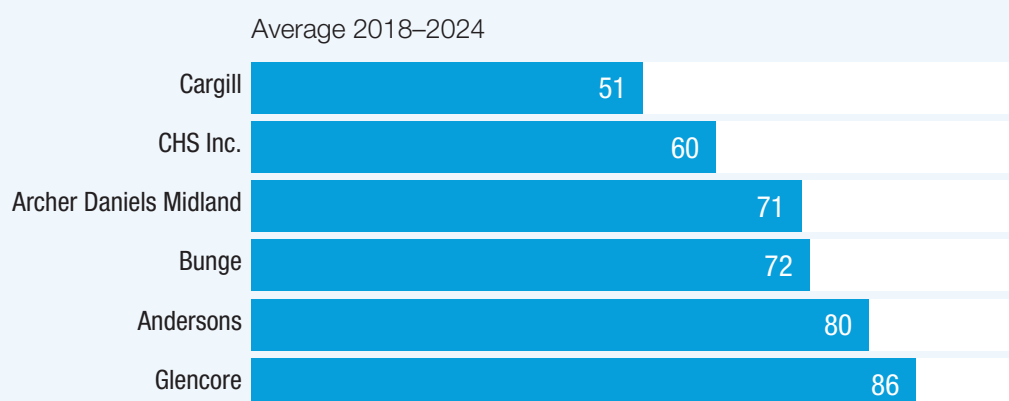
The pricing of food and energy commodities increasingly reflects financial strategies rather than supply and demand factors. In 2024, at least 6 of the top 11 food traders engaged in financial securitization, which both amplifies liquidity and heightens leverage. The scale of the leverage generates risks beyond traditional financial stability concerns. Having transformed the institutional framework of trade finance, these new financial intermediaries work in ways that could exacerbate, rather than contain, financial shocks.



Figure 11

As financial intermediaries, commodity traders have stepped beyond simply seizing opportunities from market volatility

Mark-to-market valuation of derivatives income as a share of total revenue
(Percentage)



Source: UNCTAD based on company annual financial statements.

Note: Data reflect derivatives and total income values from audited financial statements of major commodity trading companies (2018–2024), primarily under ASC 815 (GAAP) standards. ASC 815 disclosures enable identification of mark-to-market derivatives income within total revenues. Glencore's figures, based on IFRS 9, are approximated due to less precise reporting standards.

Financialization makes it increasingly difficult for local producers in developing countries to compete against large multinational enterprises that exploit financial markets for pricing advantages. In addition, the use of structured credit and securitization in food trading raises prudential, financial stability and illicit finance issues, and adds to anti-trust concerns.



The future of the multilateral trading system

Since its latest major transition in 1995, the multilateral trading system – with the World Trade Organization (WTO) at its core – has provided a comprehensive set of binding trade rules and processes. These have enabled member States to trade with more legal certainty and transparency. The capacity of this system to regulate the trade policy conduct of its members – numbering 166, today – has, however, been eroded. The rise in unilateral discriminatory trade measures, and the limited transparency in reporting such measures, are symptomatic of some of the fundamental challenges faced by the rules-based multilateral trading system.

Several factors are at play. The enforceability of multilateral trade disciplines has weakened as the WTO dispute settlement mechanism, a central pillar of the rules-based system, has become dysfunctional. From December 2019, the Appellate Body, the WTO appeals mechanism in dispute settlement, has been unable to hear cases due to the prolonged deadlock in appointing new members, leaving it without the quorum required to function. This paralysis has given rise to the practice of “appealing into the void”, whereby members can block the adoption and enforcement of panel rulings simply by appealing, leading to a situation where compliance with WTO norms is not systematically ensured. The question of how to restore a fully functional dispute settlement mechanism remains unresolved and has been recognized as a central pillar of the WTO reform agenda, as confirmed by the WTO ministerial conferences in 2022 and 2024.^a Access to a credible and enforceable dispute settlement mechanism is essential for safeguarding WTO members’ rights.

The dynamics of multilateral trade negotiations suggests that progress has been limited to date. The Doha Round – also known as the Doha Development Agenda, launched in 2001 as the first major round of negotiations under the WTO, remains largely stalled after more than two decades. While there have been important incremental achievements over the years, such as the 2013 Agreement on Trade Facilitation, the 2022 Agreement on Fisheries Subsidies and other issue-specific outcomes, the Doha Round has not achieved its core reform objectives, notably in agriculture, development and market access, which are particularly important for developing economies.



In parallel to the stalled Doha Round, groups of WTO members have pursued new issues and rule-making through plurilateral initiatives, known as the Joint Statement Initiatives. Addressing topics such as electronic commerce, investment facilitation and domestic regulation, these negotiations are not formally part of the Doha Development Agenda and operate alongside, not within, the traditional multilateral process. Their emergence reflects both a demand for modernization of trade rules and ongoing difficulties in achieving consensus across the WTO membership.

Most WTO agreements, largely conceived and negotiated in the 1980s and the early 1990s, have not undergone significant revisions, while the Doha Round, initiated to redress systemic imbalances raised by developing countries, remains unresolved. In the meantime, new market openings and trade disciplines have arisen, mainly through regional trade agreements.

The importance of obtaining a negotiated outcome cannot, therefore, be overstated, so that multilateral trade rules do not run the risk of remaining imbalanced or becoming outdated.

At the multilateral level, also in need of attention are critical new challenges, such as governance of global value chains, the rapid expansion of digital trade and artificial intelligence and the trade implications of climate and environmental policies.

The rules-based multilateral trading system is now at a critical juncture as important economies are increasingly turning to non-multilateral solutions to fill the regulatory void. Without reform, the ongoing fragmentation of trade governance risks marginalizing developing economies and widening existing inequalities in global trade. Multilateral trade rules must evolve to remain relevant and effective in supporting development needs in a rapidly changing trading environment and a world transformed by digital trade, global value chains and climate imperatives.

While WTO members hold different views on the content and priorities of reform options as they prepare for the Fourteenth Ministerial Conference of WTO in March 2026, a set of broad guiding principles anchored in sustainable development can help shape discussions to strengthen the predictability and fairness of the trading system.

Key considerations

- 1 Upholding of a rules-based and non-discriminatory trading system.** Future reform needs to be anchored in a renewed commitment to a universal, rules based, non-discriminatory, transparent, open, fair, equitable and predictable multilateral trading system.^b
- 2 Ensuring an inclusive trade regime** will allow gains to be more evenly shared within and across countries, particularly among developing economies. Special and differential treatment has been a foundational, treaty-embedded right of a fair and equitable multilateral trading system, enabling developing countries to integrate at a pace that reflects their capacities and priorities.

- 3 Elucidation of trade rules for structural transformation in the twenty-first century.** Industrial policy has re-emerged as a key instrument for harnessing both digitalization and decarbonization to drive structural transformation. For many developing countries, leveraging the opportunities created by these twin transitions requires deliberate policy choices and sustained investment in infrastructure, innovation and skills development tailored to their specific contexts and needs.
- 4 Leveraging of networked multilateralism.** The emergence of different platforms and groupings has to be harnessed in synergy with multilateral organizations to enhance trade policy transparency and coordination and reduce trade policy uncertainty.
- 5 Development of resilience and crisis management.** In paragraph 21 of the Abu Dhabi Ministerial Declaration, members at the Thirteenth Ministerial Conference of WTO highlighted the importance of developing crisis management frameworks that strengthened the capacity of the multilateral trading system and participants in it to anticipate, respond to and recover from global shocks and disruptions.
- 6 Achievement of the meaningful participation of developing countries.** Developing countries have a unique opportunity to lead the process of WTO reform, supporting the integrity of multilateralism and promoting rules-based approaches to trade policy that allow them to leverage trade rules in support of their sustainable development priorities. Strengthening inclusive governance would provide developing countries, including the least developed countries, with real influence over agenda-setting, rule-making and dispute resolution. Achieving this requires capacity-building for effective participation.

By fostering active, transparent and inclusive policy and dialogue, UNCTAD plays a key role in addressing the challenges depicted above, as the United Nations focal point for trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development. Through its convening power and analytical expertise, UNCTAD can support all members, regardless of economic size or status, in engaging in genuine dialogue, building capacities and seeking consensus to address complex trade and development challenges.

As stated in the Geneva Consensus, “a rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system, with the World Trade Organization at its core, remains crucial for supporting developing countries in their efforts to diversify their economies, adds value to their commodities and achieves inclusive and sustainable growth.”^c

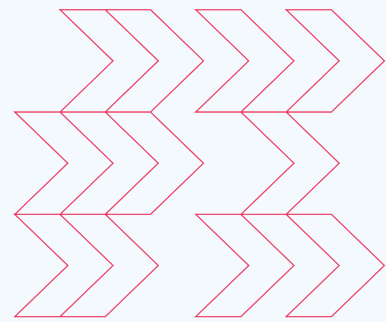
Note:

^a WTO, 2024 and 2025.

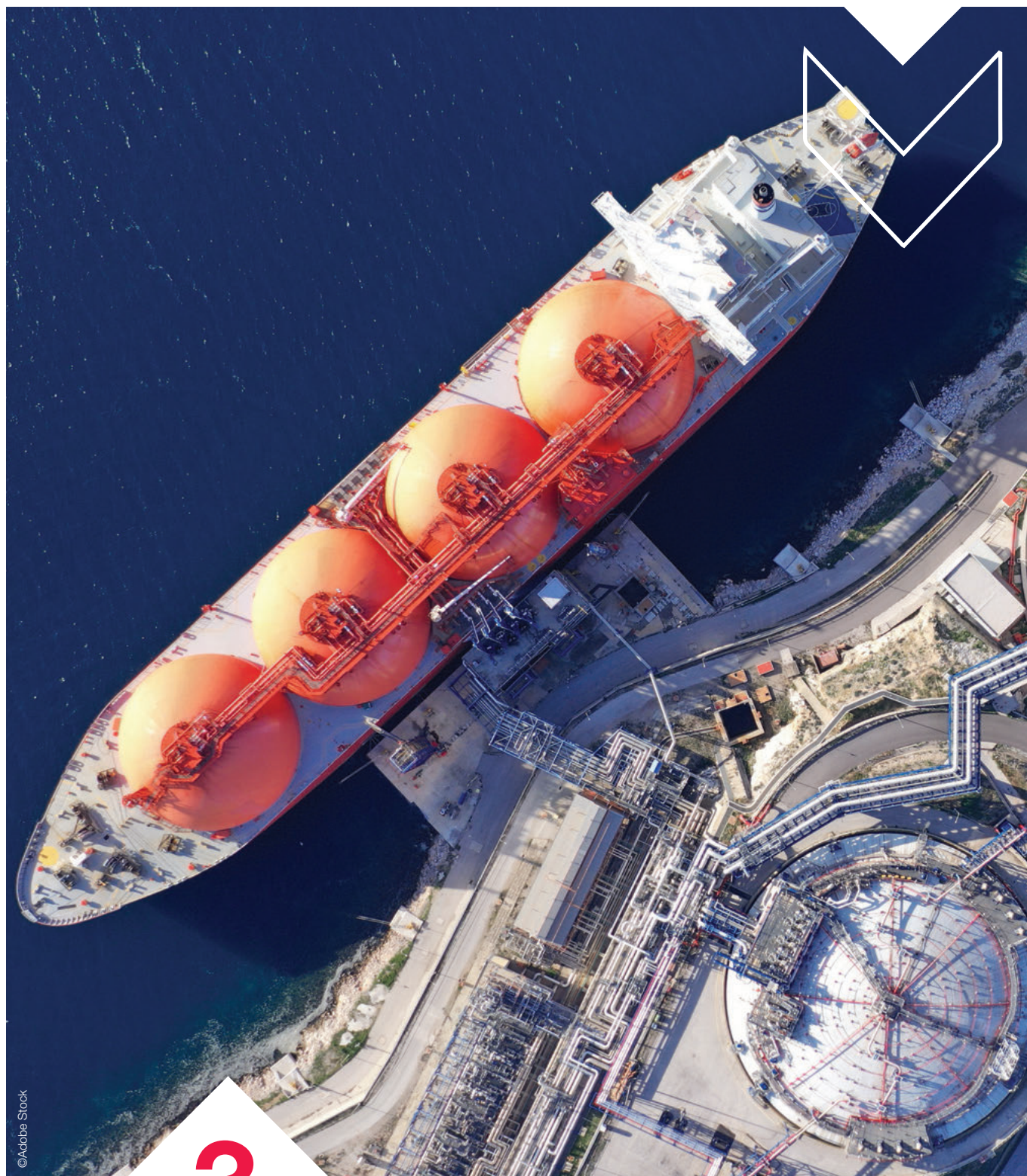
^b Sustainable Development Goal 17, target 17.10.

^c Outcome document of the sixteenth session of the United Nations Conference on Trade and Development, TD/561/Add.2, para.14.

Policy focus



- 1 Failing to better understand the confluence of financial and trade cycles risks placing trade flows** at the mercy of negative financial spillovers, adding to an already challenging environment. This requires a recalibration of analytical frameworks and policy tools.
- 2 Close connections between global trade and financial cycles** call for supplementing macroprudential efforts with trade-focused policy initiatives and cross-market measures. These could enhance competition, market access and collaboration at the macro level of international trade.
- 3 Macroeconomic policymaking should evolve to incorporate macroprudential tools** that can counter adverse financial impacts on the external sector. Such tools – ranging from capital flow management measures to countercyclical regulatory buffers – can help to stabilize conditions for trade finance and mitigate volatility.
- 4 The financialization of commodity trading shows that reliance on firm-based supervision and self-regulation is inadequate** to address evolving systemic risks. Regulating the current structure of commodity trading requires new approaches to transparency, leverage and systemic risks that can address both operational continuity and financial stability.
- 5 Asymmetrical access to trade finance** remains a structural barrier for many developing countries. Addressing this requires coordinated international efforts to enhance financial inclusion, strengthen regulatory frameworks and support capacity-building.
- 6 Multilateral development banks and regional financial institutions have critical roles** in expanding affordable trade finance, particularly for small and medium-sized enterprises.



3

The enduring dollar



The April 2025 market shock and ensuing financial volatility cast a spotlight on the dollar as a global financial anchor. Historically, market turmoil has translated into dollar appreciation and a run into United States Treasuries as a safe-haven asset.

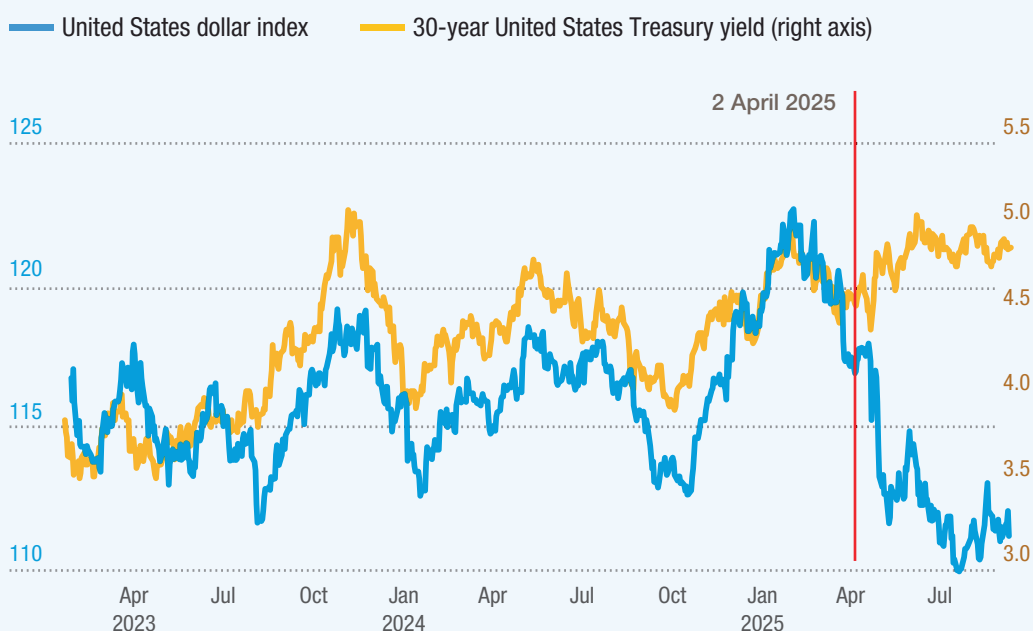
In 2025, a different pattern emerged; the yield on Treasuries increased and the dollar sharply depreciated (figure 12). While in the short run, this divergence may have signalled a softening demand for United States assets, the long-term picture indicates a more complex dynamic.



Figure 12

Distress in financial markets triggered anomalous movements in safe-haven United States assets

Nominal advanced foreign economies dollar index and the market yield on 30-year United States Treasury securities
(Index January 2006 = 100, percentage)



Source: Federal Reserve Bank of St. Louis.

Note: The dollar index corresponds to a weighted average of the foreign exchange value of the dollar against a subset of broad index currencies of advanced foreign economies. Upward (downward) movement of the index indicates an appreciation (depreciation) of the dollar.



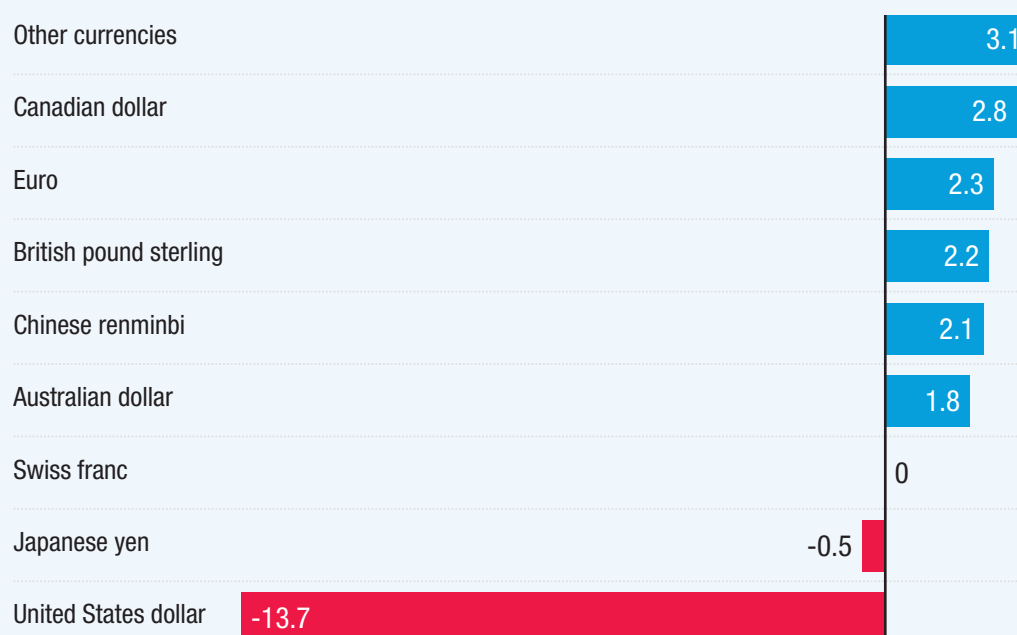
On the one hand, a shift away from dollar centrality has become apparent, most notably in its status as the global reserve currency. The share of dollars in the currency basket used in international reserves by central banks worldwide has significantly and persistently declined since 2000 (figure 13).



Figure 13

The dollar's share of international reserves held by central banks has noticeably retreated

Change in share of foreign currency reserves, first quarter of 2000 – fourth quarter of 2024
(Percentage points)



Source: UNCTAD based on data from the IMF Currency Composition of Official Foreign Exchange Reserves (COFER).

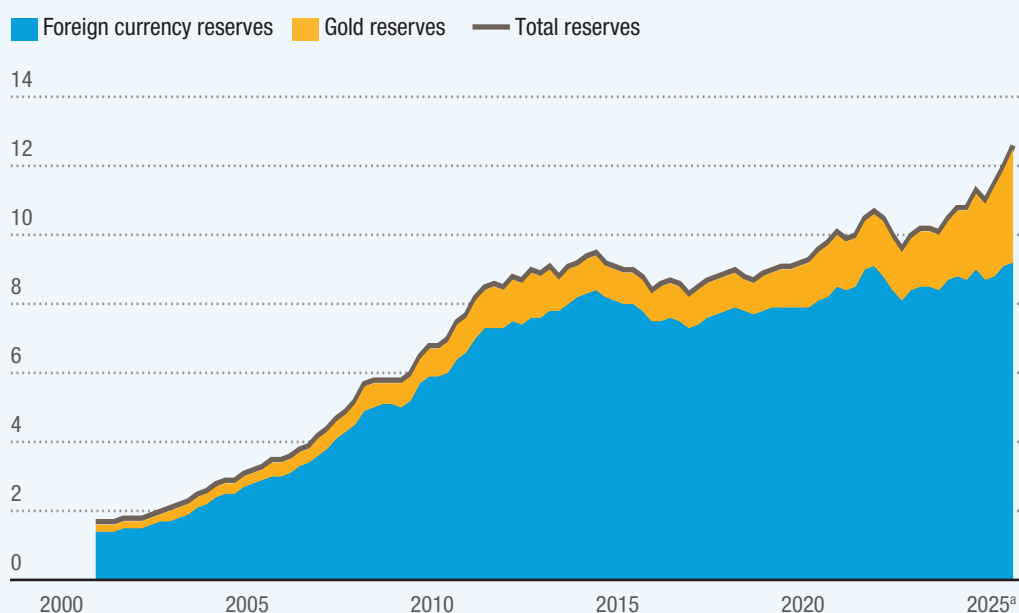
In a parallel development, by the end of 2024, the share of monetary gold in central bank reserves crossed 20 per cent, continuing to rise in 2025 (figure 14A). Gold has overtaken the euro as the second-largest reserve asset, driven largely by price effects, with volumes also edging upward but at a slower pace (figure 14B).



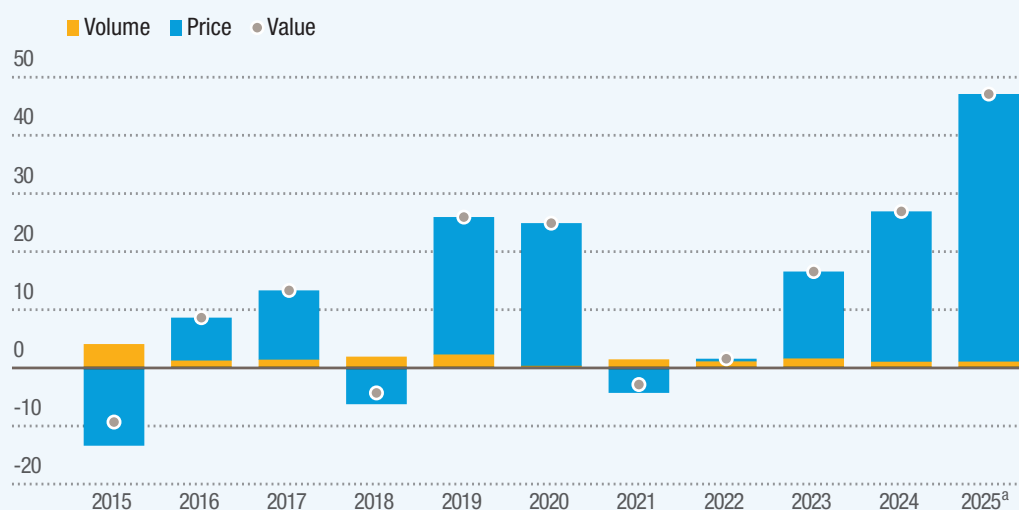
Figure 14

Rising share of gold in central bank total reserves, as surging gold price drives up market value

A. Foreign currency and monetary gold reserves held by central banks globally
(Trillions of dollars)



B. Change in market value of central bank monetary gold reserves decomposed by volume and price effects
(Annual percentage change)



Source: UNCTAD based on data from World Gold Council.

^a Corresponds to third quarter.



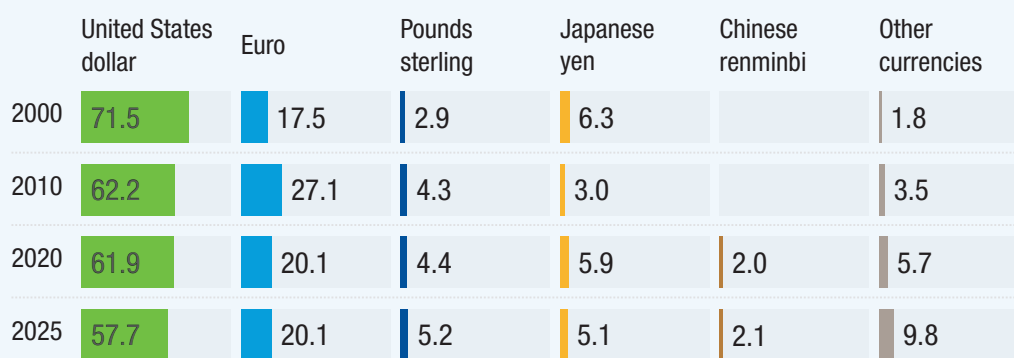
However, the marked decline of the dollar in official foreign exchange reserves has not been accompanied by the significant ascent of any other currency (figure 15).



Figure 15

Even as the dollar has declined in foreign exchange reserves, no other single currency has emerged to take its place

Share of total allocated foreign currency reserves
(Percentage)



Source: UNCTAD based on IMF COFER.

Note: 2025 refers to the first quarter of 2025.

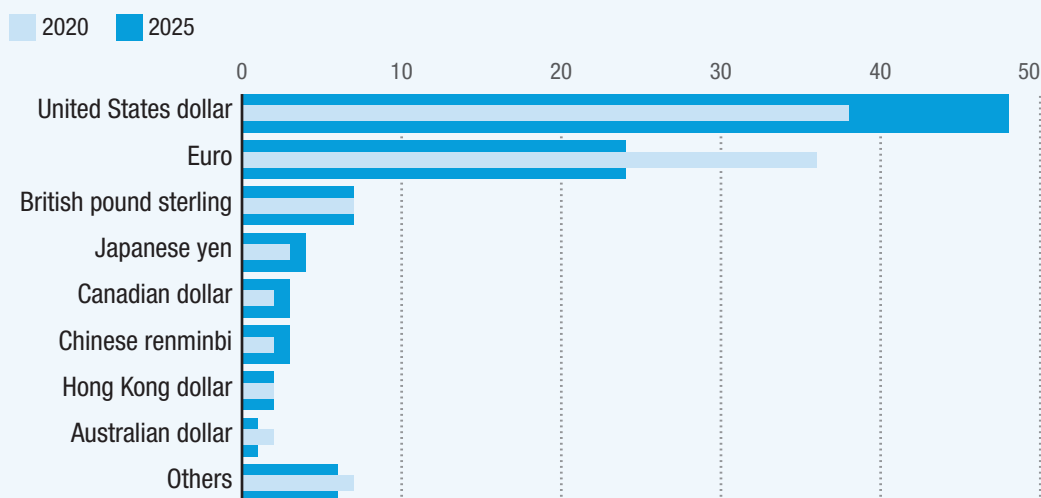
Furthermore, the weight of the dollar in the SWIFT payment system has risen from about 10 percentage points over the past five years, paralleling a diminishing role of the euro (figure 16).



Figure 16

The dollar's growing role in global payments

Currency composition of SWIFT transactions, selected currencies
(Percentage)



Source: UNCTAD based on SWIFT database.



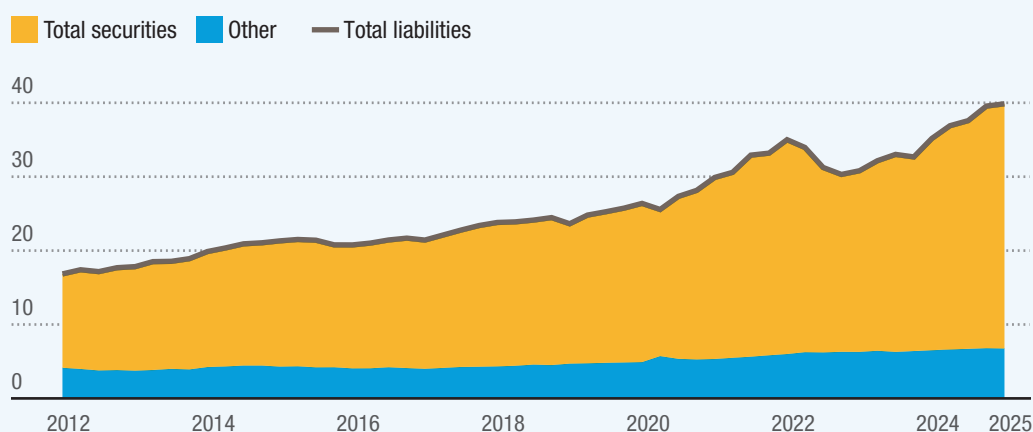
The global role of the dollar extends beyond its reserve currency use. It remains the major currency for foreign bank loans and deposits, foreign exchange transactions and global payments. It is also an invoicing and settlement currency for international trade and a global investment asset. Across these functions, the share of the dollar has remained relatively stable since 2000 (figure 17).



Figure 17

Global confidence in United States financial assets remains strong

Total United States banking and securities liabilities to foreign residents
(Trillions of dollars)



Source: UNCTAD based on Federal Reserve data.

Note: United States banking and securities liabilities to foreign residents refers to foreign investors' investments in United States financial assets, including government debt (Treasury), corporate bonds and stocks.

In securities markets, the United States dominates global equity and bond supplies, accounting for nearly 50 per cent of the value of global equities and 40 per cent of the global bond stock. Other economies trail significantly behind (table 2).



Table 2

The United States dominates global capital markets

Global equity market capitalization and global bond stock outstanding, 2024
(Percentage)

	Global equity market	Global bond stock
China	9	17
United States	50	40
European Union	9	18
Global South (excl. China)	12	6

Source: UNCTAD based on the Bank of International Settlements (BIS) and the World Federation of Exchanges.



From a development perspective, the dollar's role as the global financial anchor – based on its perceived safety, liquidity and scale – extends beyond trade and reserves. This points to a need for a deeper understanding of the impact of financialization on integration and resilience, alongside revised policies to address links between trade and the global financial cycle (table 3).

▼
The dollar's role as the global financial anchor – based on its safety, liquidity and scale – extends beyond trade and reserves.

➤ **Table 3**
The financial foundations of dollar dominance

Trade–finance nexus	Features of financial assets	Implications for global South
Trade: Formal financing in hard currencies	Safety: The stored value invested in securities must hold firm up to the point of sale	For many developing countries, exports invoiced in dollars represent 80–90 per cent of their total exports
Global payment system	Liquidity: Assets can be sold quickly without any adverse impact on their price and hence stored value	Limited access to global payment systems
Global regulatory architecture	Scale: Financial securities must be capable of holding such substantial quantities of value as can match those carried in international portfolio flows	The global South's currencies and assets retain a 'satellite' position in the portfolio of large asset managers, which are structured around value storage and yield priorities

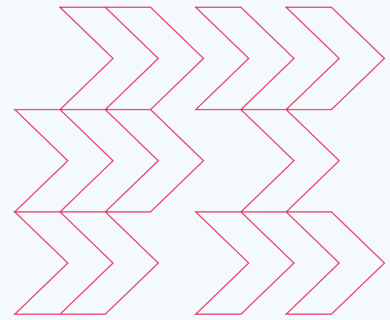
Source: UNCTAD based on Lysandrou (2025).

Beyond trade, the dollar's dominance extends to key dimensions of the international financial system, including as the primary reserve currency. It retains a central role in the Eurodollar market, global capital markets and the infrastructure of the global financial system. The last is particularly important, as financial infrastructure is increasingly a key lever of economic integration and development.

▼
Financial infrastructure is becoming a key pillar of development and economic integration.



Policy focus



- 1 As countries forge new trade and investment links, many aim to curb over-dependence on the dollar.** Yet, financialization continues to cement its dominance in global finance, posing a challenge to build independent payment networks.
- 2 While alternative arrangements to help countries reduce overexposure to dollar assets** could pave a way towards a more diversified international monetary architecture, the proliferation of new payment systems carries the risks of further fragmentation.
- 3 An integrated approach to trade and financial diversification** is essential, requiring coordination across systems and strategic, unified actions. Here, comprehensive regional financial frameworks and capital markets are vital for macrofinancial resilience and a more balanced international financial system.



4

Financialization and the global South



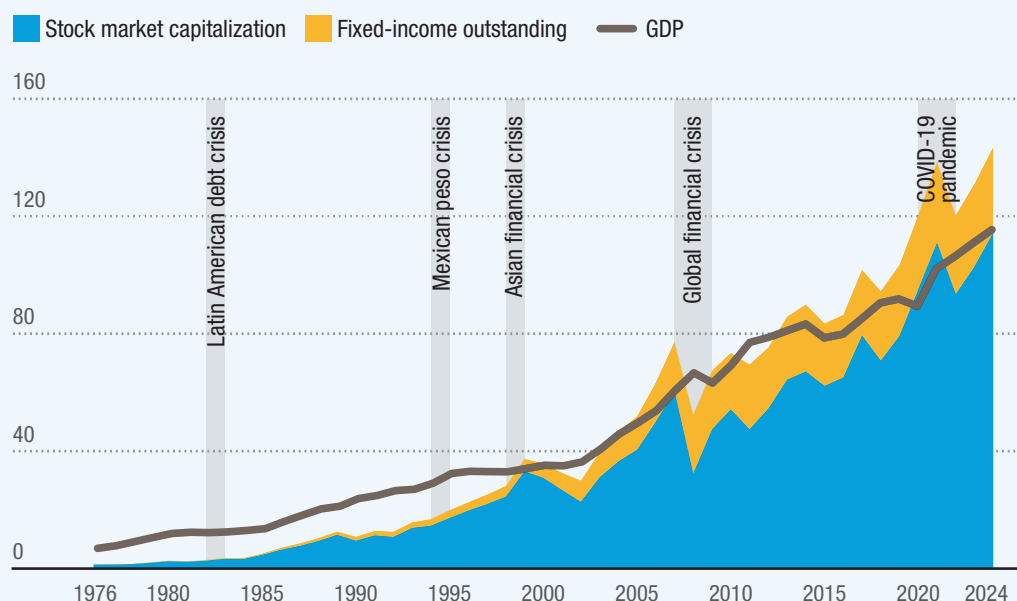
Financialization is marked by the increasing dominance of finance over the real economy. At the core is the growth of financial securities – equities and bonds – relative to world gross domestic product (GDP) (figure 18).



Figure 18

Global financial market expansion has outpaced real economic growth

Global GDP, global equity market capitalization and global fixed-income outstanding (Trillions of dollars)



Source: UNCTAD based on World Bank, WFE and BIS Statistics.

Note: Financial market size is defined as the combined value of stock market capitalization and outstanding fixed-income securities. Economic growth is measured by GDP in current dollars.

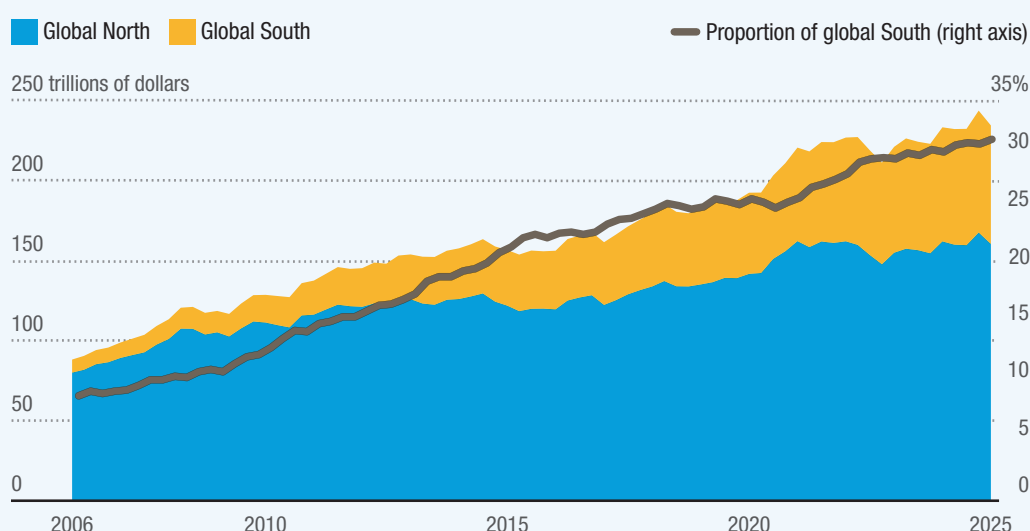
The growing role of financial markets and securitization has many policy dimensions. While credit deepening and economic integration have transformed many developing economies (figure 19), they remain on the periphery of the global financial system. Underdeveloped financial infrastructure limits the ability of companies in the South to raise capital domestically. It hampers the efficiency of capital allocation and reinforces dependence on external financing from the global North to support major corporate and infrastructure projects.



Figure 19

As developing economies grow, credit relationships deepen

Total credit to the non-financial sector, global South and global North



Source: UNCTAD based on BIS data.

Note: Credit to the non-financial sector includes borrowing activities by both governments and private non-financial sectors. Financial instruments comprise currency and deposits, loans and debt securities.

While credit deepening has transformed the economies of the global South, they remain on the periphery of the global financial system.



Developing countries, including large emerging markets, face much higher borrowing costs in international markets, which constrains fiscal space (figure 20).

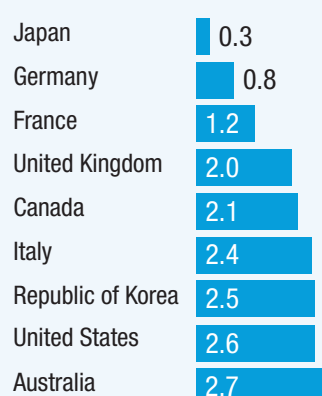


Figure 20

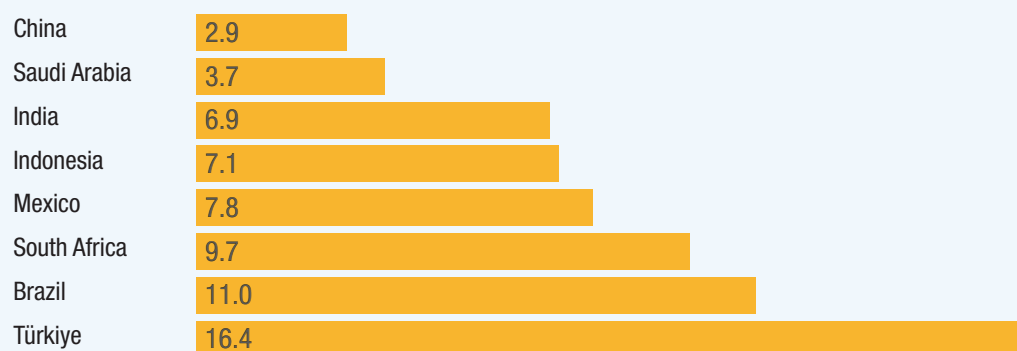
Global South sovereign borrowing comes with a higher cost

Yields on 10-year government bonds: global South and global North, 2015–2025 averages (Percentage)

Global North



Global South



Source: UNCTAD based on LSEG DataStream.

Note: Data show the government benchmark bid yield for 10-year bonds in selected G20 economies. Typically denominated in the local currency, these yields reflect the most liquid, domestically issued securities, serving as the primary 'risk-free' rate for each country. They form the baseline cost of long-term sovereign borrowing and influence corporate borrowing costs across their respective economies.



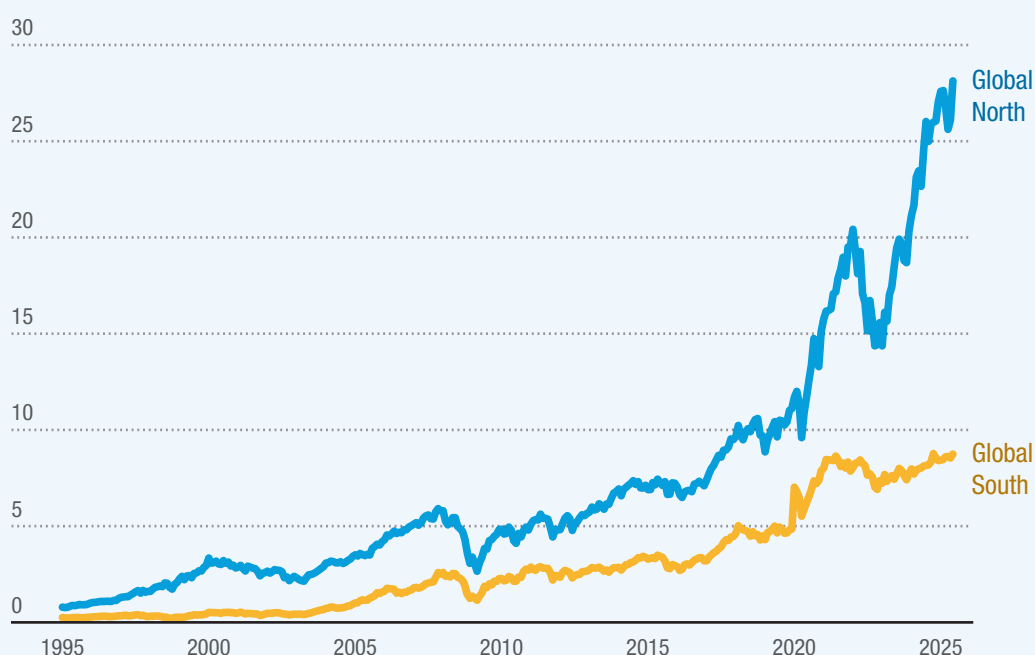
Although equity markets in the global South have expanded significantly since the 2008–2009 global financial crisis, they continue to lack sufficient depth, liquidity and sophistication to support capital formation and financing for domestic enterprises (figure 21).



Figure 21

Raising capital remains a challenge for companies from the global South

Monthly market capitalization of selected firms from the global South and global North (Trillions of dollars)



Source: UNCTAD based on LSEG Datastream and World Federation of Exchanges.

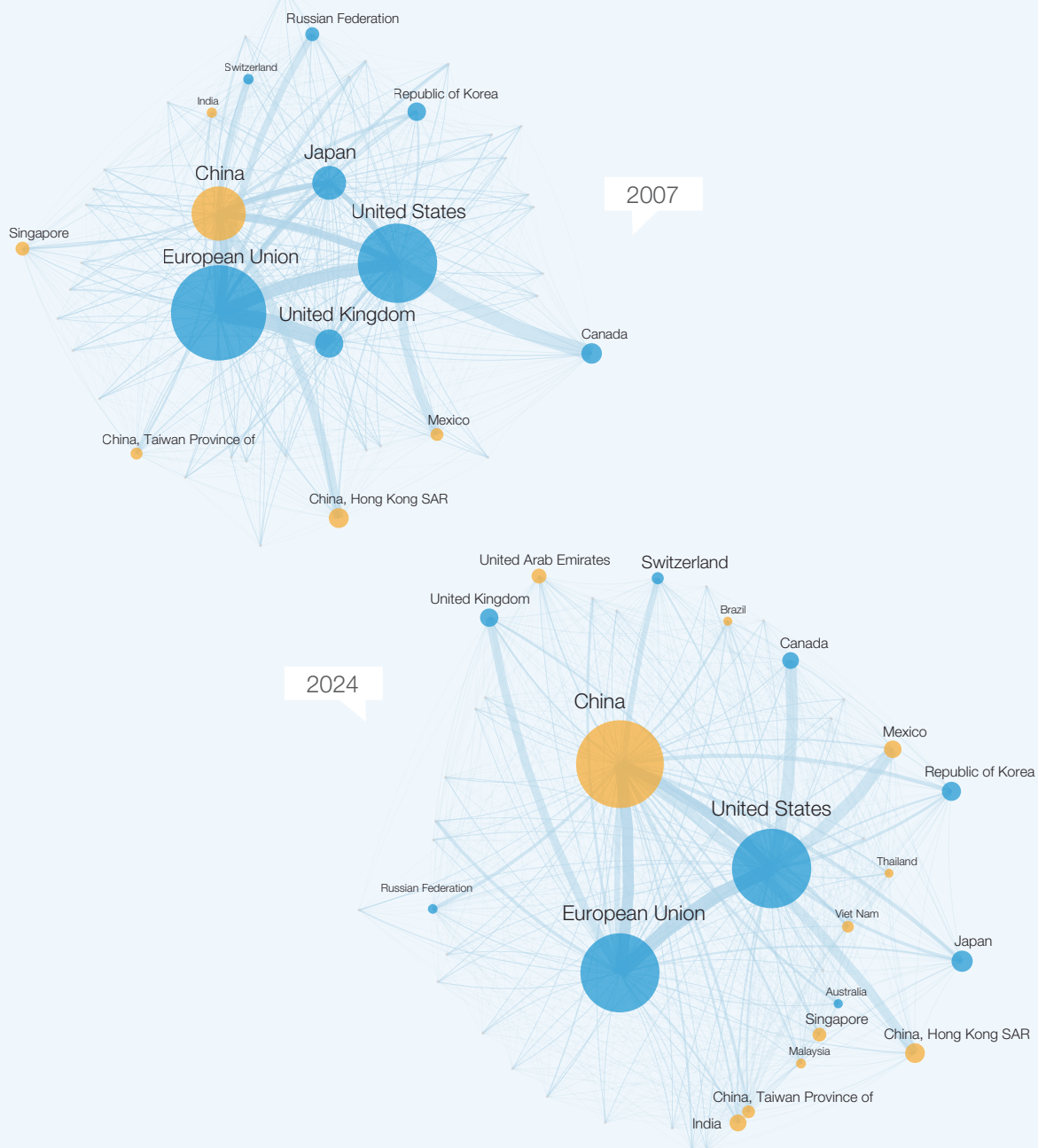
Note: Market capitalization is proxied by 333 large-cap companies across 39 countries, of which 109 have their headquarters in the global North and 224 have their headquarters in the global South.

Financial markets of the global South continue to lack the depth, liquidity and sophistication to support capital formation and financing for domestic enterprises.



The peripheral position of the global South in the financialized global economy contrasts with its growing weight in international trade networks (figure 22).

Figure 22
More developing economies have emerged as global import-export hubs
World network of bilateral merchandise trade



Source: UNCTAD based on UNCTADStat.

Note: Only the top 20 per cent of the world's largest economies by trade value are represented in this figure. Intra-European Union trade is not considered. For each economy, its node size is proportional to the total value of its exports and imports that particular year. Economies' names are only listed if their share in global trade is at least 1.5 per cent. Blue nodes refer to the global North and yellow nodes to the global South.

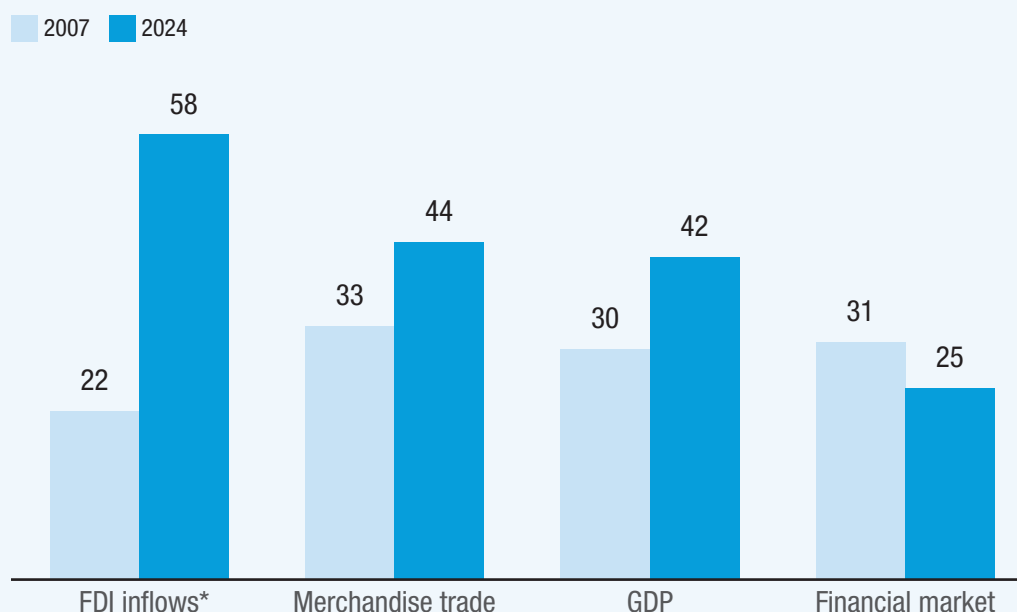
Altogether, the economies of the global South today account for over 40 per cent of global output, more than 50 per cent of FDI inflows and nearly half of global merchandise trade, a stark contrast with their more marginal position in global financial markets (figure 23).



Figure 23

The global South has seen an uneven rise in the global economy

The share of the global South in world FDI, trade, production and financial markets
(Percentage)



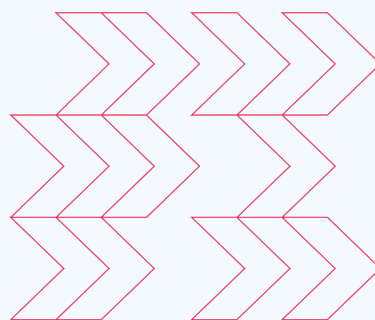
Source: UNCTAD based on UNCTADstat, WFE, and BIS Statistics.

Note: FDI inflows correspond to aggregate bilateral flows, excluding Bahamas, Bermuda, British Virgin Islands, Cayman Islands, Cyprus, Guernsey, Ireland, Isle of Man, Jersey, Luxembourg, Malta, Mauritius, and Panama. Trade values represent the aggregated merchandise imports and exports. The European Union is treated as a single economy, and its intraregional trade is excluded. Financial market size is defined as the combined value of stock market capitalization and outstanding fixed-income securities. Production aggregates are based on GDP at constant 2015 dollars.

* Due to data availability, FDI inflows refer to 2023 figures.



Policy focus



- 1 As business cycles in developing economies are increasingly shaped by global financial conditions,** financialization accentuates the need for integrated policy frameworks.
- 2 In a highly financialized global economy, diversification needs to be balanced and strategic.** This is due to complex interdependencies between trade and finance, and the risks of fracture from rerouting financial channels of trade and investment.
- 3 Reforming the international monetary system is crucial.** A new SDR-based currency, possibly with automatic allocations, would reduce over-exposure to the dollar, curb volatility, and boost emerging markets' sovereignty—stabilizing global trade and promoting balanced growth.
- 4 Strengthening domestic financial ecosystems is vital.** Robust financial infrastructure and digital payment systems are needed to support internal markets and resilient growth.
- 5 Regional capital markets must advance alongside trade integration.** Developing vibrant, harmonized bond markets can finance infrastructure, boost intraregional trade and development finance.
- 6 Addressing the divide in international trade and finance demands viable, networked multilateralism** that is inclusive and pragmatic. It should discourage fragmentation and embrace open regionalism.



5

Building resilience while avoiding further fracture

▼
Resilience
today requires
balanced
diversification,
adaptability and
coordination.

In a complex and interconnected world, resilience calls for more than just maintaining the status quo or restoring a system to its previous equilibrium. Resilience today requires balanced diversification, adaptability and coordination. Fragile growth and unstable access to financial mechanisms for crisis management remain core development challenges for the global South.

Fundamentally, resilience should be anchored in green structural transformation. While uncertainties currently dominate the global economic landscape, systemic resilience and sustainability must move to the centre of policy decisions. As part of this process, transmission mechanisms among trade, finance and the environment should be recognized and integrated into new policy approaches.

For the global South, such an integrated approach includes mobilizing domestic resources, combating illicit flows, advancing green transformation, and devising regionally coordinated development strategies.

These goals call for specific measures oriented around resilience, including:

- 1 On climate-debt issue:** Beyond national efforts, tackling debt in climate-vulnerable developing countries requires reform of the global financial system and stronger cooperation. A substantial increase in both the scale and quality of climate finance, supported by collective action, is essential – Borrowers Platform provides a promising new mechanism.
- 2 On trade-finance divide:** Integrating the global South into the financial system is complex. Regional arrangements, supported by multilateral development banks, can reduce borrowing costs, boost investment, and promote energy transitions through funds, payment systems, and coordinated exchange rate policies.
- 3 Addressing shadow banking risks:** Post-2008 reforms targeted systemic risks in banking, emphasizing transparency, stress-testing, and macroprudential tools. As financial markets evolve, new endogenous risks emerge; these tools must be monitored and adapted to ensure resilience beyond the banking system, especially in light of complex trade-offs and evolving vulnerabilities.

Overall, trade, finance and macroprudential policies must go hand in hand. As UNCTAD reiterated at the Fourth International Conference on Financing for Development in 2025, trade and finance should not be considered separately. Policymaking needs to take a holistic approach. Both areas of global integration – alongside others, such as investment – are interrelated and central to development. Stable and sustainable financing should be reliable and accessible, primarily to support the real economy and the green transition.

The United Nations Conference on Trade and Development – UNCTAD – is the leading body of the United Nations focused on trade and development.

UNCTAD works to ensure developing countries benefit more fairly from a globalized economy by providing research and analysis on trade and development issues, offering technical assistance and facilitating intergovernmental consensus-building.

Standing at 195 countries, its membership is one of the largest in the United Nations system.



Trade and Development
Report 2025

