



## 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%**.

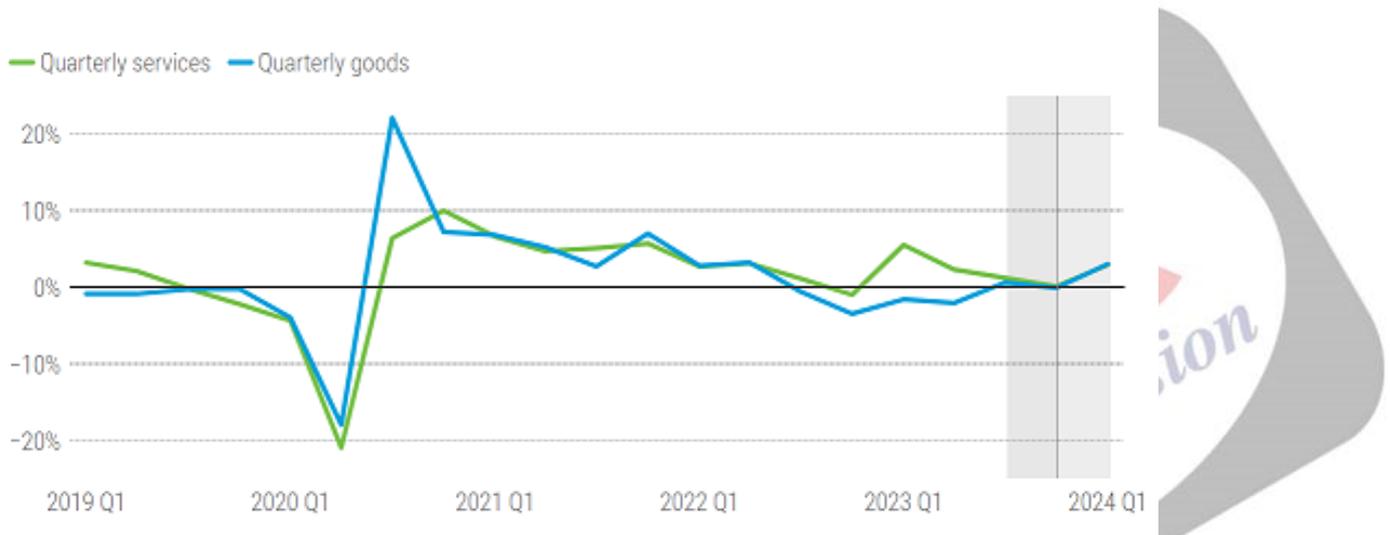
### ▪ Looking ahead to 2024:

- 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.

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## 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**