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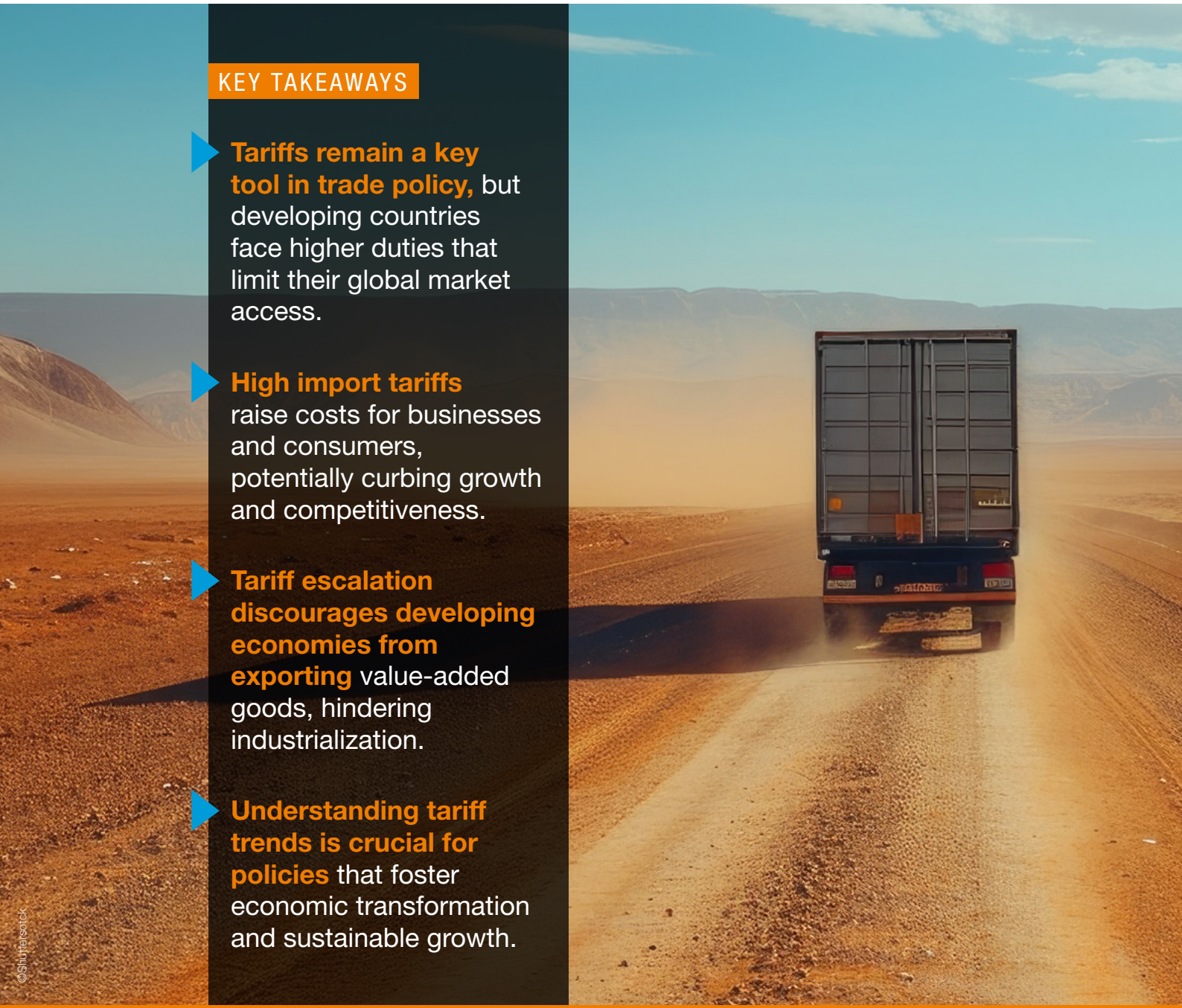
Global trade Update

Monthly publication analizing trade policy and global trade data.

Policy Insights

The role of tariffs in international trade



KEY TAKEAWAYS

- **Tariffs remain a key tool in trade policy,** but developing countries face higher duties that limit their global market access.
- **High import tariffs** raise costs for businesses and consumers, potentially curbing growth and competitiveness.
- **Tariff escalation discourages developing economies from exporting** value-added goods, hindering industrialization.
- **Understanding tariff trends is crucial for policies** that foster economic transformation and sustainable growth.

Tariffs are an important tool in international trade policy. They serve as a mechanism to protect domestic industries and generate government revenue. While global trends indicate a general decline in tariff rates due to trade liberalization, and multilateral and regional trade agreements, developing countries continue to face higher tariffs. These dynamics shape their trade competitiveness and economic development prospects.

For developing countries, tariffs play a crucial role in multiple dimensions.

- **First**, they serve as a source of revenue, which is particularly important for economies with limited capacity to generate income through direct taxation. In many cases, tariffs contribute significantly to government budgets, financing essential services such as infrastructure, healthcare, and education.[1]
- **Second**, tariffs can act as a policy instrument to support nascent industries. By imposing duties on imported goods, governments can create a more favourable environment for domestic industries to grow and compete. This form of protection is especially relevant in sectors such as agriculture, textiles, and light manufacturing, where developing countries have competitive potential but face stiff competition from more established players in global markets.
- **Third**, tariffs influence market access and trade negotiations. Developing countries often navigate a complex system of trade agreements and preferential market access schemes that determine the tariff rates they face when exporting goods. While many advanced economies provide preferential access to exports from developing nations, certain sectors—such as agriculture and apparel—continue to experience high tariffs. This restricts the ability of developing countries to expand their exports and integrate into global value chains.

However, high import duties can increase costs for businesses and consumers, potentially stifling economic growth and competitiveness. Furthermore, the general pattern of tariff escalation—where higher tariffs are applied to processed goods and lower ones to raw materials—discourages the export of value-added products from developing economies, thereby reducing value addition and hindering their industrialization efforts.

In this context, policymakers in developing countries must strike a balance between leveraging tariffs for economic development and integrating into the global economy through trade liberalization. Understanding the evolving role of tariffs and their implications for market access, competitiveness, and economic transformation is essential for crafting policies that promote sustainable growth and development.

[1] In many cases the share of taxes on international trade of government revenue in developing countries is between 10 and 30 per cent, for six developing countries it is higher than 30 per cent. Taxes on international trade (per cent of revenue) | Data, IMF data

Tariffs by sector

Agriculture

Agricultural products face some of the highest tariffs in international trade. While regional trade agreements (RTAs) and multilateral trade negotiations have reduced some barriers, agriculture remains highly protected in many countries (Figure 1).

- Agricultural exports from developing countries face **high import duties**, averaging almost 20 per cent under most-favoured-nation (MFN) treatment.
- Many agricultural exports benefit from **preferential access** as a result of RTAs, but these schemes are not always comprehensive, leading to fragmented market access.
- African, South Asian and East Asian countries tend to apply relatively high tariffs in agriculture, while such tariffs are on average much lower in Latin American countries.
- Developed countries have relatively low average tariffs, with zero tariff often applied on raw products that they do not product. However, these countries also have some of the highest tariff peaks with tariffs beyond 100 per cent.
- Sensitive agricultural products such as dairy, meat, and sugar often experience **tariff peaks** exceeding 15 per cent, particularly in South Asia, Africa and developed countries.
- Average tariffs vary greatly across sectors, ranging from about 8 per cent for vegetable products to 4 per cent for food products.
- Processed agricultural goods face higher tariffs than raw agricultural commodities, known as **tariff escalation**, discouraging value addition in developing countries.

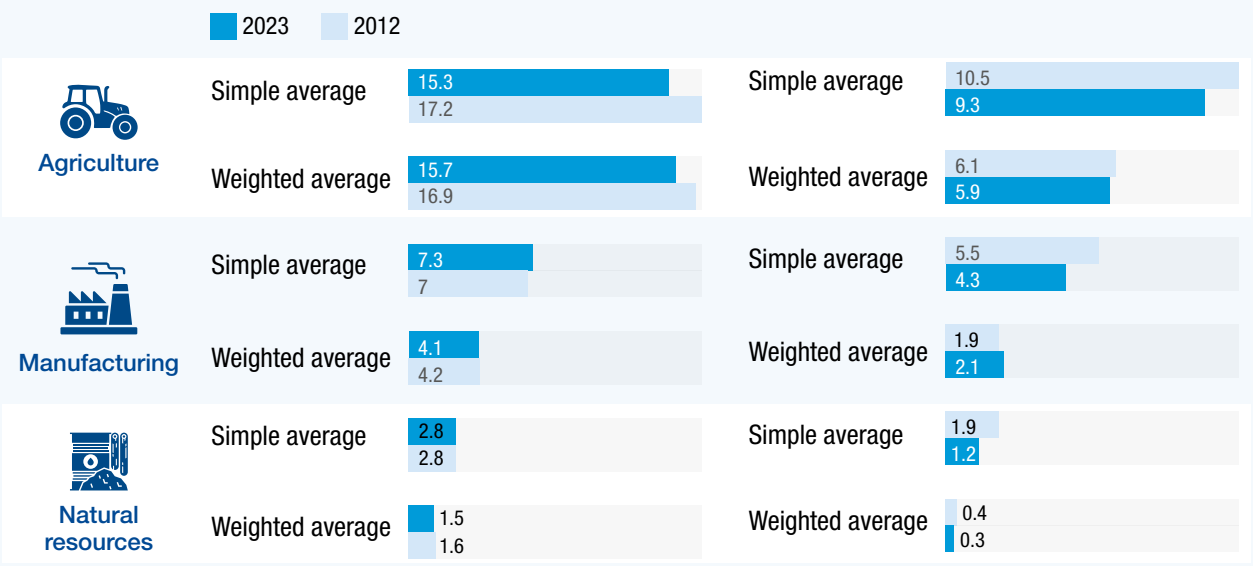
Manufacturing

- Manufactured goods experience varying tariff structures depending on the product category and the region applying the tariffs.
- Between 2012 and 2023, manufacturing tariffs decreased by approximately 1 percentage point due to trade liberalization efforts.
- Manufacturing tariffs remain high only in the South Asian and Africa regions (about 8 per cent on average) whereas other developing countries regions have lower barriers (below 5 per cent). Developed countries tariffs in manufacturing are the lowest, at about 2 per cent.
- Textiles and apparel remain subject to some of the highest tariff rates, with import duties averaging close to 6 per cent, limiting the competitiveness of developing countries in these industries.
- The imposition of retaliatory tariffs between major economies (e.g., the United States of America and China) has led to increased trade restrictions on products such as office machinery.

Raw Materials

- Raw materials, including fuels and metal ores, generally face the lowest tariff rates among all sectors. This reflects their essential role in industrial production and global supply chains, as the global competitiveness of manufactures depends on a steady and cost-effective supply of these inputs.
- Unlike agriculture and manufacturing, RTAs or preferential tariff schemes, like the Generalized System of Preferences, have a limited effect on trade in raw materials due to their already low tariff structures.

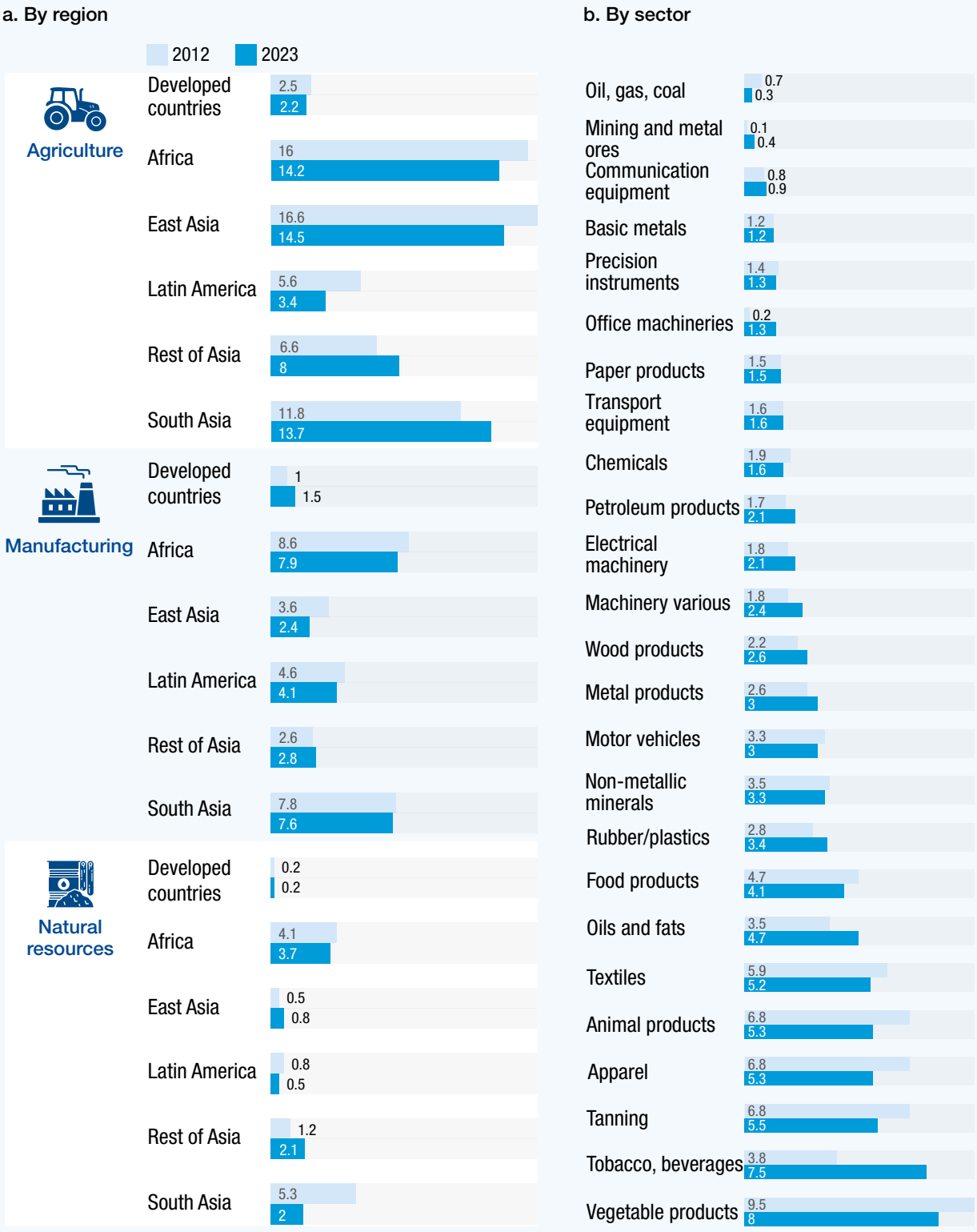
Figure 1
Regional and global trade deals have helped reduce tariffs, but not all sectors benefit equally.
Multilateral and preferential average tariff



Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

While trade liberalization has reduced tariffs in many cases, agriculture remains highly protected, manufacturing still encounters trade barriers in key industries, and raw materials generally benefit from low tariffs. Even considering all concessions and preferential schemes, international trade can be subject to high tariffs not only in relation to agricultural products but also in the case of manufacturing products of importance for developing countries such as textiles and apparel (almost 6 per cent, see Figure 2). Policymakers must consider these sectoral variations when designing trade policies to promote sustainable economic growth and development.

Figure 2
Trade weighted average tariffs
by region, broad category and sector, percentage



Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Tariffs by region

Tariffs vary significantly across different regions due to differences in trade policies, economic structures, and trade agreements. While global trends indicate a decline in tariff rates, developing countries exports continue to face higher tariffs, affecting their trade competitiveness and market access.

As of 2023, developing countries generally impose higher import tariffs than developed nations to protect domestic industries and generate government revenue. At the same time, they also often face higher tariffs on their exports, particularly in sectors like agriculture and labour-intensive manufacturing.

1 Africa

- African imports face some of the **highest import tariffs**, averaging around 8 per cent.
- African exports generally face lower tariffs in developed country markets due to preferential trade agreements, while they export more natural resources, which usually face low tariffs.

2 South Asia

- Imports of South Asia also face some of the **highest import tariffs,** at nearly 8 per cent.
- South Asian exports face some of the highest tariffs globally, averaging around 4 per cent.

3 Latin America

- Latin America's import face lower average tariffs than those of Africa and South Asia, but still significant.
- Latin American exports face high tariffs, averaging nearly 4 per cent.
- Regional trade agreements have helped reduce tariffs, and preferential trade remains a key determinant of market access.

4 East Asia

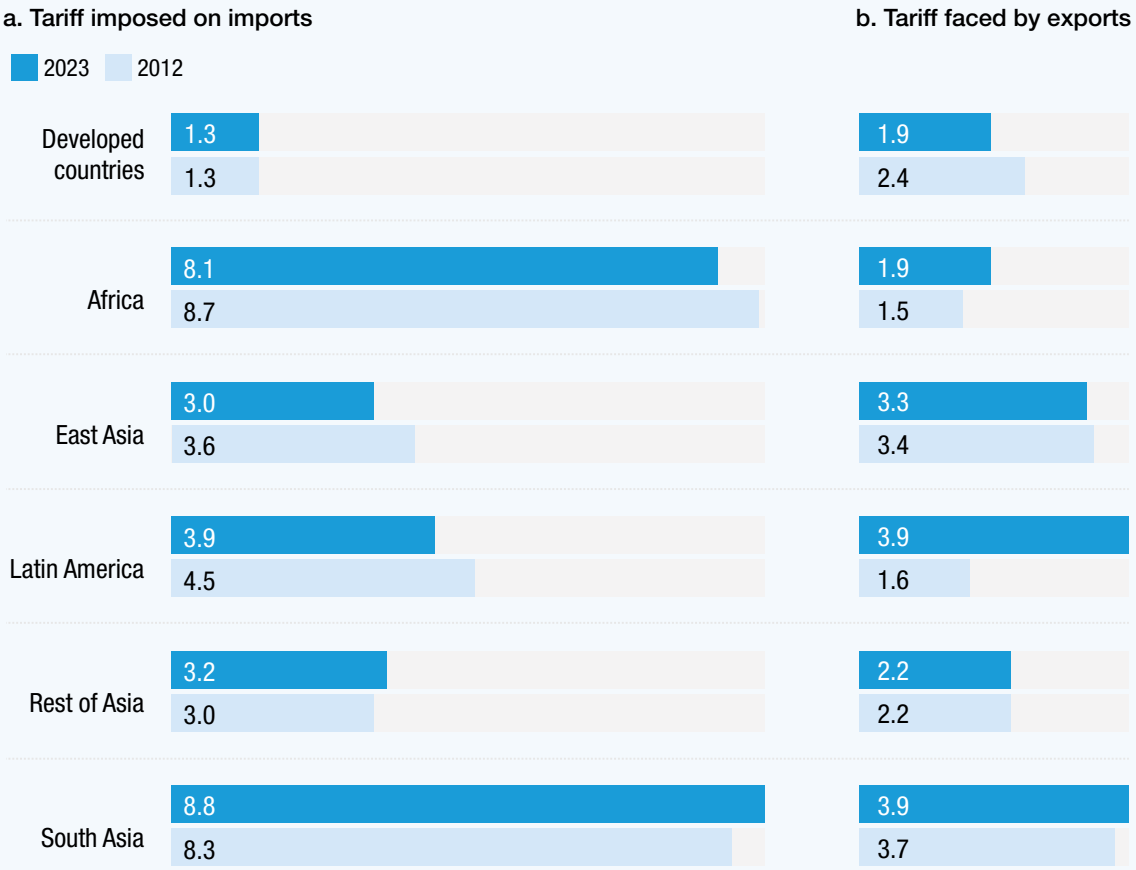
- East Asia has significantly lower tariffs due to extensive trade agreements and its deep regional economic integration.
- Their high level of integration in GVCs creates incentives to keep tariffs low, particularly on primary and intermediate products, to facilitate efficient cross-border production and trade.
- Tariff levels on their exports are relatively low, except for specific instances largely related to United States tariffs on China.

5 Developed Economies

- Developed economies maintain some of the lowest tariffs, generally below 2 per cent, due to low MFN tariff rates, because of many multilateral rounds of tariff reductions and trade agreements. They also face generally lower tariffs due to their focus on exporting manufactured goods.
- They offer preferential market access for imports from several developing countries, particularly for raw materials and natural resources.

Figure 3
Tariff imposed on imports and faced by exports of many developing regions can be substantial

Average import and export tariffs, by region



Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Tariff rates vary significantly among regional and interregional trade flows:

- Countries trading within their own region generally face lower tariffs due to regional trade agreements. (see Table 1)
- Trade between different regions tends to encounter higher tariffs, limiting market access and making exports less competitive.
- South-South trade between developing countries still face high tariffs, particularly across Latin America, Africa, and South Asia. For example, trade between Latin America and South Asia faces an average tariff of about 15 per cent.
- Over the past decade, tariffs among South-South countries have remained largely unchanged, with small variations caused by shifts in trade composition rather than changes in tariff rates.

Table 1
Average Tariff, matrix by region (percentage), 2023

Importing Region	Exporting Region					
	Developed Countries	Africa	Latin America	East Asia	South Asia	Rest of Asia
Developed Countries	1.1	0.6	0.9	3.3	2.4	1.1
Africa	7.5	2.7	9.9	11.2	8.7	6.0
Latin America	2.7	2.8	2.0	7.4	10.6	4.2
East Asia	4.2	2.2	10.4	1.3	3.7	1.5
South Asia	9.7	6.7	14.9	8.5	6.8	4.3
Rest of Asia	3.1	1.4	4.7	4.1	3.4	2.3

Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

The differences in tariff structures impact developing countries in several ways:

- Many developing countries benefit from lower tariffs within regional trade blocs, making intraregional trade more attractive than exporting to more distant markets.
  - African nations enjoy some of the highest preferential trade margins, with a 4.6 percentage point advantage when trading within the region. However, Africa still has, together with South Asia, the highest intra-regional tariffs and faces lower tariffs when exporting to developed countries.
  - Similarly, Latin American countries benefit from an estimated 3 percentage point advantage in regional trade.
- High tariffs continue to pose a significant barrier for many developing countries seeking to export outside their regions. Most interregional trade faces a competitive disadvantage due to preferential trade agreements that grant lower tariffs to regional partners. As a result, exporters from outside a given trade bloc often compete in unequal terms against those benefiting from preferential access. For instance, Latin American exports frequently encounter higher tariffs in global markets compared to goods traded within regional agreements, limiting their ability to compete internationally.
- East Asian exporters generally face fewer trade barriers globally, as their exports are heavily concentrated in industries with relatively low tariff rates, such as electronics and machinery. Compared to Africa, South Asia, and Latin America, tariffs in East Asia tend to be lower, reflecting the region's deep integration into global supply chains and its commitment to trade liberalization. Additionally, since a significant portion of East Asia's trade occurs within sectors where MFN tariffs are already low, the tariff benefits provided by preferential trade agreements are comparatively less important. This suggests that East Asia's trade competitiveness is more driven by efficiency, production networks, and technological capabilities rather than high preferential margins.

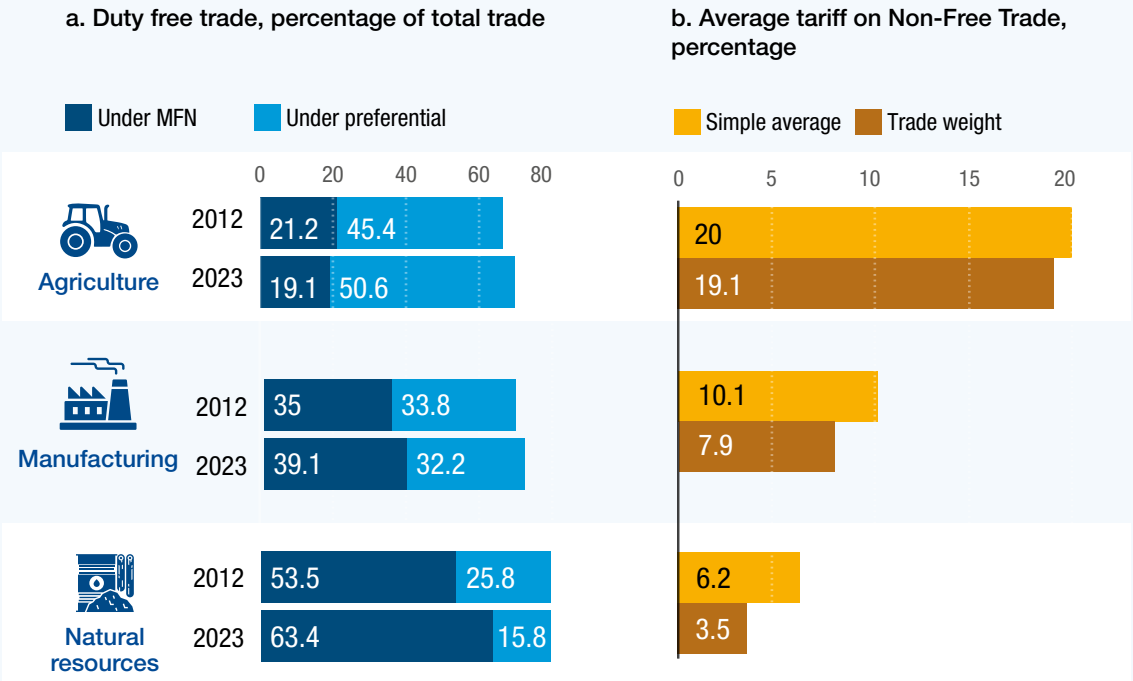
Tariff liberalization

The creation of a rules-based trading system with General Agreement on Tariffs and Trade (1947) and then World Trade Organization (1995) has contributed to a gradual but continuous reduction of tariffs, which also bolstered international trade, including among developing countries.

Today, about two-thirds of international trade occurs without tariffs, either because countries have chosen to reduce duties under MFN treatment or through other trade agreements. However, tariff levels applied to the remainder of international trade are often very high (Figure 4), with important differences among agriculture, manufacturing and natural resources.

- When agricultural trade is duty free, this is largely due to preferential access (as many countries maintain high MFN rates). Specifically, when non-duty free, the average tariff on agricultural products averages at almost 20 per cent.
- About 40 per cent of the trade in manufacturing products is duty free because of zero MFN, with an additional 30 per cent free of duty because of preferences. Still, the remaining 30 per cent of global manufacturing trade is subject to an average tariff of about 10 per cent.
- More than half of trade in natural resources is duty free because of zero MFN duties. When also considering tariff preferences, about 80 per cent of global trade in natural resources is not subject to tariffs. The remaining 20 per cent faces relatively low tariffs (about 3.5 per cent). MFN rates (simple average about 6 per cent) or are duty free.

Figure 4
Free trade and remaining tariffs, by broad category (2023)



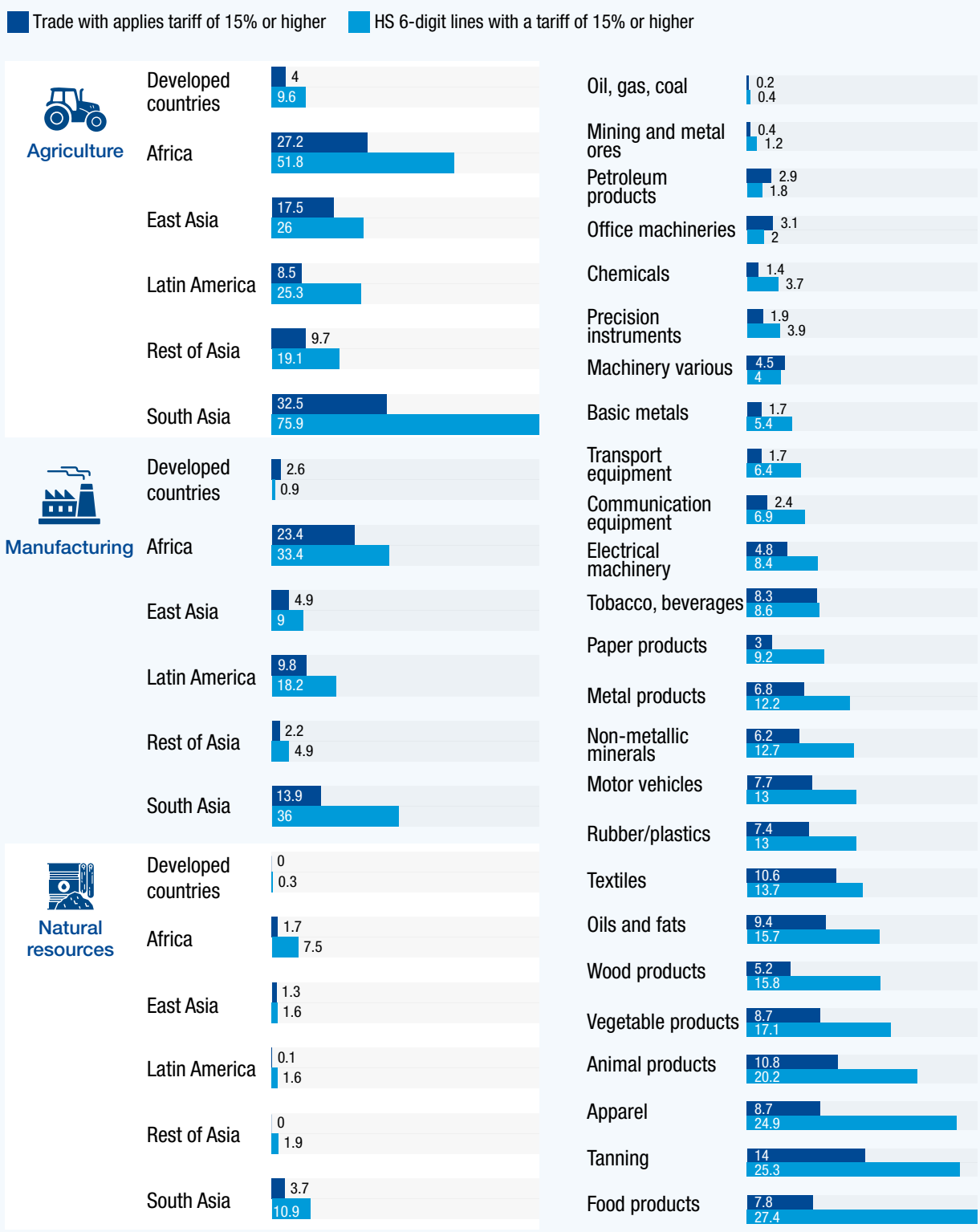
Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Tariff peaks

While average tariff rates may appear relatively low, certain products may still face high import duties, known as tariff peaks. These arise when specific goods, often in sensitive industries such as agriculture, textiles, and apparel, are subject to significantly higher tariffs than the general average. Governments use these elevated tariffs to protect domestic industries from foreign competition, creating barriers to market entry for exporters.

- Tariff peaks also appear in the tariff structures of many developing countries, but with different patterns (Figure 5).
  - South Asia and Africa show high tariff peaks in agricultural and manufacturing imports (Figure 5a).
- Tariff peaks tend to concentrate in products of interest to low-income countries, such as agriculture as well as apparel, textiles and tanning.
  - For example, around 8 per cent of all trade in food (in value) is subject to tariffs higher than 15 per cent.
  - Almost 30 per cent of the Harmonized System (HS) 6-digit lines in this group faces tariffs that are above 15 per cent.
  - Similarly, about 8 per cent of international trade in apparel is subject to a tariff of 15 per cent or more, with 25 per cent of HS 6 digits lines higher than 15 per cent.

Figure 5
Tariff peaks, by region, broad category and sector (2023)
By region, broad category and sector, percentage



Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Tariff escalation

Tariff escalation refers to the practice of applying higher tariffs on finished consumer goods than on raw materials or intermediate inputs. This tariff structure is common in many countries and is designed to protect domestic, often labor intensive, industries that process and manufacture consumer goods. However, this practice also discourages value-added processing in countries that produce raw materials, as any value addition would face higher tariffs, therefore providing a disincentive to move up the value chain (Figure 6).

- Overall tariff escalation is most pronounced in manufacturing sectors rather than agriculture (see Figure 6).
- Tariff escalation is prevalent in most sectors, including those of importance to developing countries: apparel, animal products, tanning and many light manufacturing sectors.
- A few notable exceptions are petroleum products and textiles where inputs face higher tariffs than finished products, offering different trade dynamics.

For developing countries, tariff escalation presents both opportunities and challenges.

1 Challenges:

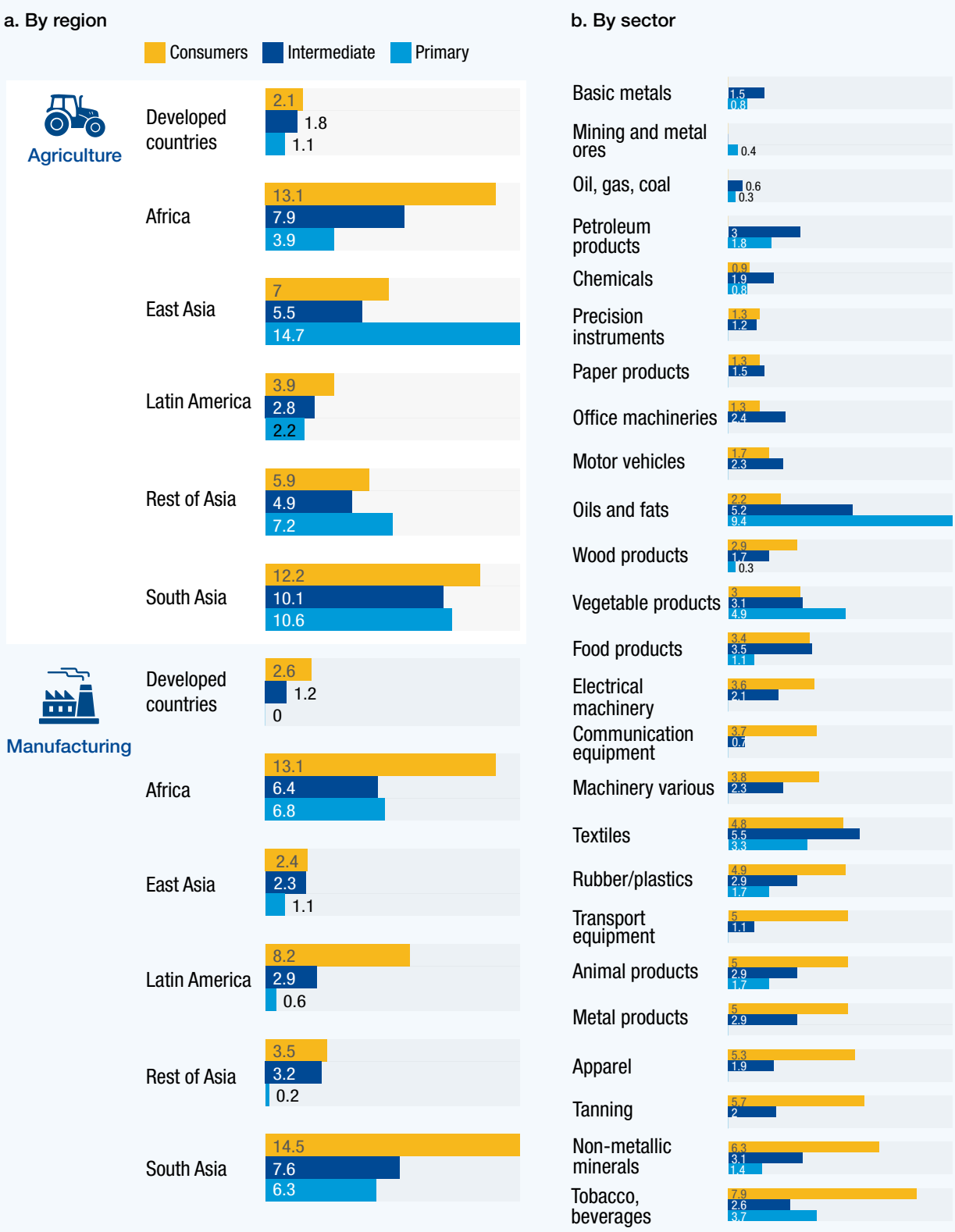
By maintaining lower tariffs on raw materials but imposing higher duties on processed and finished goods, importing countries create barriers for developing economies to build competitive manufacturing industries. This reinforces their reliance on raw material exports, limiting opportunities for value addition, job creation, and economic diversification. Additionally, high tariffs on finished goods from developing countries reduce their export competitiveness, making it harder for them to integrate into global supply chains beyond the role of raw material suppliers.

2 Opportunities

Developing countries can use tariff escalation as a point of negotiation in trade agreements to push for fairer tariff structures. Tariff escalation can encourage export diversification by shifting focus toward regional markets, rather than relying solely on destinations with high tariffs on processed goods. This, in turn, could support the development of regional value chains, enabling countries to meet the growing demand within their own regions.

Tariff escalation shapes global trade by influencing where value-added processing takes place. For developing countries, overcoming its challenges requires strategic trade policies, industrial development initiatives, and engagement in trade negotiations to improve market access for their manufactured goods.

Figure 6
Tariff escalation by region, broad category and sector (2023)
Percentage



Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Bound tariffs

Bound tariffs are the maximum tariff rates a country has agreed not to exceed when taxing imported goods under WTO rules. These bound rates provide certainty and predictability for exporters, investors, and importers in several ways:

- Since WTO members commit to bound tariffs, businesses can plan their investments and trade operations with greater confidence, knowing that sudden tariff increases are unlikely since trading partners cannot arbitrarily raise tariffs beyond the bound levels. This reduces the risk of sudden cost increases.
- Foreign and domestic investors in industries reliant on imports or exports have greater certainty about trade costs, which encourages long-term investment in production and supply chains.
- Bound tariffs prevent excessive protectionism, ensuring a level playing field for both domestic and foreign producers. It also prevents space for domestic lobbying groups.

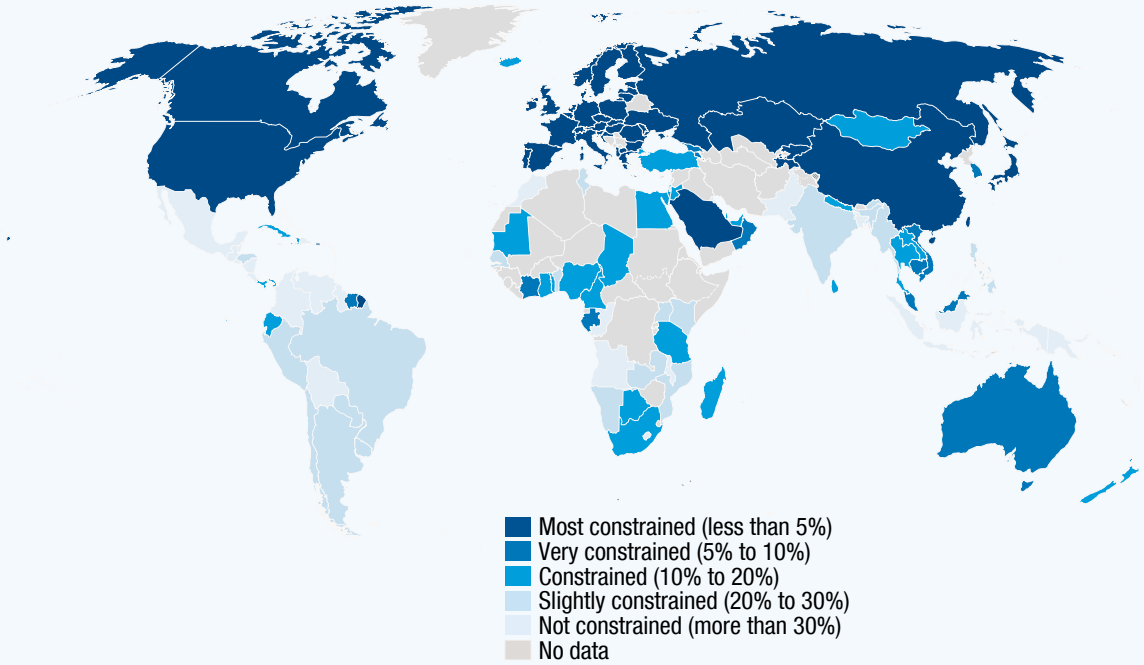
While WTO-bound tariffs set a legal ceiling on how high a country can raise its tariffs, many nations maintain MFN rates below this level, thus retaining some flexibility for potential increases. This flexibility is known as “tariff water”—the gap between bound tariff rates and applied MFN tariffs (see Figure 7). This policy space allows governments, particularly in developing countries, to adjust their applied tariffs within the bound limits as needed. However, in developing countries, this flexibility is small because most tariff rates are already bound at or very close to their applied MFN level, leaving little room for adjustment. In principle, tariff water provides the policy space for the economy to increase tariffs while remaining WTO compliant.

Countries do not only bind their tariffs under WTO commitments but also through bilateral and preferential trade agreements. When nations enter these agreements, a significant portion of their trade is governed by preferential terms, effectively “locking in” tariff commitments, and limiting their ability to unilaterally raise tariffs. As a result, the actual “true” tariff water after accounting for preferential trade agreements is often much smaller than it appears, especially in advanced economies as a significant part of trade occurs under preferential trade agreements (See Figure 7).

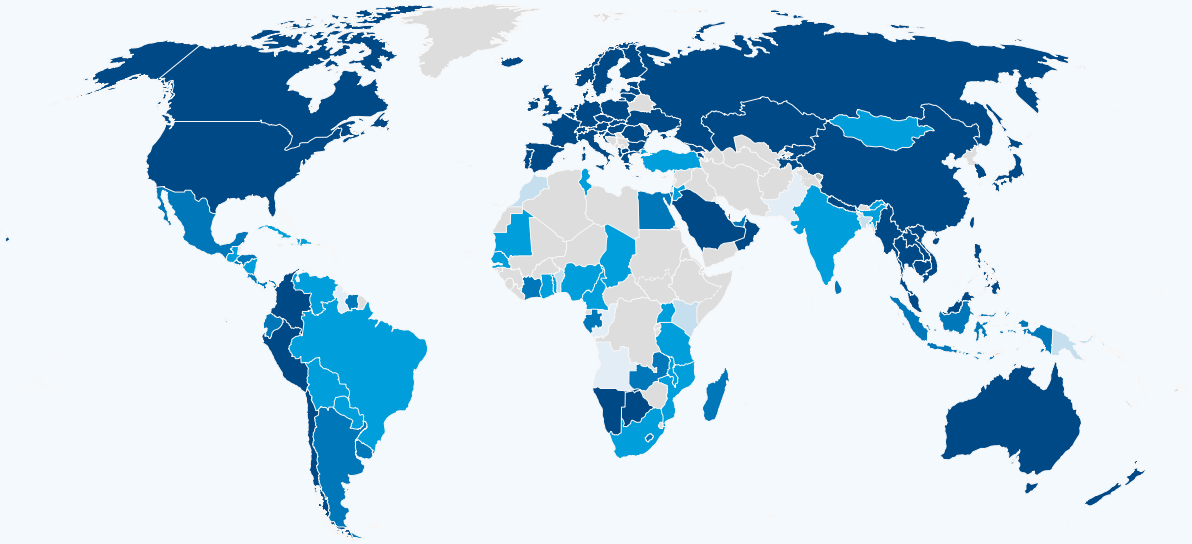
In this regard, the commitments taken within preferential trade agreements ensure stability and predictability, facilitating international trade and investment while limiting abrupt protectionist measures that could disrupt value chains operations with trading partners.

Figure 7
Many economies have limited policy space to increase tariffs without violating MFN and RTAs commitments.

a. Tariff water 2023



b. True tariff water (2023)



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Source: UNCTAD secretariat calculations based on COMTRADE data and UNCTAD TRAINS data.

Facts and figures

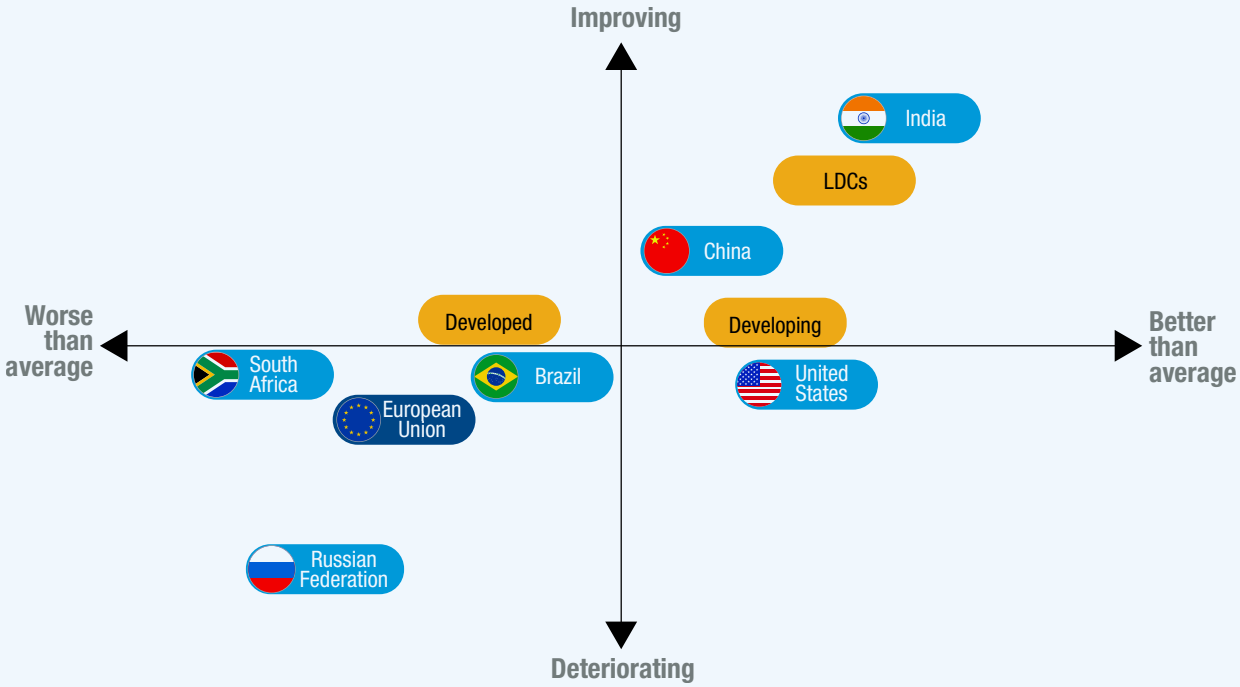
Global trade remains strong but uncertainty looms in 2025

HIGHLIGHTS

- Global trade expanded by nearly US$1.2 trillion in 2024, reaching US$33 trillion—a result of a 9 per cent rise in services trade and a 2 per cent increase in goods trade.
- Developing nations, particularly China and India, saw better than average trade expansion, while many developed nations experienced trade contractions.
- Goods trade imbalances widened during 2024, driven by a growing United States deficit and a rising Chinese surplus fueled by strong exports and steady demand.
- Trade remains stable in early 2025, yet mounting geoeconomic tensions, protectionist policies, and trade disputes signal likely disruptions ahead.

China and India see stronger trade momentum in Q4 2024, United States remains a key driver

Annual and quarterly trade growth relative to global averages



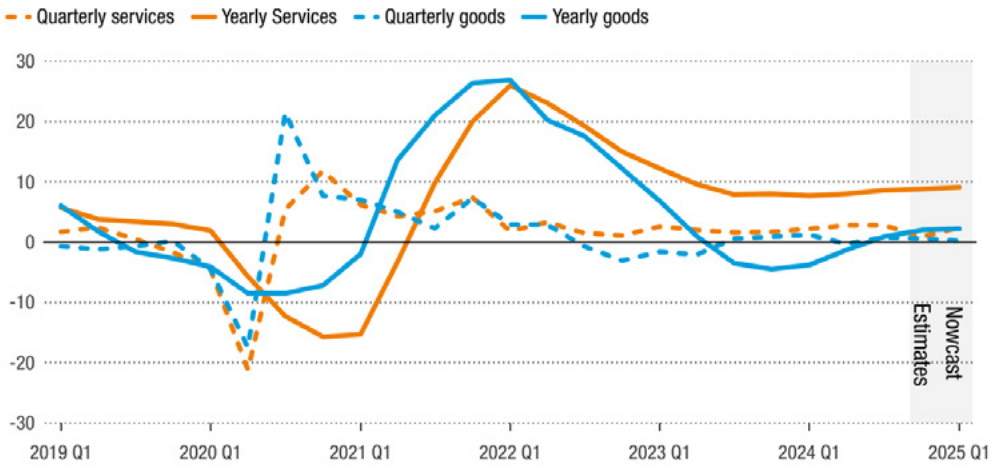
Source: UNCTAD calculations based on TRAINS and national statistics.
Note: Deteriorating and improving trends is calculated as the QoQ growth in Q4 2024 of seasonally adjusted values. Worse and better than averages are calculated on the annual growth over the past four quarters. All statistics are rescaled relative to global averages. Trade growth is measured by the growth in import plus exports. Data excluded services. 'Developing' includes only developing countries that are not specifically listed or categorized as least developed countries (LDCs). The same principle applies to 'Developed'.

Global trade trends and nowcast

Global trade in goods and services saw a significant growth during 2024, increasing by about 3.7 per cent. However, growth trajectories slowed in the last two quarters. Trade in goods increased by less than half a per cent quarter-over-quarter (QoQ) in Q4, while services trade grew by around one per cent. According to the UNCTAD nowcast, this positive momentum is expected to continue into Q1 2025, building on a global trade value of nearly US$ 33 trillion in 2024. This record high has been largely driven by a 9 per cent annual increase in services trade, while goods trade saw a more modest increase of 2 per cent. Overall, global trade expanded by almost US$ 1.2 trillion in 2024, with goods contributing approximately US$ 500 billion and services US$ 700 billion.

Growth in global trade in goods and services stabilizes

Annual and quarterly growth in the value of trade in goods and services

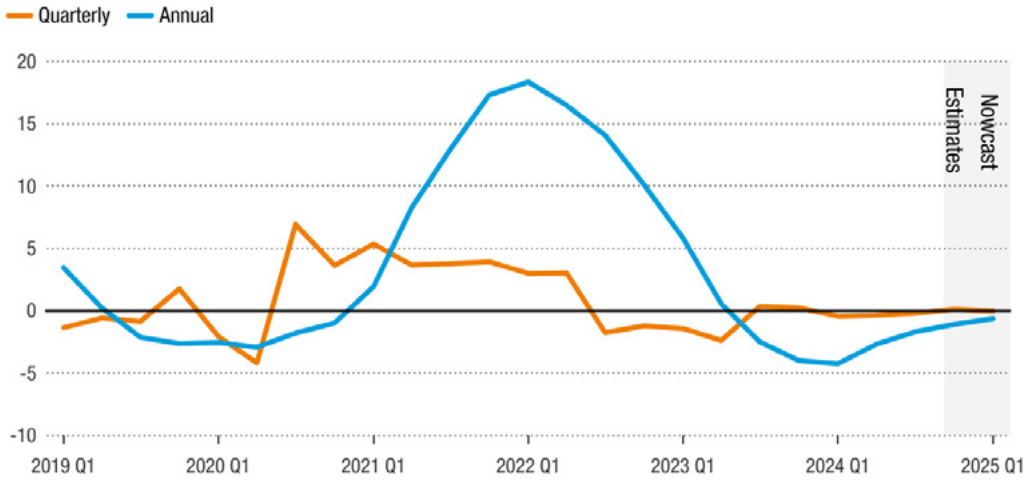


Sources: UNCTADstat; UNCTAD calculations based on national statistics.
Note: Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. The annual growth is calculated using a trade-weighted moving average over the past four quarters. Figures for Q4 2024 are estimates. Q1 2025 is a nowcast as of 5 March 2025.

Prices for traded goods saw virtually no increase during Q4 2024. The volatile and deflationary trends observed in previous periods appear to have run their course, as the lingering effects on traded goods prices of the high inflation experienced post pandemic seems to have been exhausted.

Trade inflation remains close to zero

Annual and quarterly growth in the overall price of traded goods



Source: UNCTADstat; UNCTAD calculations based on national statistics.
Note: Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. The annual growth is calculated using a trade-weighted moving average over the past four quarters. Figures for Q4 2024 are estimates. Q1 2025 is a nowcast as of 5 March 2025.

Summary and outlook

Throughout 2024, the global trade trends that began in the second half of 2023 continued to prevail. Over the last four quarters, trade growth in developing countries generally outpaced that of developed countries. South-South trade also performed above average during 2024. A significant boost to trade growth in developing countries and South-South trade came from East and South Asian economies. Looking at Q4 2024 trends, the growth in global trade observed in previous quarters decelerated in relation to goods, while trade in services maintained its strong momentum. Preliminary data for Q1 2025 indicated continued growth in both goods and services. However, part of this growth is likely the result of frontloading shipments in anticipation of increases in United States tariffs.

As we look further into 2025, the dynamics of international trade may shift significantly. While global economic activity is expected to maintain modest momentum, the forecast for international trade is marked by significant uncertainty, with risk of downturn. In particular, the ongoing shifts in United States trade policy, concerns over global trade imbalances, and continuing geopolitical challenges are likely to negatively influence global trade growth. Moreover, the possibility of trade policy escalations casts a shadow of uncertainty over the global trade outlook for 2025. On the other hand, the expected easing in global inflation and China's economic stimulus for 2025—with a growth target of about 5 per cent—may provide some tailwind to global trade. Still, several policy disruptions could impact trade and financial stability, highlighting the need for balanced policy decisions and stronger multilateral cooperation to support global trade and economic growth. Some of the most relevant factors making global trade trends very uncertain for 2025 include:

Shifts in trade policy

There is a growing trend in the implementation of protectionist trade policies, with a growing tendency to link trade measures with non-trade policy objectives. This shift is evident in the implementation of broad new tariffs targeting specific countries, as well as more targeted tariffs affecting particular products, such as steel and aluminium. These tariffs are expected to have significant repercussions on global and regional value chains. The disruptions caused by these tariffs could lead to shifts in production and sourcing patterns, as companies and countries adjust to new trade barriers and seek to mitigate the costs of these tariffs.

Potential spillovers from ongoing trade tensions among major economies

Unilateral and highly restrictive trade policies can set off ripple effects. Such measures frequently prompt retaliatory actions from affected trading partners, often creating a cycle of escalating trade barriers which may eventually involve also third parties. Moreover, tariffs applied to specific segments of global value chains are widely considered to be impacting not only the targeted industries and countries, but also the entire value chain which may encompass third countries.

Increase in subsidies and inward-looking industrial policy

The prioritization of national concerns and the urgency to fulfill climate commitments will likely continue to shape changes in both industrial and trade policies into 2025. A rise in trade-restrictive measures and inward-looking industrial policies designed to support the production of sustainable and environmentally friendly products is expected to negatively affect the growth of international trade, particularly in strategic sectors and critical minerals.

Potential for an economic slowdown in the upcoming quarters

In the first months of 2025, there has been a noticeable reduction in demand for container shipping, as reflected by a significant decrease in the Shanghai Containerized Freight Index. While these indices suggest lower shipping costs, they also indicate reduced global demand for both intermediate inputs and processed goods. The decline in the SCFI points to weaker trade volumes, signalling a slowdown in global economic activity. Additionally, the Baltic Dry Index, which tracks shipping rates for bulk commodities such as coal, iron ore, and grain, remains at relatively low levels compared to 2024. This may further suggest an incoming contraction in global trade and reduced economic activity, as lower demand for bulk shipping is typically associated with weaker industrial output and slower growth in key sectors.

Trade trends in the major economies

Merchandise trade showed mixed trends among major economies in Q4 2024. China and India trade continued to increase, particularly in exports. Conversely, export growth in the Republic of Korea decelerated, although it remained the highest among major economies on an annual basis. In the United States, import growth remained positive in Q4 2024, while export growth turned negative. Import growth trends were negative on both a quarterly and annual basis for Japan, the Russian Federation, South Africa, and the European Union.

Major economies show mixed trends in goods trade growth

GOODS (Q4 2024)	Imports growth		Exports growth	
	Annual	Quarterly	Annual	Quarterly
Brazil	9%	-2%	-1%	0%
China	1%	0%	5%	5%
India	6%	8%	2%	7%
Japan	-6%	-6%	-2%	0%
Republic of Korea	-2%	0%	8%	0%
Russian Federation	-3%*	-5%*	-2%*	-12%*
South Africa	-5%	-7%	-2%	3%
United States	6%	1%	2%	-1%
European Union	-4%	-3%	1%	-4%

Source: UNCTAD calculations based on national statistics.
Note: Quarterly growth rates are relative to the previous quarter. The annual growth is calculated using a trade-weighted average over four quarters. Data is seasonally adjusted. Data excludes intra-European Union trade. * denotes estimates.

Services trade continued to grow in Q4 2024, but at a slower pace compared to annual figures, suggesting that the positive trend in services trade may have plateaued for most economies. Growth in services trade remained strong for India and South Africa. On an annual basis, services trade growth reached double-digit figures for many of the largest developing economies, while remaining at very high levels for most developed economies.

Trade in services remains strong overall but declines in some major economies

SERVICES (Q4 2024)	Imports growth		Exports growth	
	Annual	Quarterly	Annual	Quarterly
Brazil	15%	-3%	7%	3%
China	14%	2%	16%	4%
India	10%	7%	10%	3%
Japan	7%	-2%	8%	3%
Republic of Korea	7%	-1%	11%	-1%
Russian Federation	5% *	-12% *	3% *	-6% *
South Africa[1]	7%	4%	13%	13%
United States	8%	4%	8%	1%
European Union[1]	8%	1%	8%	0%

Source: UNCTAD calculations based on national statistics.
Note: Quarterly growth rates are relative to the previous quarter. The annual growth is calculated using a trade-weighted average over four quarters. Data is seasonally adjusted. Data excludes intra-European Union trade. *denotes estimates. [1]data is for Q3 2024.

Regional trade trends

During Q4 2024, trade growth in developing countries significantly outpaced that of developed countries on both yearly and quarterly bases. Developed countries experienced a sharp decline, with both imports and exports decreasing by about 2 per cent. Meanwhile, developing countries saw trade growth of approximately 2 per cent. However, in Q4 2024 quarter-over-quarter growth for developing countries remained below the annual average. South-South trade growth was notably stronger in Q4 2024, a continuation of the robust growth experienced throughout 2024. A significant boost to developing countries' trade and South-South trade growth came from East Asian countries.

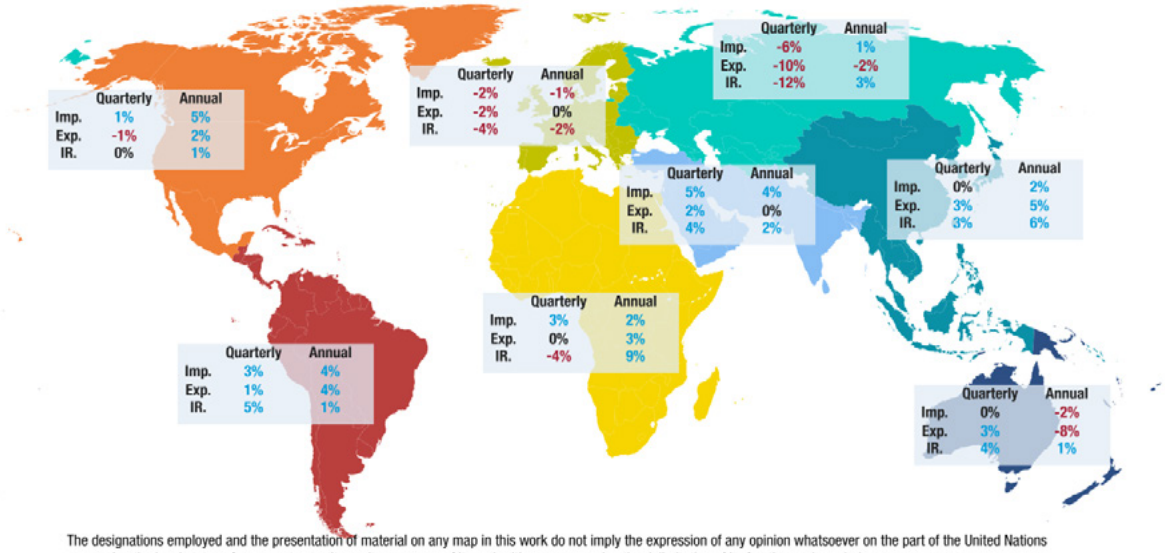
Developing economies drive trade growth as developed nations slow down

	Quarterly growth		Annual growth	
	Imports	Exports	Imports	Exports
Developed countries	-2%	-2%	0%	0%
Developing countries	2%	2%	4%	4%
South-South Trade	4%		5%	
Developing countries (excluding East Asia)	0%	1%	3%	2%
South-South Trade (excluding East Asia)	4%		3%	

Source: UNCTAD estimates based on national statistics.
Note: Quarterly growth rates are relative to the previous quarter. The annual growth is calculated using a trade-weighted average over four quarters. Data is seasonally adjusted. Data does not include trade in services.

Most regions experienced positive overall trade growth during Q4 2024, except for Europe and Central Asia where trade contracted. Trade growth was particularly strong in Latin America, East Asia, South Asia and Oceania. During Q4 2024, intra-regional trade remained robust in Latin America and East Asia but reversed course in Africa, where it contracted by 4 per cent QoQ. Notably, trade growth was below annual averages for the North American region during Q4 2024, including intra-regional trade.

Regional trade in goods growth unevenly in Q4 2024



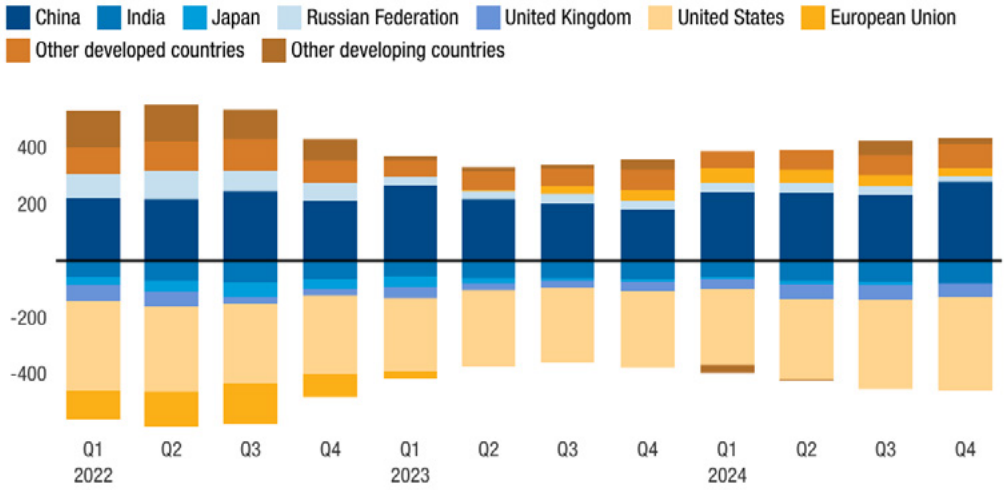
Source: UNCTAD estimates based on national statistics.
Note: Quarterly growth rates are relative to the previous quarter. The annual growth is calculated using a trade-weighted average over four quarters. IR denotes intra-regional. Data is seasonally adjusted. Data does not include trade in services. Imports and exports exclude intra-European Union trade.

Global trade imbalances

Global imbalances in goods trade have been increasing in 2024, approaching levels seen in 2022. The United States continues to show the largest trade deficit, while China maintains the highest surplus. These trends have intensified throughout 2024. Among other economies, the European Union recorded a significant trade surplus in 2024 after previously running deficits, largely due to high energy prices. Other major economies with trade deficits include India, Japan, and the United Kingdom.

Global trade imbalances saw significant growth in 2024

Trade balance in goods (US$ billion)



Source: UNCTAD estimates based on national statistics.

Bilateral imbalances in goods trade among major economies remain high and, in most cases, have increased over the last quarter. The largest trade imbalances occur between the United States and China, the United States and the European Union, and the European Union and China. The United States also has significant trade deficits with Mexico and Viet Nam. Meanwhile, China's trade deficits are primarily with Australia and Taiwan Province of China.

Bilateral trade balances remain high and have been generally increasing in the last quarter

Bilateral trade balances in goods, selected flows (US$ billion)

Importer	Exporter	Annual balance	Change in last quarter
United States	China	-355	-14
United States	European Union	-241	-12
European Union	China	-237	-16
United States	Mexico	-178	-6
United Kingdom	European Union	-128	-3
United States	Viet Nam	-110	-5
India	China	-103	-1
China	Taiwan Province of China	-92	-1
United States	Canada	-83	5
Mexico	China	-71	-2

Importer	Exporter	Annual balance	Change in last quarter
China	Australia	-69	7
India	Russian Federation	-65	1
United Kingdom	China	-59	-1
Viet Nam	China	-59	-9
United States	Japan	-56	2
European Union	Norway	-43	2
United States	India	-37	0
Mexico	European Union	-29	-2
China	Brazil	-25	12
Russian Federation	European Union	-6	1

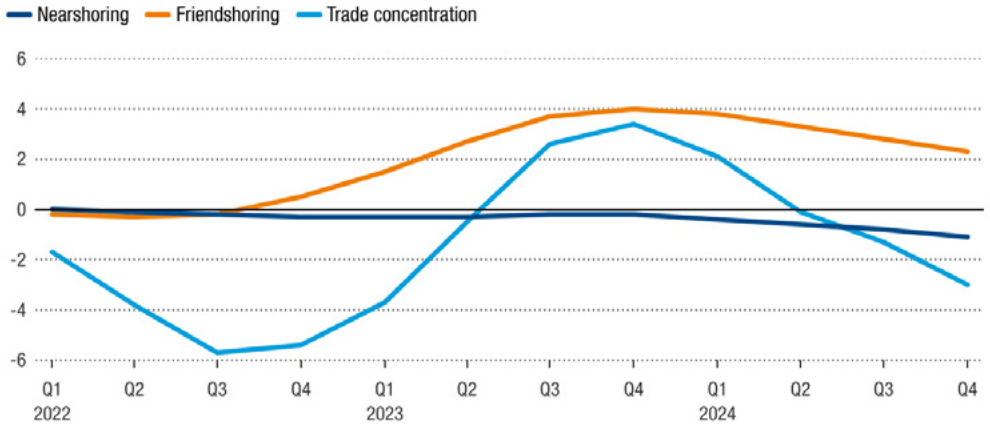
Source: UNCTAD estimates based on national statistics.
Note: Annual balances are calculated as the sum of the four quarters. Changes in the last quarter are measured by the difference between consecutive four-quarter moving sums.

Global trade dynamics and trade dependence

The rise in global friendshoring and trade concentration trends seen in 2023 has reversed during 2024. Although friendshoring levels remain above 2021 averages, they have been declining in 2024, signalling a shift away from the dynamics favouring trade between geopolitically close countries. Moreover, trade concentration is now below 2021 levels, suggesting a global trade structure where smaller countries play a larger role. Notably, nearshoring has also declined in recent quarters, indicating a resurgence of trade between geographically distant countries.

Friendshoring, nearshoring and trade concentration eased during 2024

Annual change relative to 2021 (per cent)



Source: UNCTAD estimates based on national statistics.
Note: Nearshoring is calculated as reverse of trade-weighted average distance in km. Friendshoring is calculated as trade-weighted political proximity as measured by the United Nations voting patterns. Trade concentration is calculated based on the Herfindahl concentration index.

Geoeconomic issues continue to play a significant role in shaping key bilateral trade trends. These factors not only affect trade between major economies but also influence their trade dynamics with other partners. Another crucial factor impacting trade interdependences between economies is the ongoing restructuring of value chains.

Global integration trends reflect continuing geoeconomic fragmentation

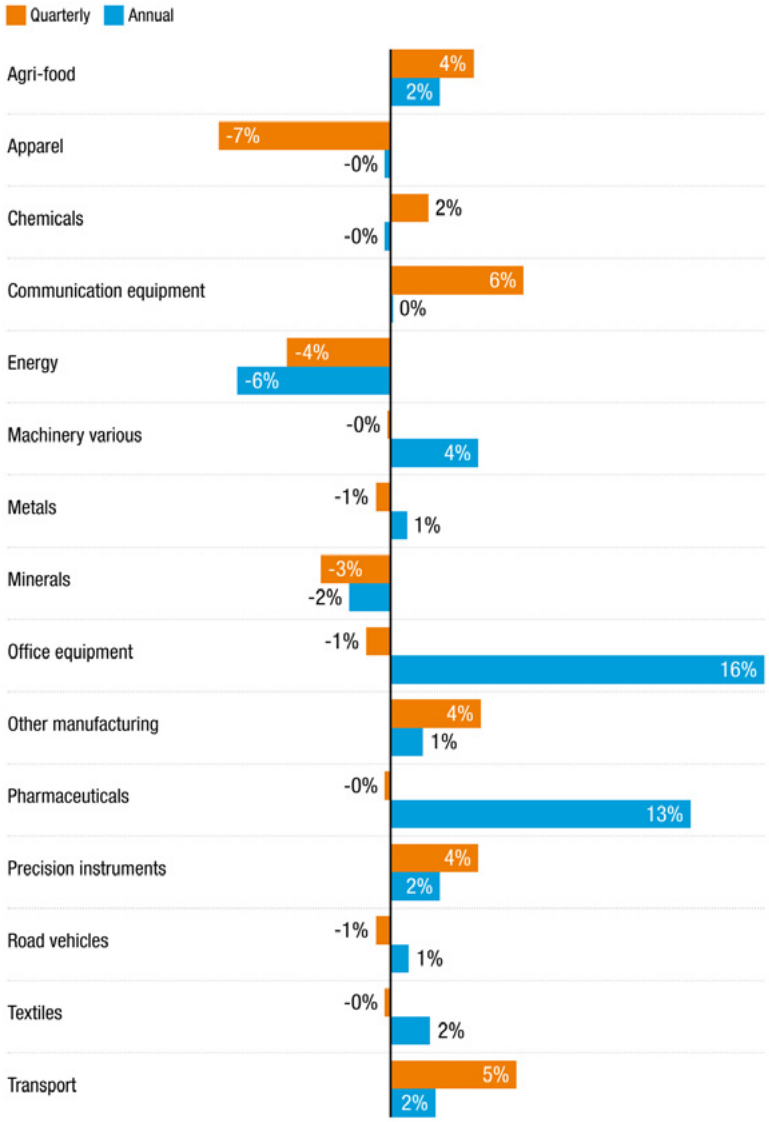
Increasing trade dependence		Annual change	Decreasing trade dependence		Annual change
Dependent	Depending on		Dependent	Depending on	
Malaysia	United States	1.8%	Russian Federation	European Union	-3.0%
Russian Federation	India	1.8%	Australia	China	-1.7%
Viet Nam	United States	1.8%	Viet Nam	China	-1.0%
Taiwan Province of China	United States	1.5%	Canada	United States	-1.0%
Russian Federation	China	1.2%	India	China	-0.4%
Turkey	European Union	1.2%	China	European Union	-0.4%
Brazil	United States	0.8%	United States	China	-0.3%
India	Russian Federation	0.8%	United States	European Union	-0.2%
Japan	United States	0.5%	China	United States	-0.1%
European Union	United States	0.2%	European Union	China	-0.1%

Source: UNCTAD estimates based on national statistics.
Note: The dependence of an economy on another is calculated as the ratio of their bilateral trade over the total trade of the dependent economy. Annual change is calculated as a four-quarter average of this ratio relative to the same period in the previous year. Data for Russian Federation includes estimates.

Global trade trends at the sectoral level

Trade growth has varied significantly across sectors over the past four quarters. Trade in office equipment and pharmaceuticals has grown at a rate substantially above the average. Conversely, the value of trade in the energy sector declined sharply in 2024. In Q4 2024, global trade growth was most pronounced in agri-food, communication equipment, precision instruments, and transport, while it declined in the apparel sector and extractive industries (energy and minerals).

During Q4 2024 global trade was supported by the agri-food, communication and transport sectors



Source: UNCTAD estimates based on national statistics of China, European Union and the United States.
Note: Quarterly growth is the quarter over quarter growth rate of seasonally adjusted values. The annual growth is calculated using a trade-weighted average over four quarters.

Through this publication, UNCTAD provides valuable insights into current and emerging trade policy issues and their impact on economic development in a fast changing global trade context.

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