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West Asia crisis: WTO cuts trade growth outlook; 'connecting' economies India, Vietnam to buck the trend

The trade body warned that an intensification of the conflict in West Asia could have adverse consequences for global and regional trade flows, with effects also being felt in other regions.

Written by [Ravi Dutta Mishra](#)

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3 min read





WTO economists expect the volume of global merchandise trade to increase by 2.7 per cent in 2024 and by 3 per cent in 2025. (Representational image/File)

The World Trade Organisation (WTO) on Thursday reduced its growth forecast for the volume of global merchandise trade in 2025 to 3 per cent from 3.3 per cent, amid escalating conflict in the West Asia region, which has blocked the crucial Red Sea shipping route for nearly a year.

The **trade body** warned that an intensification of the conflict in West Asia could have adverse consequences for global and regional trade flows, with effects also being felt in other regions. These may include “further disruptions” to shipping and rising energy prices due to higher risk premiums.

This follows a significant escalation of the year-long conflict in West Asia earlier this month, when Israel shifted its focus to Hezbollah, an Iran-backed militant group, by launching a military operation in Lebanon. This came after dramatic explosions involving pagers and walkie-talkies targeted Hezbollah members, as well as the assassination of its long-time leader, [Hassan Nasrallah](#) .

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“The disruptive impact of the Red Sea crisis has been contained so far, but other routes could be affected in a broader conflict. There is also a heightened risk of energy supply disruptions, given the region’s prominent role in petroleum production. Higher energy prices would dampen economic growth in importing economies and indirectly weigh on trade,” the WTO warned.

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WTO economists expect the volume of global merchandise trade to increase by 2.7 per cent in 2024 and by 3 per cent in 2025. Global GDP growth at market exchange rates is projected to remain at 2.7 per cent for both years. In April, the trade body had forecast 2.6 per cent growth in both merchandise trade and GDP in 2024, followed by trade growth of 3.3 per cent and GDP growth of 2.7 per cent in 2025.



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However, the WTO noted that exports from India and Vietnam are rising, signalling their emerging roles as “connecting” economies. Asian exports are rebounding, driven by key manufacturing economies such as China, Singapore, and the Republic

2024 following a contraction in 2023, according to the WTO.

“Europe continues to weigh heavily on global merchandise trade in 2024, acting as a drag on overall performance for both imports and exports. The primary sectors driving Europe’s negative export performance are chemicals and vehicles. Organic chemicals, which are precursors to other medicines, are reverting to trend after a surge in demand during the pandemic,” the WTO said.

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WTO economists noted that Europe’s largest contraction in imports was in machinery, with a substantial reduction in imports from China. This reduction is not solely the result of fragmentation, as similar declines have been observed in geopolitically aligned economies such as the United States, the Republic of Korea, and Japan, the WTO said.

The trade body also warned that diverging monetary policies across major economies could trigger bouts of financial volatility if they lead to sudden shifts in exchange rates or capital flows.

“This could make debt servicing more difficult for some economies, particularly poorer ones. A related risk is that policymakers might act too cautiously, causing an economic slowdown, or too aggressively, risking a return to rising [inflation](#),” the WTO added.



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The WTO has observed increasing signs of fragmentation in trade flows since the onset of the war in [Ukraine](#), with exports and imports reorienting along geopolitical lines.

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