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International Cooperation Policy for Sustainability Transformations in Disruptive Times

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Summary

The world is falling behind on the Sustainable Development Goals (SDGs), a situation exacerbated by recent geopolitical disruptions and challenges to international cooperation. This policy brief, based on a virtual roundtable in the context of the Hamburg Sustainability Conference (HSC) with influential experts from Latin America, Africa and Asia, explores how recent global shifts – such as reduced funding for development, fundamental policy changes of major powers and weakened multilateral institutions – are reshaping development and trade cooperation.

While these disruptions have had damaging effects on low- and middle-income countries (LMICs) in particular, they also present opportunities to reform international systems, diversify cooperation formats and strengthen regional and sectoral alliances. Three key recommendations emerge from the roundtable discussion that are relevant for international cooperation for sustainable development going forward:

- Trade is increasingly being used as a tool to project geopolitical power, contributing to the fragmentation of global economic systems. In response to these disruptions, countries are encouraged to diversify cooperation by promoting open regionalism, fostering plurilateral partnerships and strengthening sectoral collaboration (e.g. on artificial intelligence) and economic resilience.
- The decline in development aid cannot be compensated by individual actors alone. LMICs are forced to actively address financing gaps through improved conditions for investments, stronger domestic revenue generation, better macroeconomic management and efforts to curb illicit financial flows. The international community should support them in these efforts. Aid remains vital, especially for low-income countries and humanitarian emergencies. However, fairer and more reciprocal partnerships should be developed, acknowledging mutual economic interests and based on knowledge sharing.
- Recent disruptive and polarising policy decisions, while theoretically reversible, have lasting negative effects on trust, budget priorities and international cooperation. Nevertheless, experts emphasise the potential to build new alliances, involving LMICs, for sustainability transitions, reformed global governance structures and alternative cooperation models. To seize these opportunities, leadership from countries that depend on rules-based international cooperation systems – especially middle powers – is considered essential for driving systemic change.

Disruptions to sustainable development efforts

The Sustainable Development Goals (SDGs) within the framework of the 2030 Agenda for Sustainable Development, adopted by the United Nations in 2015, aim to advance key transformations across economic, environmental and social dimensions by 2030. However, the world is falling behind delivering on this agenda and on achieving the SDGs. The world is on track to achieve fewer than 20 percent of the targets. The other targets are either showing moderate or stagnating progress, or even regression (Sachs et al., 2024). Last year's United Nations Summit of the Future therefore concluded with a strong plea to accelerate sustainable development efforts not only via national-level actions but, crucially, through international cooperation and strengthened multilateral cooperation. While multilateral systems were already under pressure and in need of substantial reform, the recent phase of disruptive and polarising international policymaking increases global risk-scapes and results in a renewed urgency to promote sustainability transformation.

Polarisation and disruption become on the one hand visible through the increasing number and intensity of violent conflicts worldwide – the number of conflicts doubled over the past five years (Raleigh & Kishi, 2024). This impacts first and foremost the affected countries' progress on sustainable development. Moreover, violent conflicts and major land wars are affecting the international community's ability to cooperate and fund development by re-directing political attention and funding towards security and defence. On the other hand, non-violent conflicts, often framed as geopolitical and geoeconomic competition between major powers, also undermine the basis for international cooperation in support of sustainable development.

In this contested geopolitical and geoeconomic environment, key stakeholders of the international system are reconsidering their policies and international positioning. In particular, the US government's policy has shifted to an open denouncement of the 2030 Agenda for Sustainable Development and a retreat from key international agreements such as the Paris Climate Accord and international bodies such as the World Health Organization. Moreover, the US, previously the largest donor in absolute terms, suspended its humanitarian and development aid, announcing that it would be significantly scaled back and aligned with more conservative values and national interests (Haug et al., 2025). Other donors, such as the UK, the Netherlands and Germany, are also scaling back their commitment to development cooperation.

The Trump administration, more broadly, is retreating from the multilateral and rules-based system it helped to create after the Second World War. There are few areas where this is more apparent than in trade. The US has implemented a number of global and sectoral trade barriers, in particular through its reciprocal tariffs scheme, which constitutes a violation of the non-discrimination principle enshrined in international trade law and is hitting low-income countries particularly hard (Stender et al., 2025). The announcement of these tariffs has led to a series of renegotiations, retaliations, and turbulence in monetary and financial markets. Moreover, the US is withholding its contributions to the budget of the World Trade Organization (WTO) and continues to block key institutional functions, such as the Appellate Body. The US has also used trade sanctions as an instrument for political interference in the domestic affairs of other countries.

These strategies of disruption and polarisation have had substantial impacts on global cooperation in various policy domains and multilateral frameworks, with notable consequences globally. How do these impactful policy decisions influence the pursuit of the SDGs, with regard both to international development finance and cooperation and to regional and multilateral trading systems?

This policy brief assesses this question on the basis of the outcomes of a virtual round table discussion that brought together influential experts from key Latin American, African and Asian countries. The round table was hosted by the German Institute of Development and Sustainability (IDOS), the Research and Information System for Developing Countries (RIS), India, the Institute of Applied Economic Research (IPEA), Brazil, and organised in cooperation with the Hamburg Sustainability Conference (HSC). The roundtable participants from think tanks, international organisations and governments explored how recent global disruptions are reshaping development and trade cooperation – and what this means for sustainable development. Based on their discussion of regional responses, prospects for new alliances and opportunities for transformation, this policy brief identifies areas where policy action is needed to foster sustainable trade and development cooperation contributing to the SDGs.

Navigating the "disintegration of integration" through diversified cooperation

The "weaponisation" of trade underlines the trend that economic relations are increasingly viewed as a tool of security policy and that power politics is replacing rules-based cooperation. Key disrupters are current trade disputes and escalating tariff hikes. The current disruptions have led to a "disintegration of integration" – the reversal of an economic cooperation intended to facilitate trade in goods and services – with national responses often taking precedence over regional or multilateral coordination and cooperation.

To navigate the disintegration of integration, roundtable participants emphasised that countries should diversify cooperation by **embracing regionalism**, fostering **plurilateral formats among like-minded stakeholders within multilateral structures** and developing **sectoral partnerships**. At the same time, countries can profit from greater **self-reliance**. Moreover, countries should **increase competitiveness by investing in high-potential sectors such as artificial intelligence (AI)** and attracting green investment. Importantly, self-reliance and greater regional integration are not seen as mutually exclusive, but as part of an overall diversification strategy aimed at increasing economic resilience.

There exist, however, several barriers to economic integration. In Africa, many countries engage in unilateral negotiations, despite an overall lower dependency on trade with the US and an existing wide-ranging trade agreement (African Continental Free Trade Area (AfCFTA)) that could help, if properly implemented, to cushion adverse effects by creating the basis for more intra-African trade. In Latin America, trade is hampered by the lack of a regional trade infrastructure and diverse national trade systems. In addition, many countries are concerned that with greater integration, Chinese surplus goods originally destined for the US market may be redirected to other countries, creating the risk of market flooding and price dumping.

These strategies and barriers open up scope for several strategic approaches.

Increasing regional and plurilateral cooperation

So far, the responses by many countries have been on a bilateral basis, and regional and multilateral platforms are rarely used to share experiences and coordinate policymaking. More importantly, in view of the blockage of many multilateral forums, countries should resort more strongly to regional forums, such as AfCFTA, and complementary initiatives that reduce trade costs within regions. In the trade domain, this can also mean, for instance, increased initiatives to harmonise product standards and dismantle tariff barriers (Aboushady et al., 2024). Such regional cooperation initiatives should be strongly supported by international donors, as they not only represent a particularly effective way to support development but also create effective business environments that benefit national export-oriented companies.

A key barrier to trade for Latin America and Africa is lack of regional trade infrastructure. Regional infrastructure solutions should consider building port and railway connections as part of regional and cross-regional economic corridors. In addition, digitised customs documentation can reduce delays at the borders.

Another barrier to trade identified was the lack of competitiveness of businesses in LICs. As a complement to a national economic strategy that identifies comparative advantages, technical cooperation could help develop the capacities needed to become competitive. For North–South trade integration, this includes training local companies on quality and sustainability standards to support their integration into regional and global value chains, and to ensure they have the technical know-how to implement and report on these standards. Training on how to secure business financing was also identified as a strategy.

In the multilateral trading system, countries should more strongly engage in plurilateral initiatives, so-called “coalitions of the willing”, to advance cooperation on key sectoral initiatives that have the potential to advance sustainable development, while integrating already concluded agreements on investment facilitation and e-commerce more fully into the WTO system (Berger et al., 2023).

Strengthening self-reliance

One solution, considered by experts to increase the reliability of sustainable development financing, is national self-reliance. Apart from the above-mentioned diversification of partners, this can involve strengthening state capacity to mobilise domestic revenue and build resilient health financing systems, while also curbing capital outflows and accumulating central bank reserves to cushion against aid withdrawal or external shocks. Transitioning from tied aid toward approaches that align sustainable development strategies with national priorities can in some cases even enhance effectiveness. At the same time, the international community has a crucial role to play by supporting LMICs through the creation of alternative financing mechanisms and risk-management institutions that bolster resilience. These should include progressive taxation, with a focus on ultra-high-net-worth individuals and multinational corporations. It may also include the proposal for Global Public Investment, which ensures permanent development funding to which all countries contribute according to their capacity, and benefit according to their need.

Sustainable AI as a driver of economic development

While investing in AI and AI skills is vital for a country to remain competitive and unlock efficiency gains across sectors – from digital public services to environmental monitoring and social innovation – these opportunities do not materialise automatically. Policymakers must ensure that AI contributes to sustainability rather than undermining it. Currently, the massive energy and water consumption of AI models and data centres – often run by private actors without sustainability safeguards – poses a serious threat to climate goals and often comes at the expense of vulnerable neighbourhoods. For the future, an IMF study estimates that global carbon emissions could rise by 1.2% by 2030 due to AI-related energy demands, equivalent to the annual emissions of Italy (Bogmans et al., 2025).

To mitigate these effects, governments should invest in “green” infrastructure, including climate-resilient and energy-efficient data centres, and align AI strategies with energy and environmental policies. Public regulation and international exchange on environmental standards for data centres are urgently needed, including guidelines on which AI applications to prioritise under energy constraints. Data sovereignty, security and localisation must also be clarified – particularly where the state relies on private infrastructure.

Moreover, common infrastructures and open data spaces are essential to enable developing countries to build representative datasets, develop context-relevant applications and participate meaningfully in global AI innovation. Active efforts must be made to complete data sets for

AI usage with under-represented groups and aspects. This requires targeted support, knowledge exchange on good practices also in terms of energy security, and efforts to address current data biases that marginalise under-represented groups and regions.

Dealing with declining aid flows

The decline in aid, due to the substantive budget cuts over the past years, cannot be offset by single actors alone. As mentioned above, experts emphasise the agency of LMICs to deal with the financing gaps by adopting various national response strategies: by improving LMIC's framework conditions to attract FDI, developing capacities to generate domestic revenues, curbing illicit financial flows and enhancing macro-economic management. A more integrated approach towards international cooperation, trade, financing and macro-economic management is needed.

Nonetheless, development aid, especially delivered through multilateral funds, remains important for many low-income countries and in the humanitarian context. The aid reductions of large traditional donors such as the US, UK and Germany need to be urgently addressed but cannot be offset by one single donor stepping in. Traditional donors should more clearly state their own interests and embrace best practices from South–South and trilateral cooperation. This would also better justify their continued international engagement towards their public, for example in the area of private sector cooperation. At the same time, development cooperation should be designed in such a way that it enables technology learning and local value creation.

It was emphasised that changing to more equitable cooperation structures is essential. Future aid should be based on more equitable and reciprocal cooperation formats that are based on mutual benefit and knowledge sharing. In particular, South–North and South–South knowledge sharing is often underestimated, despite the great value of the LMICs' long-established knowledge and experience, for example about climate mitigation and adaptation, and nature-based solutions. For these purposes, trilateral cooperation schemes are particularly useful. Countries like Costa Rica and Colombia show that economic systems can be adapted to move beyond business as usual and establish economic systems that acknowledge global boundaries, while using whole-of-society governance approaches.

Disruptions as catalysts of negative and positive change

Even if recent disruptive and polarising policy decisions may in principle be reversible, they have long-lasting and damaging effects on trust, budget allocation and cooperation. Moreover, these shocks exacerbate pre-existing challenges such as underfunding of the SDGs, the decline in Official Development Assistance (ODA), tight budgets following the COVID-19 pandemic and rearmament due to an increasing number of armed conflicts, and structural deficits in international institutions and agreements.

Nonetheless, highlighting potential scope for positive change is important to channel the action of those unable to influence the disruptions themselves. In this regard, roundtable participants underlined several opportunities: to form **new alliances for sustainability**, to **reform global governance structures** and to test and **strengthen alternative cooperation approaches**. Leadership from pioneering countries – particularly middle-powers – is essential to drive such systemic change, supported by strong institutional mandates of regional forums and agreements.

Among some countries, the current disruptions have raised awareness of the potential benefits of international organisations such as the WTO, which might increase their motivation to reform the organisations to become effective once again. In order to achieve this, international organisations must enable effective policymaking advancing sustainable development. This may entail, in particular, a change in the WTO's decision-making system from consensus to a majority vote and enhanced flexibility with regard to plurilateral negotiations.

While the short-term nature of the disruptions makes instant adjustment difficult, in the long term, they seem to increase countries' motivation to find ways to raise domestic resources and diversify, in order to rely less on aid – which is now perceived as unreliable – or on one particular trading partner. In this respect, some countries profited from the depreciation of the US dollar in the wake of the financial turbulence caused by the various trade disruptions. This led to short-term debt depreciation for some indebted emerging markets who had borrowed in USD, allowing for greater fiscal space (Beattie, 2025). However, in the long term, stable financial markets will be beneficial for all.

Conclusion

The SDGs are part of the ongoing geopolitisation of international relations, yet they continue to receive broad support from stakeholders across regions and income levels. To accelerate progress towards the SDGs, it is essential to break away from "business as usual" approaches. This calls for fostering equal partnerships grounded in mutual learning and cooperation, which restore the focus on socially just climate action and on respecting global boundaries.

Discussions of solutions to recent disruptions and polarised policymaking centred on increasing self-reliance, on regional and multilateral diversification of cooperation, and on improving competitiveness, for example by harnessing the potential of digitalisation and green financing.

Discussions also focused on how the current crisis can be leveraged to solve long-term underlying challenges, such as stagnating regional trade, the reform of international institutions, and the global tax framework.

Responses as well as prerequisites for regional partnerships differ by region (e.g. in the trade domain), but also by income-level (e.g. when dealing with declining aid flows). These diverse perspectives should be reflected when designing sustainability-oriented policies and when forming alliances.

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This Policy Brief is written in the context of the Hamburg Sustainability Conference (HSC). The HSC aims to bring together global decision-makers and stakeholders from politics, the private sector and civil society in order to accelerate progress and achieve breakthroughs towards the Sustainable Development Goals (SDGs). In particular, it aims to enhance trust and create new alliances, while providing an open space to discuss challenges and solutions in the implementation of the SDGs. The conference is organised jointly by the Federal Ministry for Economic Cooperation and Development (BMZ), the United Nations Development Programme (UNDP), the Michael Otto Foundation, and the Free and Hanseatic City of Hamburg. IDOS supports the HSC with its scientific expertise and through its global partnerships on the various dimensions of the SDGs and its interlinkages. This Policy Brief provides research-based recommendations on key overarching issues of the HSC process.

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