

Global trade to face 1% contraction this year: WTO DG

Global merchandise trade may witness a 1 percent contraction this year due to Trump's tariff war and the latest reciprocal tariff burdens on nations, according to a statement from the World Trade Organization (WTO) today.

"The WTO Secretariat is closely monitoring and analyzing the measures announced by the United States on April 2, 2025," Ngozi Okonjo-Iweala, director-general of the WTO, said in the statement.

"Many members have reached out to us, and we are actively engaging with them in response to their questions about the potential impact on their economies and the global trading system."

The recent announcements will have substantial implications for global trade and economic growth prospects, she said in the statement, referring to Trump's tariff measures.

"While the situation is rapidly evolving, our initial estimates suggest that these measures, coupled with those introduced since the beginning of the year, could lead to an overall contraction of around 1 percent in global merchandise trade volumes this year, representing a downward revision of nearly four percentage points from previous projections," she said.

"I'm deeply concerned about this decline and the potential for escalation into a tariff war, with a cycle of retaliatory measures leading to further declines in trade," the WTO DG said.

It is important to remember that despite these new measures, the vast majority of global trade still flows under the WTO's Most-Favored-Nation (MFN) terms, she said.

“Our estimates now indicate that this share currently stands at 74%, down from around 80 percent at the beginning of the year. WTO members must stand together to safeguard these gains.”

“Trade measures of this magnitude have the potential to create significant trade diversion effects. I call on members to manage the resulting pressures responsibly to prevent trade tensions from proliferating,” she said.

The WTO was established precisely for moments like this—as a platform for dialogue, to prevent trade conflicts from escalating, and to support an open and predictable trading environment, Okonjo-Iweala said.

“I encourage members to utilize this forum to engage constructively and seek cooperative solutions,” she added.