WTO 2025 Forecast
Opening statement by Director General, Dr Ngozi Okonjo Iweala

Good afternoon everyone. I first want to talk about the headline figures and then perhaps three of four key messages that I would like to share.

- **Headline figures**: Based on the trade policies currently in effect, we project that global merchandise trade volumes will decline by 0.2% in 2025—nearly three percentage points below the level we would have expected without recent trade policy shifts. This downward revision reflects the combined impact of newly introduced tariffs and heightened uncertainty affecting trade relations with the United States.

- **However there are downside risks**: A reinstatement of "reciprocal" tariffs would shave 0.6 percentage points off this forecast, lowering the projected growth rate to –0.8% (this is almost the 1 percentage point contraction we mentioned a couple of weeks ago). Now, a broader spread of policy uncertainty beyond US trading relationships would reduce growth by another 0.7 percentage points—implying a total decline in global merchandise trade of 1.5% in 2025 if both downside risks materialize, i.e. the risk of reinstating reciprocal tariffs and also growing uncertainty spreading beyond the US.

  China-US decoupling: I would like to make a few points. The first is on China, US decoupling, which is a phenomenon that is really worrying to me. Beneath these the global figures I just quoted, lies a sharp projected decline in US-China, bilateral trade. We currently estimate that merchandise trade between the two economies will fall by 81%—a drop that would have reached 91% without recent exemptions for products such as smartphones. A drop in US-China trade of these magnitudes is tantamount to a decoupling of the two economies.

- **Risk of fragmentation**: Whilst US–China trade accounts for only around 3% of world merchandise trade, a decoupling between the two major economies could have far-reaching consequences. If it were to contribute to a broader fragmentation of the global economy along geopolitical lines into two isolated blocs, our estimates suggest that global real GDP would be lowered by nearly 7% in the long term. This is quite significant and substantial. The welfare losses would be in the double digits for many developing economies, which is very worrying. So this is a phenomenon we have talked about before, we are very worried about this fragmentation, and now we are seeing it emerging. I think this is one of the most worrying factors for us.

- **Impacts on LDCs**: LDCs are particularly vulnerable to current trade policy risks. Among the ten economies facing the highest reciprocal tariffs, five are least-developed countries. Some may see short-term gains by filling the gap left by Chinese exports to the US, but a reinstatement of reciprocal tariffs could carry severe consequences. Rather than raising barriers, this could be a moment to offer LDCs some reprieve—by exempting them from new tariffs and reinforcing their fragile integration into the global economy. Exempting LDCs from all tariff increases would raise their exports, support their growth and help to create new markets.

- **Impacts on Africa**: At the aggregate level, Africa’s economic outlook remains broadly stable under current trade policies, with real GDP growth for the continent largely unchanged even if reciprocal tariffs are reinstated. This is because Africa's trade with the US is relatively small. The share of Africa's exports to the USA as a percentage of its total exports to the world is about 6.5% and the share of Africa's imports from the US as a share of its total imports is also 4.4%. Nevertheless, this masks significant variation across countries. Some countries, like Lesotho, are particularly vulnerable due to their high reliance on textile exports to the US market. These exports are about $240 million or 10% of their GDP. Cote D'Ivoire, is another example, the largest cocoa producer in the world, with about $800 million in exports to the US. Cocoa is a crop that is not grown in the United States. With higher reciprocal tariffs than Ghana, this can render Cote D'Ivoire's cocoa vulnerable to smuggling to neighbouring Ghana. An unintended consequence.

  Africa is the future of Global demand. By 2050, 25% of the world's population will be in Africa. Whilst the present trade situation is being sorted out, including a plea for the possibility of tariff exemptions for most of Africa, since this is where the largest number of LDCs (32 of the 44) are found, I have a message for the continent itself. This message is the need for more self-reliance. The external environment has changed and is more adverse. Aid is drying up and trade is becoming more politicized. So there needs to be a focus on raising domestic resources, attracting domestic, regional and foreign investments, on faster and greater trade integration within the continent such that intra-Africa trade is lifted well beyond the current 16%.

  To give an example, Africa imports an estimated $7 billion worth of textiles, there is no reason why Lesotho's $240 million worth of textiles cannot be absorbed within the continent. Africa needs to look at how it trades more within Africa and also with the rest of the world.

Now, let me end with lessons. What lessons have we learned from what is happening?

- **The first one is over-dependence**: One of the clearest lessons from the COVID-19 crisis was the importance of diversifying sources of supply. Today's trade tensions remind us that we must also diversify demand. Overconcentration—whether in where we buy from or where we sell to—leads to overdependence, making economies more vulnerable to shocks and fostering a sense of unfair burden-sharing. That is why I am reiterating my call for re-globalization: to deconcentrate trade by integrating more countries and regions that have long been on the margins. The US has a point when it says too many countries are dependent on its market or that production of some critical inputs are too concentrated in certain sectors and geographies. Building global resilience requires interdependence not overdependence. But cultivating new source locations is not enough it is businesses that trade, and we must be mindful or that. businesses also need to find new markets. And this is beginning to happen, south-south trade was 10% in 1995, but is 25% of total trade now. We need to build on this development.

  Finally, a lesson for us at the WTO.

- **We don't want to waste a crisis**: The WTO is a venue for dialogue and cooperative action. While this crisis situation for global trade has reminded many governments why they value the stable and predictable market conditions the WTO helps provide, they also see it as an opportunity to improve the WTO and reposition it to meet new challenges and tackle new issues. We should seize this chance of the trade crisis we are in to tackle level playing field issues, policy space issues for poor countries to grow, and so on and so forth. And we should inject more dynamism into the way this organization works. Our rules were never meant to be set in stone for 30 years, they were meant to be updated and re-dynamized as needed. I am grateful that members really see the value of the organization and are coming together to try to see how to support the valuable most favoured nation stability and predictability of world trade. Now, let's get to work. Thank you.