



Global Trade Update: UNCTAD

For Prelims: [United Nations Conference on Trade and Development \(UNCTAD\)](#), [Electric Car](#), [GDP \(Gross Domestic Product\)](#), [Production-Linked Incentive \(PLI\)](#).

For Mains: UNCTAD, Indian Economy and issues relating to planning, mobilisation of resources, growth, development and employment.

[Source: IE](#)

Why in News?

Recently, the [United Nations Conference on Trade and Development \(UNCTAD\)](#) has released its **Global Trade Update 2024**, which highlights that, after facing declines over several quarters, international trade is poised for a rebound in 2024.

- Recently, [UNCTAD](#) has officially rebranded as "UN Trade and Development" as part of its 60th-anniversary celebrations.
 - The organisation will **adopt its new name and logo** across all official channels, including communication materials in the **six official languages of the [United Nations](#)**.

What are the Key Highlights of the Global Trade Update?

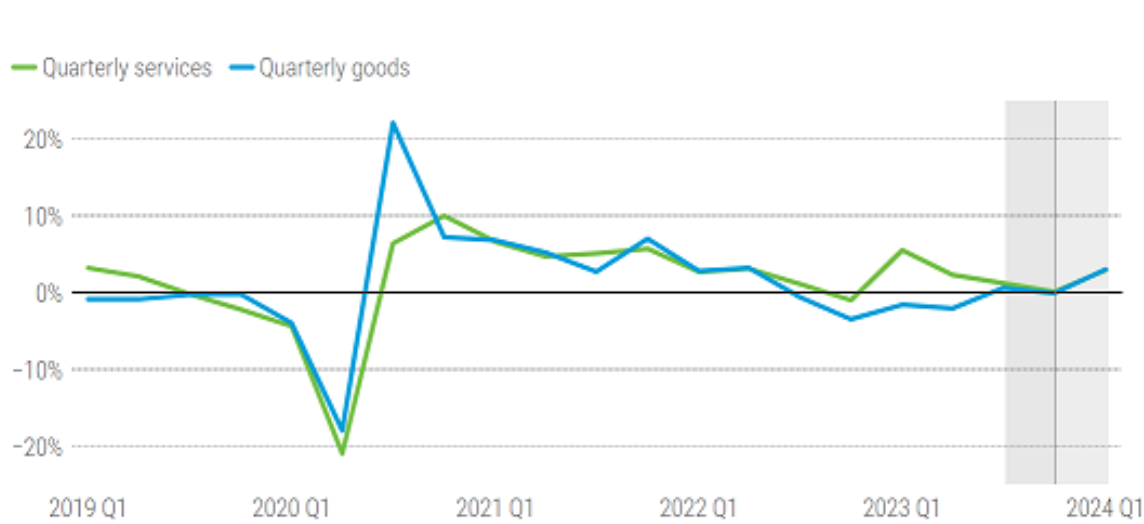
- **2023 as a Challenging Year for Trade:**
 - Global trade dipped 3% to USD 31 trillion in **2023 after peaking in 2022**. The downturn was driven by **less demand in developed economies** and weaker trade in East Asia and Latin America.
 - The downturn was driven by a **5% fall in trade in goods**. Meanwhile, trade in services bucked the negative trend, growing by 8%.
 - The sector was fuelled by a **nearly 40% surge in tourism** and travel-related services.
- **Developing Countries Facing More Issues:**
 - Developing countries **experienced a sharper decline in trade**, with their imports and exports falling by **5% and 7%, respectively**, compared to a **4% drop in imports and 3% in exports** for developed nations.
 - Most regions saw **negative trade growth in 2023**. The exception was a significant increase in intra-regional trade in Africa.
- **Electric Cars Drove Trade in Environmental Goods:**
 - Despite the overall decline, 2023 saw a 2% rise in trade for environmental products, driven primarily by soaring [Electric Car](#) sales. E.g. Trade in electric vehicles grew by 60%.
- **End 2023 shows Signs of Stabilisation:**
 - The **final quarter of 2023 brought signs of stabilisation**, particularly in developing regions.
 - Most sectors saw a rebound, **although trade in apparel** (clothing and clothing accessories) continued to contract, **falling by 13%**.

▪ Looking ahead to 2024:

- The forecast for 2024 is broadly positive, with [GDP \(Gross Domestic Product\)](#) growth **expected to continue at around 3%.**
- However, the logistical challenges such as shipping disruptions in the [Red Sea](#), [Black Sea](#) and [Panama Canal](#) cast shadows over the optimistic outlook, threatening to raise costs and disrupt supply chains.
- Ongoing geopolitical tensions and regional conflicts **could also renew volatility in energy and agricultural markets.**
 - Additionally, the growing need to secure access to minerals critical for the energy transition could affect prices and add to market volatility for these commodities.

Global trade is set to rebound in 2024

Annual growth in the value of trade in goods and services, per cent



▪ Political Proximity of Trade:

- During the last two years, the geographical proximity of international trade has remained **relatively constant**, showing minimal nearshoring or far-shoring trends.
- However, since the latter part of 2022, there has been a **noticeable rise in the political proximity of trade.**
- This indicates that bilateral trade patterns have been favouring trade between countries with **similar geopolitical stances.** Concurrently, there has been an increasing concentration of global trade to **favour major trade relationships, although** this trend has softened in the last quarter of 2023.

UNCTAD

- [United Nations Conference on Trade and Development \(UNCTAD\)](#) is a permanent intergovernmental body of the United Nations.
- It was **established in 1964** and is **headquartered in Geneva, Switzerland.**
- It aims to promote **sustainable development**, particularly in developing countries, through **international trade, investment, finance, and technology transfer.**
- UNCTAD's work focuses on **four main areas:**
 - Trade and development,
 - Investment and enterprise
 - Technology and innovation
 - Macroeconomics and development policies.

What are the Key Highlights of the Report Related to India?

▪ Key Observations:.

- Despite India's efforts to reduce dependency on China through the implementation of its flagship [Production-Linked Incentive \(PLI\) scheme](#) and **Quality Control Orders (QCOs)**, there was still an increase in imports from China.
- UNCTAD's estimates revealed a significant **trade reorientation** caused by the Russia-Ukraine conflict.
 - Russia's trade dependency on China increased by 7.1% and decreased by 5.3% with the EU, primarily due to a **shift in Russian oil exports** from the EU to China and India.

▪ Government of India's Stand:

- The **Ministry of Commerce and Industry** stated that although the growing trade dependence of India may seem negative, detailed analysis revealed **favourable trade dynamics**.
- **India's imports from the EU** rose by 9.7% in 2023, with a significant share consisting of capital goods (35% in 2022) and intermediate goods and raw materials (50% in 2022) used as inputs.
- India's **export of smartphones** have risen 98.42% in 2023 at USD 14.27 billion from USD 7.19 billion in 2022.
- Therefore, in 2023, India's trade performance significantly improved with the EU and China.

UPSC Civil Services Examination, Previous Year Question

Prelims:

Q. Consider the following statements: (2023)

Statement-I: In the post-pandemic recent past, many Central Banks worldwide had carried out interest rate hikes.

Statement-II: Central Banks generally assume that they have the ability to counteract the rising consumer prices via monetary policy means.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
- (b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
- (c) Statement-I is correct but Statement-II is incorrect
- (d) Statement-I is incorrect but Statement-II is correct

Ans: A