



2025 Trade and development report

Chapter II

International trade in an era of policy shifts and financialization

KEY FINDINGS

- ▶ Pre-tariff frontloading and optimistic investment in artificial intelligence boosted merchandise trade during the first half of 2025. This momentum is expected to fade as tariff hikes bite and expectations mature around artificial intelligence.
- ▶ Growth of world trade in goods and services in volume terms is expected to hover around 3 to 4 per cent in 2025. Prospects for 2026 are clouded with even greater uncertainty. Provided overall tariff conditions remain unchanged, merchandise trade is forecast to slow down. Small firms and poor countries are especially vulnerable; many lack the capacity to respond to unpredictable trade environments.
- ▶ Multilateral trade rules must evolve to remain relevant and effective in supporting development needs. To support ongoing dialogue, UNCTAD proposes a set of broad guiding principles anchored in sustainable development, which can help shape discussions to strengthen the predictability and fairness of the trading system.
- ▶ Turning to an underexplored topic, UNCTAD research shows that trade is not immune from the global financial cycle. Changes in financial risk aversion, foreign exchange or credit conditions influence trade flows, for manufactured goods and beyond.
- ▶ In the developing world, exports from emerging Asian economies are more intricately linked to the global financial cycle, echoing findings on manufactured goods compared to primary commodities. Failing to better understand these dimensions risks placing trade flows at the mercy of negative financial spillovers, adding to an already challenging environment.



United
Nations



Policy takeaways

- ▶ Waiving new United States tariffs on vulnerable economies would protect their development and have only marginal effects on the United States trade deficit.
- ▶ Leveraging networked multilateralism is one of six principles of the development agenda that UNCTAD proposes to reform the multilateral trading system. Enhancing coordination and partnerships among multilateral, plurilateral and regional platforms, towards regrouping trusted stakeholders, is key for greater coherence and inclusivity in global trade governance. Coordination and open dialogue can also help to mitigate trade policy uncertainty.
- ▶ In developing tools to tame negative financial sector spillovers on trade flows, moving from the macro to the meso level could better capture sector-specific aspects of trading operations and, ultimately, help to design more targeted and effective mitigation strategies.
- ▶ Trade and finance should not be considered separately. Policymakers should take a holistic approach because both areas of global integration – alongside others such as investment – are interrelated and central to the development process. Stable and sustainable financing should be reliable and available, even as it is essential that finance primarily supports the real economy.



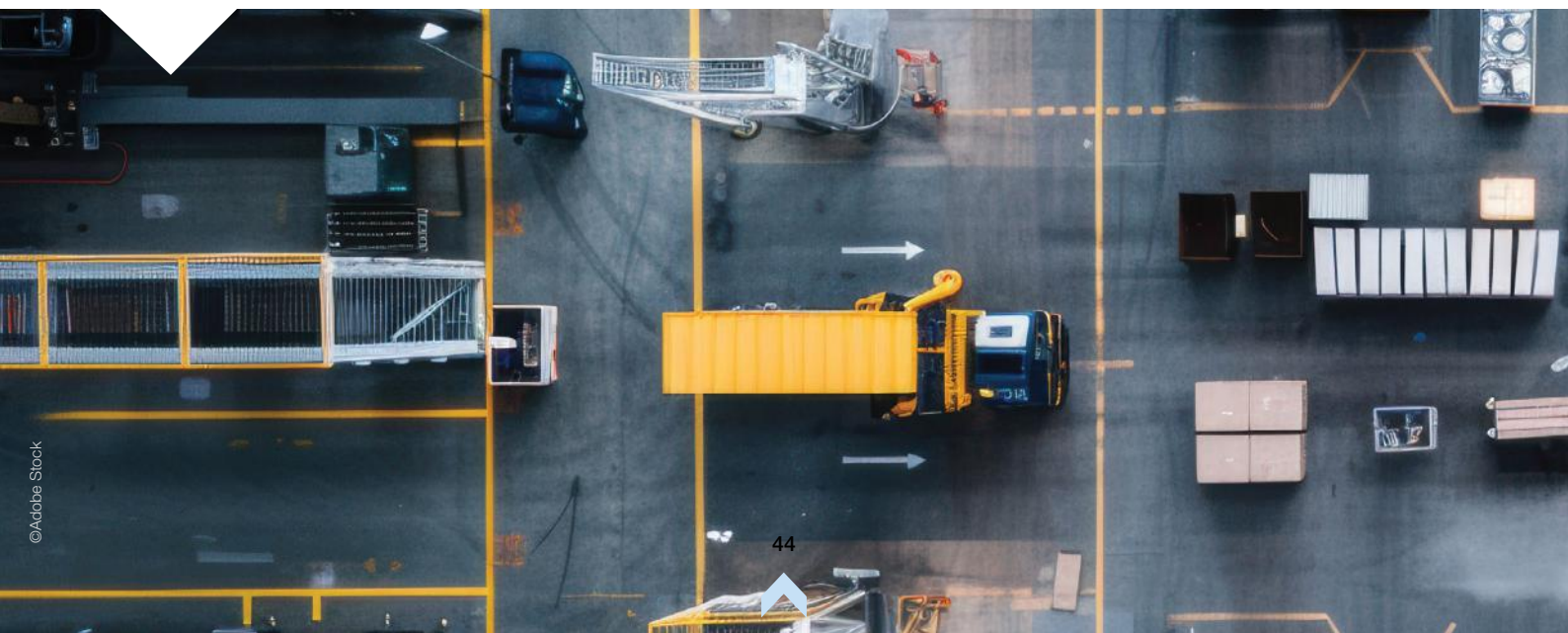
A. Introduction

Exceptional policy shifts throughout 2025 – whether in terms of scale, scope or speed – have plunged the world trade landscape into heightened uncertainty. Merchandise flows have been in the spotlight, with numerous announcements about new tariff measures. In parallel, more profound multidimensional shifts have continued to reshape global trade (UNCTAD, 2025c). These sudden shocks and longer-term transformations both reflect a complex interplay of macroeconomic reorientation, driven by stronger government footprints, inward-looking industrial policies, geopolitical tensions and rapid technological change.

These forces will continue to shape the world economy and international trade in the years ahead. While it is premature to predict the ultimate trajectory or destination, the near-term outlook appears underwhelming. Intensifying headwinds – such as the unwinding of pre-tariff frontloading and the more tangible impacts of new tariff hikes – already started to weigh on cross-border economic activity in recent months. Moreover, heightened uncertainty per se undermines trade prospects and can even be more disruptive than new tariffs as firms can adapt to rising costs but struggle to plan around unpredictable policy shifts.

The effects will vary across countries and industries. The reconfiguration of supply chains and trade networks, as well as the deployment of new technologies, may even create opportunities for certain firms, sectors and economies. Overall, however, the current policy stance is likely to further strain an already fragile global economic environment. Against this backdrop, section B reviews recent developments in trade flows and trade policy and offers insights on the short-term outlook.

Stepping back from the financial market gyrations that dominate the daily news, section C explores the cyclical interlinkages between finance and trade – more precisely, the financial channels through which trade is affected. Understanding these dynamics is key to strengthening trade resilience as concerns mount over potential financial turbulence in the short to medium term. At a time of elevated financial asset prices, heightened stock market volatility and growing vulnerabilities in the financial system – partly compounded by efforts to reassess some safeguards introduced after the 2008 global financial crisis – it is essential to gain closer insights into how financial instability can spill over into trade. Drawing from this exploratory analysis, the chapter concludes with policy recommendations.



B. Trade dynamics and future perspectives

1. Latest trends: Pre-tariff frontloading and artificial intelligence-related investment boosted merchandise trade in the first half of 2025

Amid the numerous trade policy measures announced throughout 2025, the relative trade dynamism observed during the first half of the year might seem unexpected, because such announcements typically entail significant disruptions. In the very short term, however, there was a strong incentive to export as much as possible to the United States before the new tariffs took effect. Partly for this reason, preliminary estimates point to an expansion of world trade, in real terms, in the range of 4 per cent during the first semester. Measured in dollars, export revenues from goods and services rose by \$300 billion year-on-year, reaching a total of \$16 trillion (UNCTAD, 2025a).

a) Goods

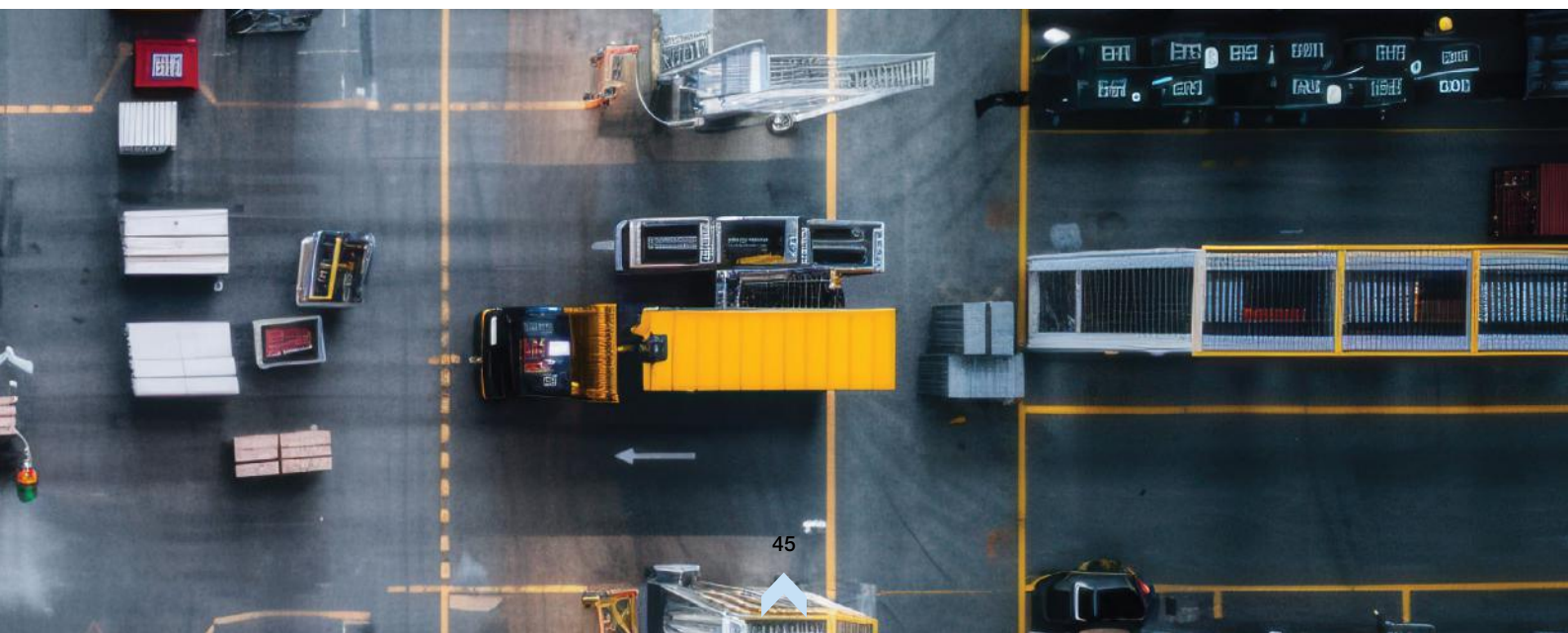
Merchandise trade volumes – defined as the average between exports and imports in constant prices – were, on average, about 4 per cent higher during the first semester

of 2025 than the equivalent period in 2024, with monthly gains peaking in March and April 2025. This surge primarily reflects a significant temporary rise in imports in the United States due to pre-tariff frontloading (figure II.1). Netting out the contribution of this spike, world trade would have grown at 2.5 to 3 per cent, roughly on par with the growth rate of global economic activities (chapter I).

The temporary hike was a key driver of the strong dynamism in exports from East, South and South-East Asia, the world's largest regional manufacturing hub. Aggregated export flows from China, India, Indonesia, Japan, Malaysia, Pakistan, Philippines, the Republic of Korea, Singapore, Thailand, Hong Kong (China) and Taiwan Province of China collectively expanded by almost 10 per cent year-on-year, in real terms, during the first semester.

Elsewhere in the world – except in Latin America – real export dynamics were relatively muted. In the United Kingdom, exports shrank by 2 per cent. In the euro area, the world's largest trading group of economies, the growth of exports was flat. Meanwhile, the exports of the United States and those of the group of other developed economies both grew about 2 per cent.

AI exuberance and pre-tariff frontloading drove a transitory pickup in trade in early 2025.



Tariffs are just one layer; tectonic changes are reshaping the global trade landscape.

Exports from Latin America, by contrast, registered 8 per cent growth, partly due to a low base. A deeper look shows that in terms of monthly export levels, this region never exceeded the all-time high of December 2024 during the first six months of 2025. This indicates that outward-oriented economic activities were less robust than the headline figure suggests.

Turning to imports, data echoed macroeconomic conditions across many economies. In China and the euro area – which together account for almost 40 per cent of global trade – imports remained subdued, continuing a prolonged pattern of weakness. More precisely, monthly Chinese import levels during the first half of 2025 oscillated from 1 to 7 per cent below their 2021 average. Similarly, euro area imports were consistently 4 to 5 per cent lower than this benchmark. The prevailing lack of internal dynamism in these two major economic hubs is primarily responsible for this outcome. Elsewhere, only a few regions experienced sustained upward trends in imports. Where such patterns did emerge, they were often driven by low-base effects rather than underlying strength.

Considering nominal revenues of merchandise trade – a timelier and more comprehensive gauge of trade momentum – globally aggregated dollar exports increased 2 per cent, or \$230 billion, during the first semester of 2025, reaching almost \$12 trillion. Fast-growing export revenues in developing Asian economies supported this expansion. Taiwan Province of China, for instance, posted 25 per cent year-on-year growth, driven by strong demand for

artificial intelligence products. Exports from the Philippines and Viet Nam expanded by approximately 15 per cent.

Beyond short-term dynamics, the reorientation of trade flows and reconfiguration of supply chains are other critical dimensions to monitor. The contours of these evolutions remain difficult to discern, as identifying consistent patterns amid noisy and fragmented data is challenging. Nonetheless, some metrics show, for instance, that Chinese exports to countries in Africa and to the Association of Southeast Asian Nations (ASEAN) have increased, while shipments from China to the United States have declined. Friendshoring and nearshoring trends appear to have stalled, or even reversed, in late 2024 and early 2025 (UNCTAD, 2025a). Relatedly, intentions in certain countries to repatriate industrial production have yet to materialize on a broad scale, partly because factory relocations and supply chain restructuring can sometimes span a decade or more.

The extremely high uncertainty that currently prevails is, moreover, not conducive to major supply chain shifts. Key planning parameters on which firm managers rely are simply too volatile and blurred at the moment to support any large-scale transformation of their operations. Rather than fast-tracking the redeployment of industry, many entrepreneurs have adopted a wait-and-see approach. In sum, while Governments' intentions to re-attract production domestically currently rank high, a volatile economic environment – largely driven by policy – hinders such efforts.



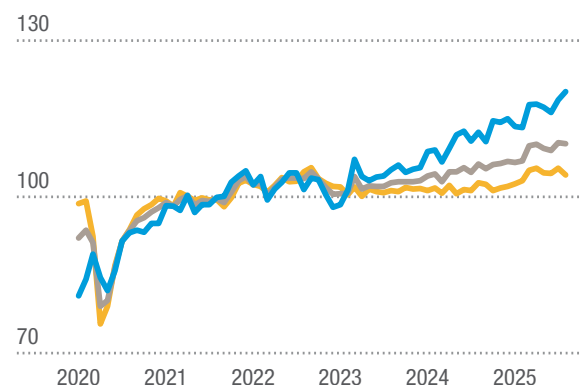
Figure II.1
Tariff anticipation triggered a short-lived boost in world trade in early 2025

Merchandise trade flows in real terms, January 2020–August 2025

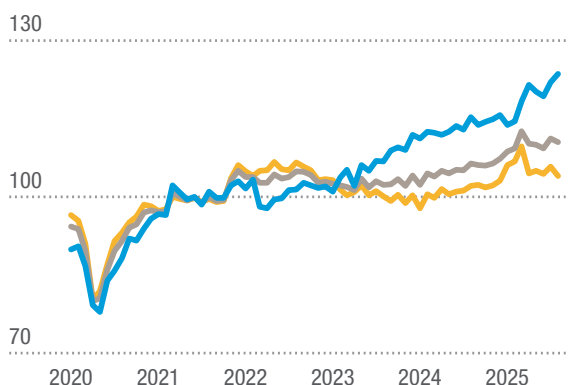
(Average 2021=100)

A. Exports

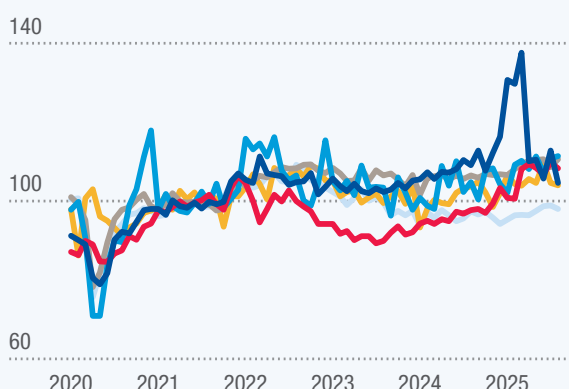
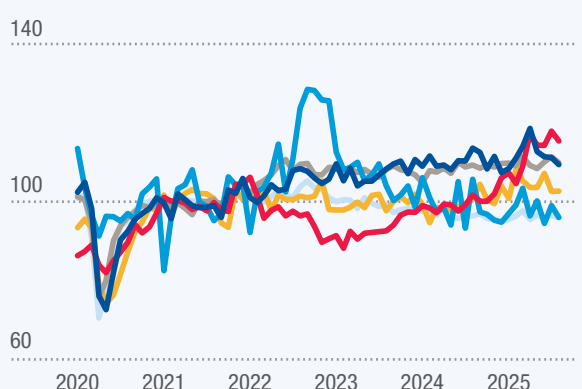
— Advanced economies — Emerging economies — World



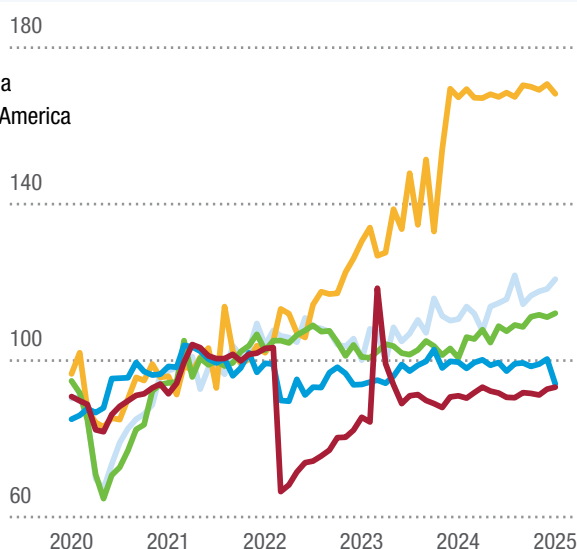
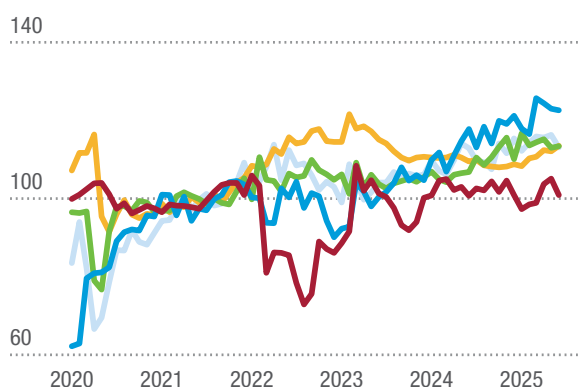
B. Imports



— Japan — United Kingdom — United States — Advanced Asia, excluding Japan — Euro Area — Other advanced economies



— China — Africa and Middle East — Emerging Asia, excluding China
— Eastern Europe and Commonwealth of Independent States — Latin America



Source: The World Trade Monitor database of the CPB Netherlands Bureau for Economic Policy Analysis.

Note: Country group classification relies on the CPB Netherlands Bureau for Economic Policy Analysis (Ebregt et al., 2024).

Development-enhancing trade relations thrive on economic clarity and policy consistency.

If one thing appears clear amid heightened uncertainty, it is that firm managers are increasingly prioritizing markets seen as more predictable. Hence, further diversion of Chinese exports away from the United States is expected to accelerate. Such shift could exert a disinflationary influence in regions where exports are ultimately reallocated. European countries, where currencies have appreciated against both the dollar and the yuan since early 2025, are particularly well positioned to experience these dynamics. By mid-2025, however, the impact of recent frontloading activities had overshadowed the effects of trade diversion, making it difficult to isolate these patterns in the data. As these temporary distortions fade, the underlying trends should become more discernible.

One factor that could challenge this scenario is the potential for an improvement in trade relations between China and the United States. Optimism persists, especially after a meeting between the two Heads of State and Government took place in late October 2025. Still, caution is warranted: The path towards tariff levels closer to what was in place prior to 2017 remains long and uncertain. If no common ground is found, then further fragmentation of global trade cannot be ruled out – posing additional risks for many bystander economies.

b) Services

Export revenues from services slowed down during the first quarter of 2025 before bouncing back during the second quarter. Measured in current dollars, on-year growth for the first half of 2025 stood at approximately 7 per cent. In absolute terms, global trade in services rose by about \$270 billion between January and June 2024 and the same period in 2025, reaching nearly \$4.4 trillion, according to UNCTAD data. Significant currency fluctuations partially obscured this aggregate, however.

Turning to its major components, international transport showed less dynamism, with year-on-year growth

hovering around 3 per cent during the first two quarters of 2025. By contrast, international travel and all other services (excluding transport and travel) grew almost 10 per cent during the second quarter of 2025.

Regionally, the expansion of services was stronger in Asia and Latin America compared to the developed economies of Europe and Northern America. The latter two regions, however, still account for the bulk of global services exports. Many leading services exporters from developing countries registered double-digit annual growth during the first quarter of 2025. China and India, the two largest services providers among developing countries, recorded a 17 per cent and 10 per cent on-year increase, respectively, during the second quarter of 2025.

In China, this aggregate figure was driven primarily by an increase of 50 per cent of travel and tourism exports and by transport services, which grew by 15 per cent. Yet such elevated growth rates may not be sustained beyond a few quarters. In India, by contrast, dynamism stemmed from commercial services related to finance, intellectual property, telecommunications, computing and information as well as other business subcomponents. Fast growth in these suggests that India is more likely to maintain rapid growth in services trade. Unlike transport and travel, these components are less vulnerable to sharp fluctuations caused by price changes, such as in freight rates, or shifts in passenger volumes, which until very recently were still affected by the lingering impact of the COVID-19 pandemic.

c) Tariffs

Several months have passed since the April 2025 tariff measures announced by the United States. The new rates targeted a broad spectrum of imports – primarily manufactured products, albeit not only these. The initial announcements were often followed by carve-out provisions, upward and downward revisions, implementation





delays and various clarifications, resulting in a sequenced implementation process shaped by evolving operational conditions. These procedural adjustments postponed the actual enforcement of the tariffs, and their full economic impact has yet to materialize. The trade landscape remains volatile. Any forward-looking assessments should be approached with caution.

By early August 2025, conditions seemed to have stabilized, at least partly. On 7 August, a revised tariff schedule came into effect, imposing additional ad valorem duties ranging from 10 to 50 per cent on a broad variety of import products. This marked the end of the temporary tariff reprieve that followed the April announcements, ushering in what many view as a fundamentally new trade regime for the United States. Nonetheless, uncertainty persisted. On 29 August, a federal appeals court ruled that most new tariffs introduced by the Administration were unlawful.⁷ The court, however, delayed the enforcement of its decision. Subsequently, the Supreme Court agreed to fast-track the proceedings. The

oral arguments took place on 5 November 2025. The final decision is expected in the following months.⁸

When comparing the tariff measures announced in August to those initially proposed in April, several developing countries ultimately faced more moderate increases. For instance, several economies that had originally been assigned rates exceeding 30 per cent – though not all – saw their tariffs reduced by nearly half, if not more. Those benefiting from these downward revisions included Angola, Bangladesh, Botswana, Cambodia, Côte d'Ivoire, Fiji, Guyana, Indonesia, Lesotho, Madagascar, Mauritius, Sri Lanka, Thailand, Viet Nam and Taiwan Province of China.

While no foreign economy has been entirely spared, many developing countries were notably absent from Annex I of the Executive Order of 31 July 2025.⁹ This means they were subject to an additional ad valorem tariff of 10 per cent, the lowest an economy could get under the new regime. This rate is far from negligible.

Tariff escalation was less pronounced in several developing economies than initially projected.

⁷ https://storage.courtlistener.com/recap/gov.uscourts.ca9c.23105/gov.uscourts.ca9c.23105.159.0_1.pdf.

⁸ Further updates can be found at <https://www.supremecourt.gov/docket/docketfiles/html/public/25-250.html>.

⁹ Available at <https://www.whitehouse.gov/presidential-actions/2025/07/further-modifying-the-reciprocal-tariff-rates/>.

Waiving new tariffs on most developing nations would spare their economies; most contribute little to the United States trade balance.

Yet an additional 10 per cent ad valorem duty should not completely jeopardize their export prospects, especially as all other exporters to the United States were subject to at least the same conditions. Compared to the April announcements, this can be seen as a partial response to an earlier call by UNCTAD asking policymakers to reconsider the additional tariffs imposed on developing countries, especially small and vulnerable ones. Still, more could be done to exclude such economies from any additional duty. A majority have almost no effect on the United States trade deficit (UNCTAD, 2025d).

A handful of countries, nonetheless, experienced a deterioration in export conditions between the initial tariff announcements in April and the measures in place by late August – reflecting the impact of a more transactional and unpredictable foreign policy environment. Brazil and India, for example, faced additional tariffs of 50 per cent on a wide range of export products by that time, compared to the 2024 baseline. These rates represent a sharp departure from initial additional tariffs of 10 and 26 per cent, respectively. While negotiations to reduce these rates are ongoing, significant uncertainty continues to cloud the outcome of these discussions.

More broadly, although it remains premature to fully discern the long-term implications of this policy shift, it is nonetheless instructive to monitor evolving patterns in tariffs and associated trade flows. Doing so not only helps to clarify the contours of the current landscape but also provides a basis for informed conjecture about future developments.

This assessment starts by showing how United States import tariffs have progressed throughout 2025. At least three broad metrics – each with their own additional

parameters – can be used to gain a sense of this evolution, namely:

- 1 Applying the different tariffs (announced or already in place) at a certain point in time on a given trade basket to compute an average effective tariff rate.¹⁰
- 2 Dividing the public revenues the United States collects from import tariffs by the value of total imports over a given period, such as months.
- 3 Elaborating models allowing for behavioural changes and other effects, such as substitutions for products and sources, as well as income effects.

Each of these approaches has its own strengths and limitations. The first technique offers a useful approximation of the cost of tariffs to United States consumers. It should be interpreted as an upper bound, however, as it does not account for substitution effects that naturally occur when relative prices shift – an omission that can lead to overstated cost estimates.

The second measure, defined as the ratio of import tariff revenues to total imports of goods to the United States, can be viewed as a lower bound. This metric overlooks several important dimensions. For instance, when tariffs begin to bite, economic agents often pivot towards second-best alternatives. These shifts – typically involving compromises in price or quality – are not captured in the simplicity of this ratio. Additionally, temporary exemptions or anticipatory frontloading of imports may distort the metric at any given point in time, making it an imperfect reflection of prevailing trade conditions (Giles, 2025).¹¹

Third, model-based estimates typically fall between the two aforementioned bounds and are, by design, closer to the true economic cost. These models incorporate behavioural responses and general

¹⁰ Focusing on the effects for consumers in the United States, for instance, one could use detailed 2024 imports and apply the new tariffs for each tariff line. Alternatively, policymakers interested in having a preliminary figure for their own country exports could use their own more recent disaggregated exports.

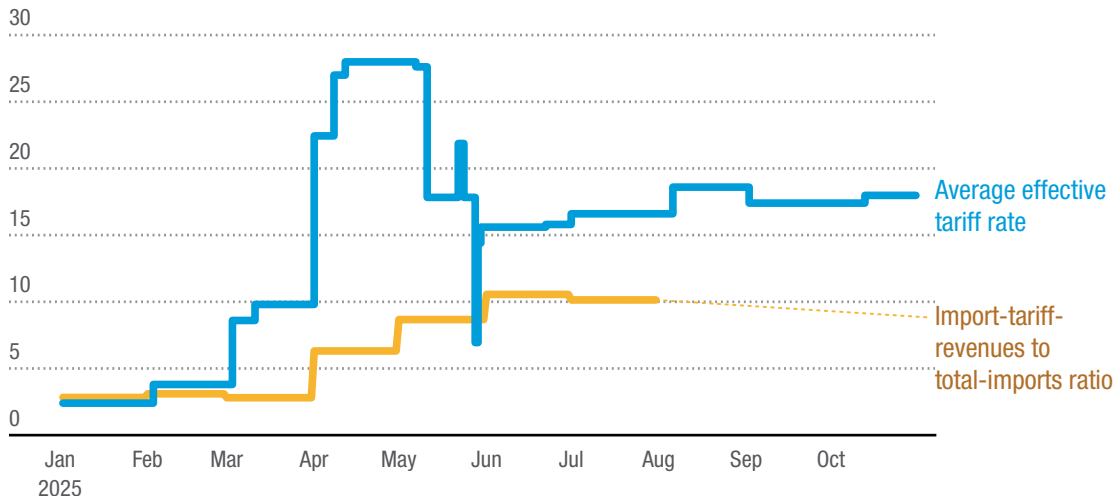
¹¹ This element echoes recent declarations by the chief executive of Walmart, the world's biggest retailer, who declared in August that the company would continue to raise prices throughout the second semester as it will replenish inventory at post-tariff price levels (Financial Times, 2025).





Figure II.2 United States import tariffs have risen sharply in 2025

Average effective tariff rate and the ratio of import tariff revenues to total imports for goods in the United States
(Percentage)



Source: UNCTAD based on Federal Reserve Economic Data, The Budget Lab at Yale and the United States Department of the Treasury.

Note: The average effective tariff rate corresponds to the weighted average of the different tariffs announced at a certain point in time on the import trade basket of imported goods in the United States in 2024. The ratio of import tariff revenues to total imports is computed monthly.

equilibrium effects, offering a more nuanced picture. Yet they are inherently sensitive to methodological choices and assumptions, which may vary depending on the modelling framework employed.

Figure II.2 depicts the first two approaches. By the end of October, based on information available at that time, it was estimated that if the United States had continued importing the same import basket it had in 2024, its average effective tariff rate would be about 18 per cent, an eightfold increase relative to its January level. As for the ratio of import revenues to total imports, figures for August onwards will only be available when the lapse of federal funding will end. Yet this metric already shows a significant rise from April onwards and is expected to increase further from August onwards.

While tariff levels depend on the methodology employed, the increases are unequivocally substantial. For the vast majority of countries,

the hikes are disruptive and could be economically damaging. Additionally, by departing from the most favoured nation principle, the United States introduced a shift that may have implications for the broader multilateral framework. This makes the processing of imports to the United States more complicated and subject to arbitrage.

It is important to recall that the United States has accounted for approximately 13 per cent of global goods imports over the last decade. Given the general lack of tit-for-tat escalation to recent tariff measures, an overwhelming majority of all remaining trade continues to take place under predictable rules. This has allowed the world economy to avoid this year the kind of collapse in world trade witnessed in the 1930s in the context of the Great Depression and the Smoot-Hawley Act.

This is not to suggest that the international trading system and its governing rules

Regardless of how they are measured, the tariff hikes of the United States have been substantial.



Independent of the United States, other countries should preserve stability through a shared rules-based system.

should remain static. On the contrary, reform has long been overdue. In the vision proposed by UNCTAD, reform should be based on a development-oriented agenda, structured around six guiding principles to support a meaningful overhaul of the global trade architecture. If the bulk of global trade continues to operate under non-arbitrary conditions and revised, consensual rules – as outlined in the Special Focus – there would be genuine scope for trade to serve as a lever for structural transformation and climate-resilient development.

For the United States, the impact of recent tariff hikes is expected to be significant. Considering that imports of goods represent approximately 10 per cent of United States GDP – a conservative benchmark compared to recent trends – applying a 15 per cent tariff would generate a non-negligible price increase for consumers. While tariff-induced price pressures are not expected to fully derail the inflation trajectory, they have influenced the Federal Reserve's ability to proceed with interest rate cuts as inflation risks remain elevated.

Beyond inflationary pressures, the more consequential implications of the new tariffs lie in their structural impact on supply chain organization, business investment and

global competitiveness. While short-term price increases may capture headlines, the deeper concern is that sustained trade barriers could fundamentally alter sourcing strategies, hinder productivity growth, and erode both consumer and business confidence. Taken together, these dynamics are likely to exert downward pressure on long-term GDP growth and global trade flows.

One principle of economic policy posits that for a government to achieve a given number of independent policy targets, it needs at least as many independent policy instruments to achieve them (Tinbergen, 1956). In other words, tariffs alone cannot serve as a comprehensive solution to a complex set of problems reflected in global economic asymmetries. When policymakers rely heavily on such instruments, it becomes essential to account for general equilibrium effects; failing to do increases the risk that outcomes may not align with intended goals.

To gain insights into what may lie ahead, the next section briefly outlines the near-term perspectives of UNCTAD on trade in goods and services.



2. Outlook: Merchandise trade set to decelerate as tariffs bite and frontloading unwinds

In many respects, the world economy has ventured into uncharted territory. The heightened uncertainty confronting economic agents only compounds the complexity of the current landscape. Adding to the challenges, numerous recently released data series may have been distorted by transient factors, making their interpretation more precarious. Under such conditions, it is both prudent and necessary to exercise caution regarding what can be realistically and accurately predicted.

Forecasting the final annual trade figures for 2025 is relatively more straightforward than projecting those for 2026, for at least two reasons. First, data from the early months of 2025 are already available, reducing the scope for future developments to significantly alter annual aggregates. Second, a wide array of indicators provides a reasonably clear picture of near-term trends. Among these, the “new export orders” subcomponents of manufacturing purchasing managers’ indices have consistently stood below the neutral threshold of 50 across numerous economies in the second and third quarters of 2025. This signals a broad-based contraction in export demand.¹² In several cases, these indicators have not only remained subdued but also trended downward, underscoring intensifying headwinds for manufacturing exporters globally.

Turning to trade in services, recent trends reveal a marked divergence across key sectors. In 2025, transport services are expected to remain relatively subdued. Maritime trade volume is projected to expand by just 0.5 per cent, with

containerized trade growing slightly faster at 1.4 per cent. Looking ahead, total seaborne trade is forecast to grow at an average annual rate of 2 per cent, with containerized volumes rising marginally faster (UNCTAD, 2025b).

By contrast, travel services are anticipated to show greater resilience, with growth in international arrivals for the year 2025 ranging from 3 to 5 per cent (World Tourism Organization, 2025). Other segments of the services trade are likely to maintain stronger momentum. This outlook is underpinned by the continued penetration of technological innovation, notably artificial intelligence, into economic activities, which will support the development of international trade in digitally deliverable services of all kinds, and thus the services trade in general.

Given these dynamics, global trade in goods and services is projected to grow about 3 to 4 per cent in 2025. The anticipated slowdown in the final quarter of 2025, coupled with continued subdued performance in early 2026 (chapter I), suggests a more cautious outlook, with the pace of global trade moderating in 2026. Notably, the lagged impact of recent tariff hikes is likely to exert downward pressure on trade volumes, with the risk of these effects spreading across borders through global supply chains and amplifying broader contagion in international commerce.

While the headline figure suggests moderate growth, it conceals significant heterogeneity across firms and countries. Small enterprises and low-income economies are especially vulnerable, as they mostly lack the capacity to respond to unpredictable trade environments. Their vulnerability is compounded by persistent uncertainty surrounding the extension of trade preference programmes, the specifics of transshipment conditions and evolving rules-of-origin frameworks. These uncertainties

Forward-looking manufacturing purchasing managers’ index data point to softening export activity.

Small enterprises and low-income economies are especially vulnerable in unpredictable trade environments.

¹² These diffusion indexes, by design, capture the breadth of change across a surveyed group of firms rather than its magnitude. And while purchasing managers’ indices are not particularly tailored to provide growth point estimates, they indicate how widespread certain economic conditions are. Also, given their forward-looking nature, these leading indicators help assess the momentum of economic activity before hard data are released.

Safeguarding
the future of
global trade
calls for
moving beyond
immediate
concerns
around tariffs.

over future market access conditions continue to undermine strategic planning, deter investment, and limit their meaningful participation in international trade and global supply chains (UNCTAD, 2025e).

In these challenging times, it is imperative for all stakeholders to closely monitor policy shifts and adapt sourcing and market strategies accordingly. In this regard, UNCTAD remains actively engaged, regularly updating its website with recent policy developments and analytical insights.¹³

For businesses, the path forward involves greater supply chain diversification to mitigate geopolitical and climate-related risks. Investing in digital tools will be equally critical to enhance agility and resilience. Policymakers, meanwhile, can help counter fragmentation – or at least soften its adverse effects – by reinvigorating multilateral cooperation. Given the projected dynamism of digitally deliverable services relative to merchandise trade, it is essential to

strengthen digital infrastructure in developing countries to narrow the persistent gap with advanced economies. This includes targeted investments in connectivity, skills, and regulatory frameworks. In parallel, aligning trade and climate objectives will be vital to ensure long-term sustainability. More broadly, the global community must pursue a development-oriented reform agenda for the multilateral trading system. The Special Focus offers a set of broad guiding principles anchored in sustainable development, which can help shape discussions to strengthen the predictability and fairness of the trading system.

Equally important for the future of trade is the need to move beyond immediate concerns surrounding tariffs. The next section turns to an underexamined yet highly consequential topic: the interlinkages between finance and trade, with a particular focus on financial channels that underpin international trade. These interdependencies are key to understanding how to build trade resilience.

¹³ See <https://unctad.org/topic/trade-analysis/tariffs> for further information and updates.



The future of the multilateral trading system

Since its latest major transition in 1995, the multilateral trading system – with the World Trade Organization (WTO) at its core – has provided a comprehensive set of binding trade rules and processes. These have enabled member States to trade with more legal certainty and transparency. The capacity of this system to regulate the trade policy conduct of its members – numbering 166, today – has, however, been eroded. The rise in unilateral discriminatory trade measures, and the limited transparency in reporting such measures, are symptomatic of some of the fundamental challenges faced by the rules-based multilateral trading system.



Several factors are at play. The enforceability of multilateral trade disciplines has weakened as the WTO dispute settlement mechanism, a central pillar of the rules-based system, has become dysfunctional. From December 2019, the Appellate Body, the WTO appeals mechanism in dispute settlement, has been unable to hear cases due to the prolonged deadlock in appointing new members, leaving it without the quorum required to function. This paralysis has given rise to the practice of “appealing into the void”, whereby members can block the adoption and enforcement of panel rulings simply by appealing, leading to a situation where compliance with WTO norms is not systematically ensured. The question of how to restore a fully functional dispute settlement mechanism remains unresolved and has been recognized as a central pillar of the WTO reform agenda, as confirmed by the WTO ministerial conferences in 2022 and 2024.^a Access to a credible and enforceable dispute settlement mechanism is essential for safeguarding WTO members’ rights.

The dynamics of multilateral trade negotiations suggests that progress has been limited to date. The Doha Round – also known as the Doha Development Agenda, launched in 2001 as the first major round of negotiations under the WTO, remains largely stalled after more than two decades. While there have been important incremental achievements over the years, such as the 2013 Agreement on Trade Facilitation, the 2022 Agreement on Fisheries Subsidies and other issue-specific outcomes, the Doha Round has not achieved its core reform objectives, notably in agriculture, development and market access, which are particularly important for developing economies.

In parallel to the stalled Doha Round, groups of WTO members have pursued new issues and rule-making through plurilateral initiatives, known as the Joint Statement Initiatives. Addressing topics such as electronic commerce, investment facilitation and domestic regulation, these negotiations are not formally part of the Doha Development Agenda and operate alongside, not within, the traditional multilateral process. Their emergence reflects both a demand for modernization of trade rules and ongoing difficulties in achieving consensus across the WTO membership.

Most WTO agreements, largely conceived and negotiated in the 1980s and the early 1990s, have not undergone significant revisions, while the Doha Round, initiated to redress systemic imbalances raised by developing countries, remains unresolved. In the meantime, new market openings and trade disciplines have arisen, mainly through regional trade agreements.

The importance of obtaining a negotiated outcome cannot, therefore, be overstated, so that multilateral trade rules do not run the risk of remaining imbalanced or becoming outdated.

At the multilateral level, also in need of attention are critical new challenges, such as governance of global value chains, the rapid expansion of digital trade and artificial intelligence and the trade implications of climate and environmental policies.



Chapter II

International trade in an era of policy shifts and financialization

The rules-based multilateral trading system is now at a critical juncture as important economies are increasingly turning to non-multilateral solutions to fill the regulatory void. Without reform, the ongoing fragmentation of trade governance risks marginalizing developing economies and widening existing inequalities in global trade. Multilateral trade rules must evolve to remain relevant and effective in supporting development needs in a rapidly changing trading environment and a world transformed by digital trade, global value chains and climate imperatives.

While WTO members hold different views on the content and priorities of reform options as they prepare for the Fourteenth Ministerial Conference of WTO in March 2026, a set of broad guiding principles anchored in sustainable development can help shape discussions to strengthen the predictability and fairness of the trading system.

Key considerations

- 1 Upholding of a rules-based and non-discriminatory trading system.** Future reform needs to be anchored in a renewed commitment to a universal, rules based, non-discriminatory, transparent, open, fair, equitable and predictable multilateral trading system.^b
- 2 Ensuring an inclusive trade regime** will allow gains to be more evenly shared within and across countries, particularly among developing economies. Special and differential treatment has been a foundational, treaty-embedded right of a fair and equitable multilateral trading system, enabling developing countries to integrate at a pace that reflects their capacities and priorities.
- 3 Elucidation of trade rules for structural transformation in the twenty-first century.** Industrial policy has re-emerged as a key instrument for harnessing both digitalization and decarbonization to drive structural transformation. For many developing countries, leveraging the opportunities created by these twin transitions requires deliberate policy choices and sustained investment in infrastructure, innovation and skills development tailored to their specific contexts and needs.
- 4 Leveraging of networked multilateralism.** The emergence of different platforms and groupings has to be harnessed in synergy with multilateral organizations to enhance trade policy transparency and coordination and reduce trade policy uncertainty.



5

Development of resilience and crisis management. In paragraph 21 of the Abu Dhabi Ministerial Declaration, members at the Thirteenth Ministerial Conference of WTO highlighted the importance of developing crisis management frameworks that strengthened the capacity of the multilateral trading system and participants in it to anticipate, respond to and recover from global shocks and disruptions.

6

Achievement of the meaningful participation of developing countries.

Developing countries have a unique opportunity to lead the process of WTO reform, supporting the integrity of multilateralism and promoting rules-based approaches to trade policy that allow them to leverage trade rules in support of their sustainable development priorities. Strengthening inclusive governance would provide developing countries, including the least developed countries, with real influence over agenda-setting, rule-making and dispute resolution. Achieving this requires capacity-building for effective participation.

By fostering active, transparent and inclusive policy and dialogue, UNCTAD plays a key role in addressing the challenges depicted above, as the United Nations focal point for trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development. Through its convening power and analytical expertise, UNCTAD can support all members, regardless of economic size or status, in engaging in genuine dialogue, building capacities and seeking consensus to address complex trade and development challenges.

As stated in the Geneva Consensus, “a rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system, with the World Trade Organization at its core, remains crucial for supporting developing countries in their efforts to diversify their economies, adds value to their commodities and achieves inclusive and sustainable growth.”^c

^a WTO, 2024 and 2025.

^b Sustainable Development Goal 17, target 17.10.

^c Outcome document of the sixteenth session of the United Nations Conference on Trade and Development, TD/561/Add.2, para.14..

C. Financial channels of trade: A neglected dimension

Most economic analyses of the drivers of international trade concentrate either on trade policy or so-called “real factors”. This is understandable, in part. Policies such as tariffs and non-tariff measures matter. Further, trade is closely tied to production. Elements referring to productivity, technology, factor endowments, geography, institutional quality, transport costs and so on therefore appear prominently in the literature on the positive and negative drivers of cross-border merchandise trade.

By contrast, little attention has been paid to financial and monetary determinants, even though outside barter, any cross-border exchange of goods involves at least one financial transaction. As a basic example, a shipment of German machinery to Brazil would not be complete without Brazilian reals being transformed – via finance – into euros or dollars.

In other words, international trade would not get very far without credit and other financial transactions, the hidden or at least neglected engines of trade. In everyday life, an astonishing number of different financial activities take place alongside cross-border merchandise exchanges.

First, credit provision is essential, as there is always a need to fill the time gap between shipment and payment. By nature, trade is capital-intensive. It often involves high-value goods (such as machinery or energy products) or large quantities. Only a few companies, outside very large exporters, can afford to finance such operations without external support. Trade finance, working capital and other credit facilities thus become imperative.

Second, currency exchange and hedging instruments help to manage the risk

of currency fluctuations. Without such instruments, profits could be wiped out, and many trade activities would not take place.

Third, risk management tools – such as insurance or credit guarantees – help to mitigate dangers posed by non-payments, counterparty risks or geopolitical disruptions.

All these aspects illustrate why many banks and financial institutions are behind physical trade flows. They make flows feasible by issuing letters of credit, facilitating payments, and offering advice on compliance and documentation. Without their support, international trade would be significantly lower and riskier. Nonetheless, the critical role of a well-functioning financial system often takes a back seat among trade economists in conceptualizing international trade.

Economic historians have placed a much stronger emphasis on the financial aspects of trade. Their research documents how complex systems of credit and deferred obligation form the bedrock of commerce – and did so even in pre-monetary societies. The Mediterranean trade networks of the classical world, the Islamic financial contracts of the medieval period and the Italian merchant bankers of the Renaissance all demonstrated that finance was intrinsic to trade.

The industrial revolution and first wave of globalization after 1870 expanded the scale and complexity of both trade and finance. Innovations like the bill of exchange, letters of credit and insurance did not merely accompany trade. They enabled it. Finance was not just a lubricant of trade but a condition making it possible (DeLong, 2015).

Prior to the First World War, under British financial predominance, “haute finance”

Little attention has been paid to financial and monetary determinants of international trade.

Finance is not just a lubricant of trade but a condition making it possible.



Through a “financial accelerator”, weakened balance sheets and tighter credit amplify downturns.

operated as a transnational supervisory mechanism. Banks such as Barings and Rothschilds were not merely financiers; they were geopolitical actors whose financial instruments disciplined nation-States and stabilized trade flows. This period saw finance act as both infrastructure and governance, underwriting imperial expansions that opened new markets and secured resource flows (Polanyi, 1944).

Reverting to more contemporaneous aspects and linked with the discussion about systemic resilience, which is further developed in chapter IV, several key questions arise:

- ▶ Can developments in the financial sphere affect international trade?
- ▶ Does the procyclical nature of credit spill over to trade flows?
- ▶ Is there a risk that significant financial turmoil would harm international trade?
- ▶ And, if the answers to these questions are positive, as the rest of this section will support, what are the main transmission channels, and what could policymakers do to tame negative effects?
- ▶ Finally, could varied exposure to global financial conditions and/or certain types of export specialization lead to diverse interlinkages?

This section sheds light on these issues by focusing primarily on the cyclical dimension of international trade rather than more long-term structural relationships between, for instance, investment, financing for development and trade. Section 1 discusses three aspects that are particularly important to the topic, based on a selective survey of the literature: namely, the financial accelerator, the global financial cycle and trade finance. Section 2 introduces a stylized macrofinancial framework to conceptualize how key financial variables interact and influence trade flows, before turning to the empirical quantifications of such relationships and effects. Lastly, section 3 discusses what policymakers can do to move forward.

1. Three key financial aspects that matter for the quantum of trade flows

Some macrofinancial theoretical frameworks and their related empirical studies help understand how the financial realm interacts with the real economy in general, and the flows of merchandise trade in particular. Three key dimensions are especially relevant.

a) The financial accelerator

The seminal contributions of Bernanke and Gertler (1989, 1995), which led to the notion of the “financial accelerator” (Bernanke et al., 1996), point to some key mechanisms explaining how adverse financial shocks to the economy may be amplified. While their focus was outside international trade, the authors explained how worsening credit market conditions can spread throughout the economy, partly due to balance sheet effects. As Bernanke (2007) maintains, when the net worth or liquidity of borrowers – whether households, firms or banks – erodes, lenders demand a higher risk premium, resulting in a negative feedback loop. Crucially, Bernanke extends this logic to the credit channel of monetary policy and shows how changes in interest rates can influence not just borrowing costs but also the availability of credit itself, and thus the realization of economic activities. In such a framework, the transmission channels are not limited to the cost of capital (i.e., the interest rate). They also depend on how financial intermediaries operate. In short, monetary tightening would result in more contraction of economic activity than traditional models would predict. By extension, this mechanism reverberates to foreign demand and thus trade flows.

b) Trade finance

The global financial crisis of 2008–2009 and the temporary freeze in interbank lending at the time – together with the unprecedented fall of international trade, which occurred in parallel – prompted a strong research



interest in trade finance, highlighting how credit constraints negatively affect trade. Chor and Manova (2012) show that during the global financial crisis, firms more reliant on external finance experienced significantly larger export declines. In their analysis, a 1-percentage-point increase in the credit default swap spread of a firm's main bank led to a drop of 7 to 8 per cent in export growth. This illustrates how deteriorating credit conditions can directly impair the ability of exporters to finance working capital and fulfil international orders.

Amiti and Weinstein (2009) provide firm-level evidence from Japan demonstrating that the health of banks supplying trade credit causally affects firms' export performance. Firms more dependent on impaired banks after the Lehman collapse suffered larger export losses, particularly in sectors with higher working-capital intensity. Importantly, these financial frictions are not confined to crisis periods. Liu, Wang and Zhang (2025) show that tighter loan rollover regulations in China led to sharp reductions in firms' probability of exporting and export intensity, with the largest effects in externally dependent industries. This study highlights how uniform domestic credit tightening can disproportionately harm trade performance in financially vulnerable sectors.

Manova (2013) offers a theoretical framework for these findings, arguing that financial frictions increase both fixed and variable export costs, thereby reducing participation in international markets. More recently, Cerutti and Claessens (2024) find, for instance, that global banking flows, particularly cross-border credit from core financial centres, strongly predict trade volume fluctuations, especially in emerging economies.

Relating to this, UNCTAD (2024) stresses that a crucial but often overlooked mechanism linking credit and trade is the network of correspondent banking relationships (CBRs), which allows domestic banks to settle cross-border transactions and provide trade finance. Over 90 per cent of global trade flows rely on some form of correspondent banking to facilitate international payments

and guarantee services. Following post-2008 global financial reforms, however, especially the tighter enforcement of anti-money laundering and counter-terrorism financing rules, many global banks have engaged in "de-risking", curtailing CBRs with institutions in jurisdictions perceived as high risk. This trend has disproportionately impacted the least developed countries, landlocked developing countries and small island developing States, many of which rely on CBRs to access international finance. UNCTAD (2024) estimates that 10 of these countries most affected by CBR losses experienced an average decline in export growth of 13 percentage points between 2000–2014 and 2015–2022. By contrast, countries less affected by CBR withdrawal experienced only minor slowdowns. This shows how deteriorating global financial connectivity can deepen trade finance gaps and marginalize vulnerable economies in international markets.

c) The global financial cycle

Rey (2013) and subsequent works from other authors on the global financial cycle (GFCy) pushed researchers to broaden their perspective when analysing credit markets, especially when dealing with cross-border operations and transactions (Miranda-Agrippino and Rey, 2020). This body of literature led researchers to reconsider some key assumptions, notably in international macroeconomics. Rey (2013) asked how the evolution of financial integration over the past five or six decades has changed the open macroeconomic landscape and made it more complex. Using a large cross-section of more than 800 risky asset prices distributed over five continents, she found that an important part of the variance of risky returns (about 25 per cent) can be explained by one global factor, which she coined the GFCy. It refers to the common fluctuations in financial activity measured by a broad range of variables relating, on a global scale, to credit creation, risk-taking, asset prices, capital flows and leverage, among others.

Over 90 per cent of global trade relies on trade finance and cross-border banking infrastructure.

The global financial cycle refers to the common fluctuations in financial activity measured by a broad range of variables.



In the view of GFCy proponents, risky asset prices around the globe, from stocks to corporate bonds, have a strong common component. So do capital flows. Credit flows are particularly procyclical and volatile. As credit cycles and capital flows are influenced by global factors, they may be inappropriate for the cyclical conditions of many economies, partly because the GFCy can lead to excessive credit growth during boom times and excessive retrenchment during downturns. As literature has confirmed, excessive credit growth is one of the best predictors of crisis (Gourinchas and Obstfeld, 2012; Schularick and Taylor, 2012).

In other words, the GFCy is associated with surges and retrenchments in capital flows, booms and busts in asset prices and crises. The picture emerging is of a world with powerful global financial cycles characterized by large common movements in asset prices, gross flows and leverage. It is also a world with massive deviations from uncovered interest parity, and thus plausibly sharp exchange rate volatility, distorted capital flows, and, more broadly, financial instability. As Scheubel et al. (2025) note, the cycle is not country-specific but reflects common global financial forces, often originating in advanced economies and transmitting across borders through United States monetary policy, risk appetite and exchange rate adjustments, especially vis-à-vis the dollar.

Rey's influential work on the GFCy and subsequent studies have sparked a wave of debate in international macroeconomics.

On the one hand, many researchers have built on her insights. On the other, several have raised thoughtful critiques and controversies. These include whether the centrality of the GFCy in the monetary policy of the United States is overstated, given regional financial cycles, the growing influence of China and idiosyncratic shocks that can decouple local conditions from the policy of the United States. Additionally, Rey showed that the GFCy can lead to credit booms or busts that are misaligned with local macroeconomic needs. Sceptics have responded that this misalignment is not universal and that some countries have successfully used macroprudential tools to buffer against global shocks (for example, see Scheubel et al., 2025 and the references therein for a discussion). Policy space can thus remain even under financial globalization, providing that macroprudential tools can be deployed.

Finally, some critics have expressed doubts about what this common factor ultimately captures and whether more specific alternative measures (e.g., global liquidity indicators, cross-border banking data) could offer richer insights into the dynamics of the GFCy. While this critique may be valid, it is important, from a macroeconomic perspective concerned with the resilience of the globally interconnected system, to start by investigating whether some broad interlinkages between the GFCy and international trade are quantitatively significant. The next section conducts such an exploration.

The global financial cycle creates powerful swings in credit and capital that affect economic activities worldwide, including trade.



2. International trade and the global financial cycle: A macroeconomic exploration

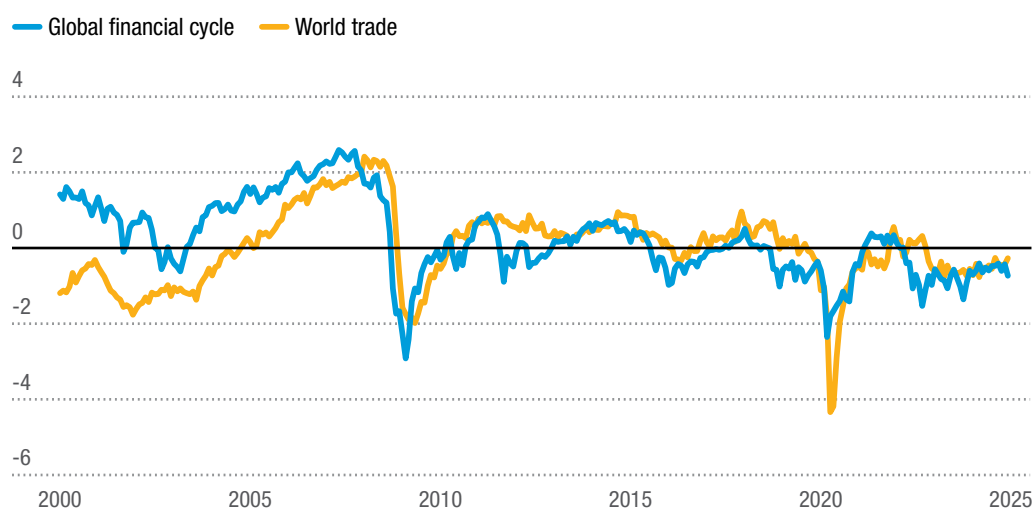
a) Some evident interconnections

When investigating the financial drivers of trade, from a macroeconomic perspective, a natural start is to look at the evolution of the GFCy alongside world trade – or, to be more precise, a slightly transformed version of the trade series that enables comparison between two stationary variables. Figure II.3 plots the GFCy together with a detrended and standardized version of the CPB monthly world trade index, which reports trade figures in constant prices (sometimes also referred to as volumes) between January 2000 and December 2024.

The two series share some interesting commonalities. Both grew relatively steadily in the years before the 2008 global financial crisis. They then collapsed in sync in late 2008 and into early 2009. Afterwards, they rebounded in a relatively similar manner until early 2011. By contrast, the period of the euro crisis from 2011 to 2013 shows less commonality in the data. While the GFCy sharply declined during the third quarter of 2011, the decline in trade at that time was much more gradual. Also, the trade decline continued until mid-2013, while the local trough of the GFCy had already happened a year earlier. After mid-2013, the two series fluctuated together again until the second quarter of 2021. Then, for two years, their evolution diverged, before starting to trend up again, albeit at a relatively slow pace. To sum up, both the GFCy and world trade reflect responses to major global shocks (e.g., the financial crisis of 2008, the economic and financial turmoil in China in 2015 and the COVID-19 pandemic).

Figure II.3
World trade and the global financial cycle exhibit strong co-movements

Monthly global financial cycle and detrended world trade volumes
(Standard deviations)



Source: UNCTAD based on an updated version of Miranda-Agrippino and Rey (2020) and the CPB World Trade Monitor.

Note: The GFCy is a statistical construct that captures common fluctuations in financial activity based on more than 800 asset prices related to credit conditions, risk-taking, capital flows, leverage, etc. (see sources for more details). Trade data have been linearly detrended. The two series are standardized with a mean of 0 and a standard deviation of 1. The correlation between the two series equals 0.54.

Discussions of the determinants of trade often do not consider financial channels.

Dollar fluctuations, financial stresses and changes in interest rates in the United States ripple across the globe and affect trade flows.

The alignment in these periods suggests that global financial conditions and world trade are heavily interlinked, even if the degree of this interaction has varied over time.

Overall, the correlation between the two variables from January 2000 to December 2024 is greater than 0.5, even if month-on-month changes are not always fully synchronized. This is not negligible, although many economic textbooks do not consider this dimension when they discuss the determinants of trade flows.

This initial finding calls for further investigation, especially when it comes to identifying the main drivers that could be behind this co-movement. As the adage says, correlation is not causation. The next step is to unpack the GFCy, which critics sometimes portray as a black box. This requires more elaborated econometric approaches, for which a vector autoregressive (VAR) model can be useful. Before embarking on that, the key elements of this analytical framework are briefly presented.

b) Disentangling the global financial cycle

Conceptually, figure II.4 maps how financial shocks spread from core monetary and risk dynamics into real-world trade and production outcomes. The upper part of the figure recalls the following three interlinked elements that drive the GFCy (Rey, 2013; Miranda-Agrippino and Nenova, 2022), namely:

- ▶ Foreign exchange and, because of the prominence of the dollar, the specific movement of this currency
- ▶ Monetary policy by leading central banks, which in practical terms boils down to the United States Federal Reserve, due to its capacity to influence (global) credit conditions
- ▶ Risk aversion among financial actors in key financial markets

These three dimensions interact dynamically and mutually reinforce one another. The dollar, functioning as the world's dominant invoicing and reserve currency, plays a critical amplifying role. A strengthening dollar both affects exchange rates and tightens global financial conditions directly. Because a large share of global trade and cross-border lending is denominated in dollars, a stronger dollar increases the debt burden of firms and Governments holding dollar liabilities outside the United States, thereby reducing their effective borrowing capacity. This mechanism, detailed in Bruno and Shin (2023) and Sander and Kleimeier (2024), often triggers forced deleveraging and spending cutbacks, with immediate implications for global trade flows.

Changes in United States interest rates, typically captured by short-term instruments like the three-month Treasury Bill, ripple through the global financial system. In the context of deep financial integration, such shifts alter the cost of capital, affect global liquidity, and influence leverage decisions in both advanced and emerging economies. A tightening of monetary policy in the United States seems to result in a global tightening of credit conditions (Rey, 2013; Miranda-Agrippino and Rey, 2020).

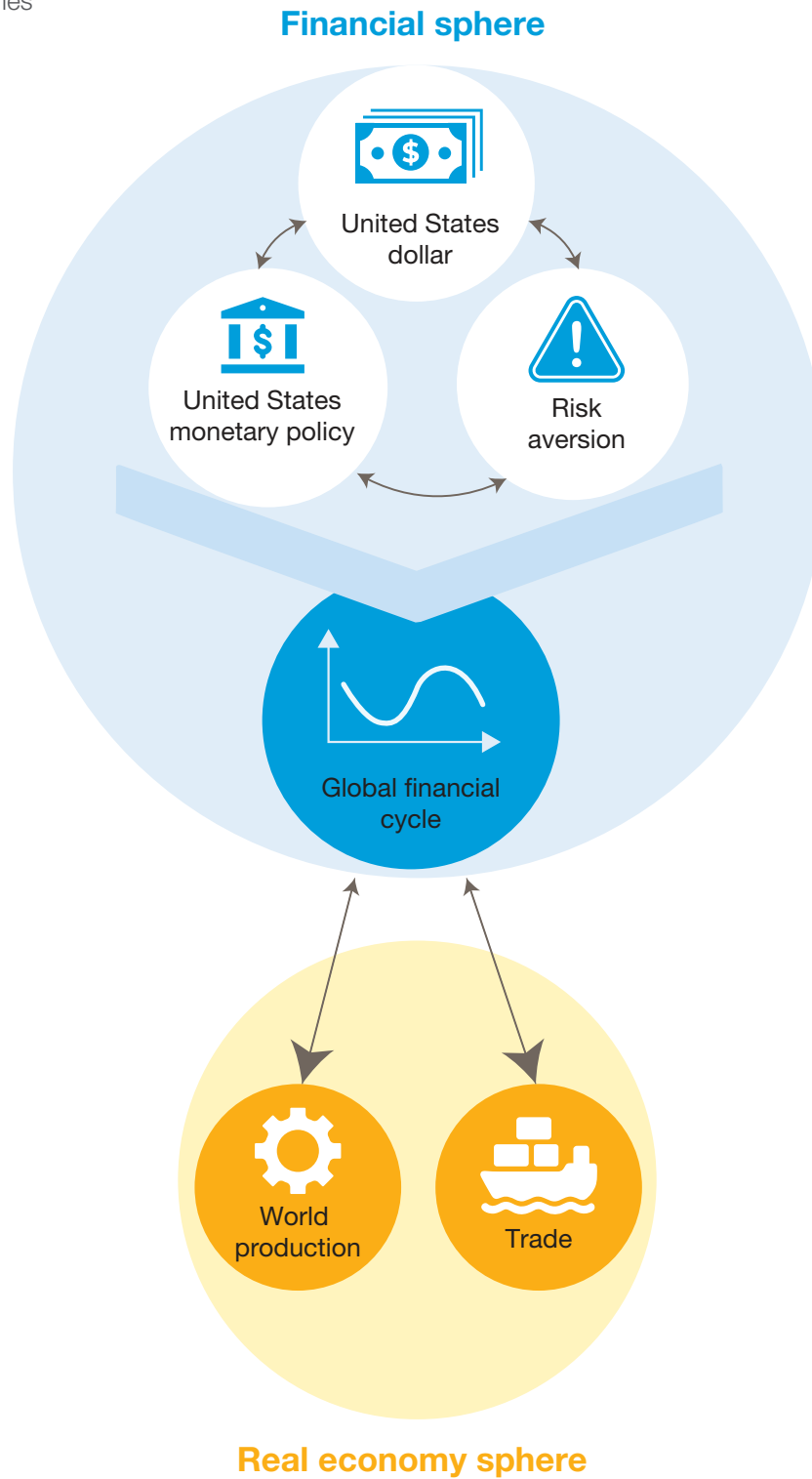
Finally, risk aversion, proxied by the Cboe Volatility Index (VIX), represents shifts in global investor sentiment. When uncertainty spikes, whether due to geopolitical shocks, financial stress or unexpected policy changes, capital tends to retreat from higher-risk markets, particularly emerging and frontier economies. This “flight to safety” reduces access to external finance and curtails trade-related investment. The cost of hedging increases, credit lines are withdrawn, and firms may delay or cancel orders due to financing constraints (Bruno and Shin, 2023; Habib and Venditti, 2019).





Figure II.4
Financial factors also shape trade

Schematic representation of key transmission channels linking financial factors to trade outcomes



Source: UNCTAD, partly inspired by Habib and Venditti (2019).

Note: The figure illustrates how financial drivers, such as changes in United States monetary policy, movements in the dollar and shifts in investor risk aversion, interact to shape the GFCy. This, in turn, transmits to the real economy, notably affecting trade and global industrial production. Arrows indicate the direction of influence.



As these forces interact, a common factor can be extracted from the data. The GFCy captures this dimension, which also transmits financial conditions across borders and outside the realm of the financial sector. The diagram shows how each of the three financial aspects taken individually – and thus also the GFCy – can influence real economic variables in general and world trade in particular.

In a world with price stickiness and other market frictions, various causal links could be envisaged to explain how a change in dollar valuation, for instance, could affect global industrial production.¹⁴ The key takeaway from figure II.4 is that global trade and production are not shaped only by traditional real-side fundamentals (such as productivity or demand). The evolving configuration of financial conditions also matters.

c) Econometric results

Performing a fully comprehensive econometric assessment to unravel all the elements of a framework such as the GFCy, with detailed mechanisms beyond each arrow appearing in figure II.4, is a daunting task. Given the complexity of many interlinkages, not to mention the endogeneity issues that would necessarily

arise when trying to properly measure each underlying relationship specifically, a more practical approach based on a VAR model can be applied to quantify some broad channels. Such an approach still considers that each of the six variables in figure II.4 could plausibly affect one other.¹⁵

The empirical exercise presented below follows Miranda-Agrippino and Nenova (2022) after being adjusted to align with the analytical framework in figure II.4. Apart from variables related to the financial sphere, it also considers two variables emanating from the real economy: global industrial production and world merchandise trade. The motivation to include industrial production was threefold. The first incentive was to control for such a dimension. The second was to use a more general measure linked to global production in the absence of existing monthly data to control for world gross product. A third consideration was to have a comparative benchmark in contrasting the effects that a change in one of the three financial variables could have on trade, compared to the effects they could have on broader global economic activity.

¹⁴ The first one is the trade competitiveness channel: A stronger dollar makes exports of the United States more expensive and imports cheaper. This can reduce demand for industrial goods made in the United States while boosting production in countries whose currencies have depreciated relative to the dollar. A second channel goes through commodity prices. Since many commodities (such as oil, metals and agricultural products) are priced in dollars, a stronger dollar typically leads to higher local currency prices for importing countries, which could dampen industrial activity there due to increased input costs. Third, along global supply chains, a rising dollar can increase the cost of managing supply chains, especially for countries that rely on dollar-denominated trade or financing. Fourth, for capital flows and investment, a stronger dollar often attracts capital to the United States and thus tightens financial conditions elsewhere.

¹⁵ In such a set-up – for example, an autoregressive model – each variable has an equation that models its evolution based on its lagged values and the ones of other variables considered in the model, plus an error term. As such, VAR models do not require much a priori knowledge about the underlying structural relationships between the variables. Unlike in a structural simultaneous equations model – which requires explicitly identifying which variables are endogenous or exogenous and imposing restrictions based on theory – a VAR approach is often presented as a theory-free method that estimates economic relationships (Sims, 1980). Such tools allow the computation of response functions. They illustrate how, historically, changes in one unit of each of the considered variables have coincided with a change in other variables of the system, albeit without necessarily implying any causal relationship. Given the complexity of financial and trade interactions and the challenge of causal identification, this empirical strategy is intentionally non-structural. Rather than isolating orthogonal shocks, IRFs are estimated based on previous historical trajectories and observed financial disturbances. More precisely, IRFs trace the effect of an identified one-unit change in a financial variable on real economy indicators over a multi-period horizon, with the line capturing the estimated path of the response and the shaded area depicting the 95 per cent confidence interval.



More precisely, the exercise includes monthly data from the financial sphere on:

- ▶ Global risk aversion, captured via the VIX
- ▶ The dollar, proxied by the nominal narrow dollar index from the Bank for International Settlements
- ▶ Short-term United States interest rates, proxied by the three-month Treasury Bill with the secondary-market rate
- ▶ The GFCy, more precisely, the factor based on asset prices from Miranda-Agrippino and Nenova (2022)

These are combined with two target variables relating to the real economy, namely:

- ▶ World industrial production
- ▶ World trade volumes (as well as further subcomponents to gauge whether results could diverge according to the trade of certain country groups, see subsection below relating to the heterogeneous effects).

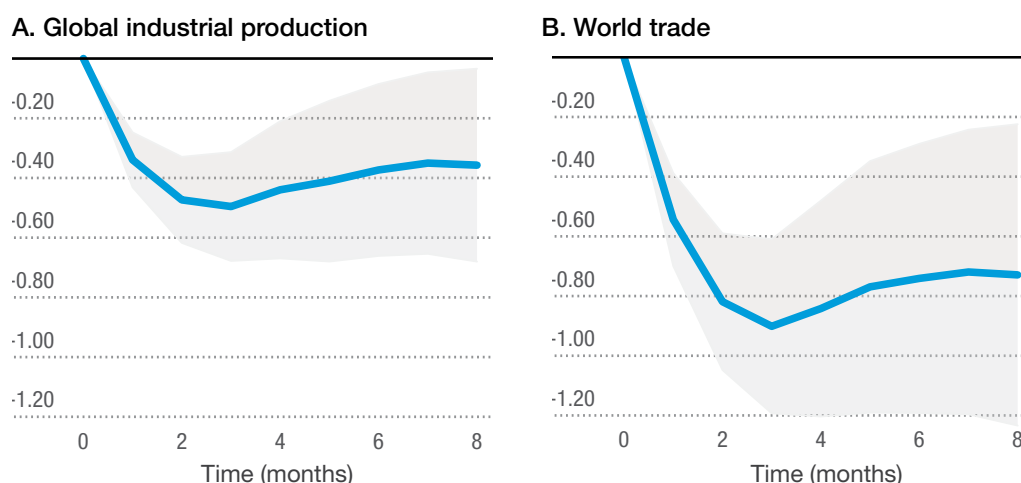
When a full causal identification is out of reach, this approach sheds light on what has typically happened to global trade and industrial production, on average, historically, following changes in global risk aversion and the valuation of the dollar. Unfortunately, assessing the third financial dimension, monetary policy in the United States, appears to suffer from some endogeneity bias. These aspects are discussed below.

Global risk aversion and trade

Figure II.5 presents the so-called impulse response functions (IRFs) of the two real variables considered in this exercise – world industrial production (left panel) and global trade (right panel) – following a rise in financial market volatility, as captured by the VIX.

Isolating the effect of risk aversion offers a clearer view on one key transmission channel linking trade to the GFCy. The IRF suggests that financial turbulence on its own can hamper trade beyond monetary or exchange rate effects. Also,

Figure II.5
A rise in financial risk aversion coincides with a decline in merchandise trade
Impulse responses of global industrial production and world trade following a spike in global financial volatility
(Percentage change)



Source: UNCTAD based on Miranda-Agrippino and Nenova (2022) and an updated version of Miranda-Agrippino and Rey (2020) and the CPB World Trade Monitor.

Note: The figure depicts the estimated response of global trade volume to a one-unit increase in the VIX. Following the shock, trade volumes decline sharply by about 0.8 to 1 per cent relative to the trend within the first two to three months. Volumes remain significantly below pre-shock levels over the entire eight-month horizon. The shaded areas depict the 95 per cent confidence interval.

comparison between the two panels shows that trade reacts more swiftly and severely than world industrial output to increased financial volatility. Specifically, a one-unit increase in the VIX triggers an immediate and persistent decline in trade volumes, with the trough approaching a 1 per cent contraction after three months. The effect on industrial production, while also negative, is quantitatively smaller. This asymmetry suggests that global trade is more sensitive to financial turmoil than global industrial output. More broadly, this finding adds to one of the main concerns UNCTAD has raised, namely, that (policy) uncertainty itself harms trade considerably as well as, more globally, economic activity (UNCTAD, 2025c).

The United States dollar and trade

Figure II.6 focuses on the role of the dollar, a pillar of the international financial system, replicating the above methodology. While the volatility shocks discussed in the previous paragraphs reflect changes in investor sentiment, dollar movements – on top of the classical trade competitiveness channel – more directly affect global liquidity, credit provision and the costs of trade finance (Bruno and Shin, 2023). In figure II.6, the IRFs reveal how global industrial production (panel A) and world trade (panel B) react when the dollar appreciates by 1 per cent vis-à-vis a trade-weighted average of bilateral exchange rates. Looking at the right panel, the IRF shows that, historically, an appreciation of the dollar has coincided with a steady decline in global trade volumes. The response is not immediate but builds over months, reaching, *ceteris paribus*, a diminution of about 0.6 per cent after six months.¹⁶

In a way, this figure might look modest; however, it is far from insignificant, for at least three reasons. First, the value of world trade is about \$2 trillion per month; 0.6 per cent of this figure amounts to a monthly

loss of about \$12 billion. Second, at times of financial turmoil – even though recent months suggest that this is not always the case – the dollar tends to appreciate by more than 1 per cent because flight-to-safety movements can be significant. Quantitatively, this would require multiplying the 0.6-per cent coefficient by such a factor to find the overall effect. Third, the decline looks persistent. Over the eight-month horizon, no rebound is visible, suggesting that dollar appreciation can have lasting effects on trade volumes beyond short-term disruptions. This persistence is telling. It points not only to immediate liquidity shortages but also to broader, more structural consequences.

When the dollar strengthens, firms – especially in developing economies, many of which rely on short-term dollar funding for trade activities – can face deteriorating balance sheets, rising hedging costs and refinancing challenges (Bruno and Shin, 2023; Boz and Tesar, 2019). These financial frictions do not disappear rapidly. As lenders pull back and trade credit shrinks, even firms with viable orders may scale back shipments, delay investments in logistics or renegotiate terms (Chor and Manova, 2012; Amiti and Weinstein, 2009). Moreover, the impact is amplified by global banking linkages: Multinational banks, responding to tighter dollar conditions, often reduce cross-border credit in a synchronized fashion (Cerutti et al., 2017). This limits the flow of trade finance across entire regions. Thus, what begins as a nominal appreciation quickly turns into a multi-month disruption of trade activity through credit and banking channels – two key vectors of the GFCy.

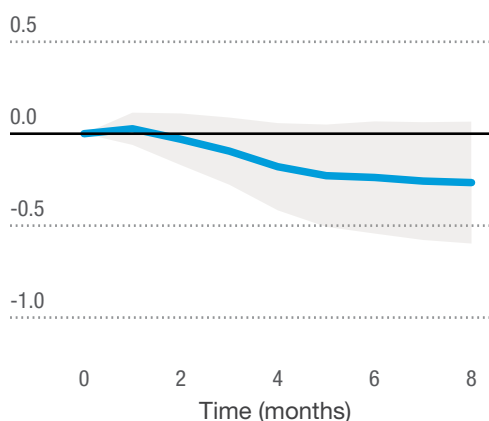
¹⁶ As the empirical strategy does not consider the possibility of asymmetric effects between an appreciation and a depreciation of the dollar, an estimate of a 1 per cent depreciation would be reflected in a mirrored IRF over the x-axis.



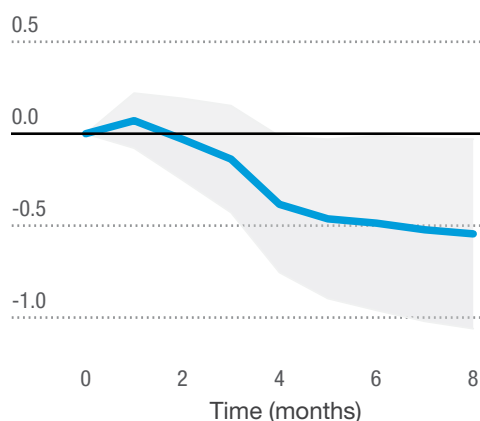
Figure II.6 A stronger dollar dampens global trade and, to a lesser extent, economic activity

Impulse responses of global industrial production and world trade to a 1 per cent appreciation in the dollar
(Percentage change)

A. Global industrial production



B. World trade



Source: UNCTAD based on Miranda-Agrippino and Nenova (2022) and an updated version of Miranda-Agrippino and Rey (2020) and the CPB World Trade Monitor.

Note: The figure shows that a 1 per cent appreciation of the dollar is followed by a steady decline in both global trade volumes, falling by around 0.8 per cent relative to trend over 6 to 8 months, and global production, albeit more gradually. The negative effects persist over the observed horizon, suggesting tightening global financial conditions after dollar appreciation. The shaded areas depict the 95 per cent confidence interval.

These empirical patterns resonate with the findings of Bruno and Shin (2023), who explore how fluctuations in the dollar operate as a global financial tightening mechanism, especially through their effects on cross-border bank lending. Their research shows that a stronger dollar is associated with reduced leverage for global banks and a declining credit supply to firms across borders. These credit contractions directly impact the financing of trade, especially for firms that rely heavily on external funding or operate in emerging markets where trade finance is more fragile. In other words, the role of the dollar as a global funding currency means that its appreciation creates financial headwinds that disproportionately affect trade-intensive sectors.

Interestingly, when looking at United States imports following a dollar appreciation, Bruno and Shin (2023) also find that the negative effects of the financial channel of

trade described above more than offset the positive ones emanating from the classical competitiveness channel. This posits that the United States should import more given that foreign goods are cheaper. In other words, the net effect of a dollar appreciation on the imports of the United States is negative rather than positive as economic textbooks would predict.

At times of dollar depreciation, as happened during the first half of 2025, such empirical findings suggest that trade flows would experience a boon. Arguably, this was one of the few tailwinds global trade experienced earlier this year.

Apart from that, figure II.6.A also shows that global industrial production is expected to decline after a dollar appreciation. Yet similar to what happens after an increase in the VIX in figure II.5, the effect is quantitatively smaller than the one on trade. While various mechanisms could explain this pattern,

disentangling them is beyond the scope of this analysis. The contrast between the two panels is in itself interesting as it shows that trade reacts faster and more intensely to dollar appreciations than industrial output does.

The revealed sensitivity of trade to dollar appreciations also underscores a broader concern. If the negative effect of the financial channel outweighs the positive aspect emanating from the competitiveness channel (even for exporting economies without a strong trading relationship with the United States), this raises concerns about plausible negative spillovers and the resilience of the global trade architecture from financial and monetary angles. It might also push policymakers to devise strategies to reduce the responsiveness of trade flows to dollars. In other words, the structure of global trade, with its reliance on a single dominant funding currency, remains fragile, such as in the face of monetary tightening in the United States. This is especially the case for economies that lack robust and diversified trade finance options.

Monetary policy on trade: A tricky identification

Assessing the effect of a change in United States monetary policy on global trade flows by using an approach like the ones above for the two other financial dimensions suffers from endogeneity issues and yields counter-

intuitive results, which are therefore not reported.¹⁷ An explanation of these patterns can still be provided. From a methodological standpoint, capturing the effect of short-term interest rate shocks in a VAR setting is challenging because monetary decisions, by nature, are driven by expectations. Unlike VIX spikes and dollar movements, which correspond to outcome-based variables, the short-term interest rate is a policy-based variable. Thus, the risk of endogeneity bias is much higher and can lead to invalid econometric results.

To take an example, if the Federal Open Market Committee anticipates a downturn, it is likely to decide to lower the policy rate. In parallel, a gloomier economic situation is likely to be reflected in subdued trade flows in the months ahead. A VAR approach, where trade and short-term interest rates interact, could easily suggest that lowering interest rates coincides with less trade, or the other way round, that higher interest rates go along with more trade. This endogeneity problem could theoretically be addressed, such as through an instrumental variable approach. Yet practically, finding a good instrument is always challenging. Until a proper identification strategy can be defined to isolate monetary policy shocks convincingly, there is no point in drawing conclusions based on misleading IRFs.

¹⁷ The trajectories of the IRFs obtained by considering an increase in the yield of three-month United States Treasury Bills stand initially in positive territories before turning negative only seven months after the shock for both trade and industrial production. This is puzzling because one should expect a clear negative relationship if the cost of credit matters. Even harder to rationalize is the initial positive response during the first six periods following the shock.

Financial frictions from a stronger dollar outweigh its traditional export competitiveness advantages.

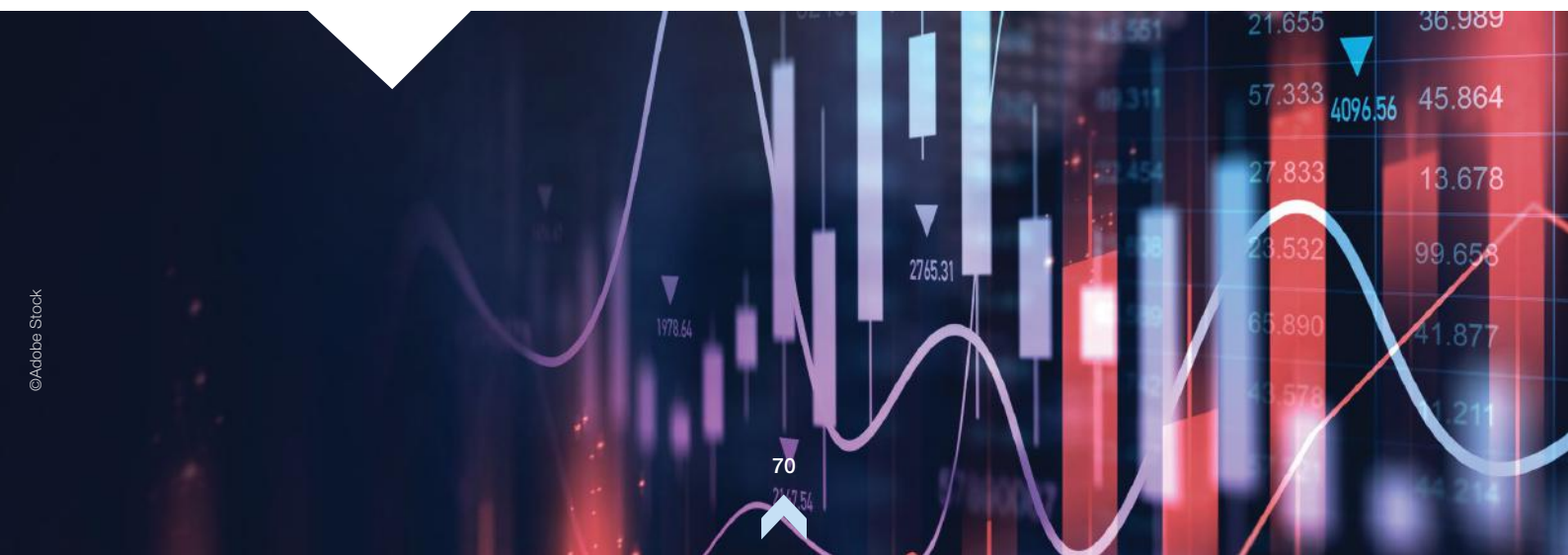
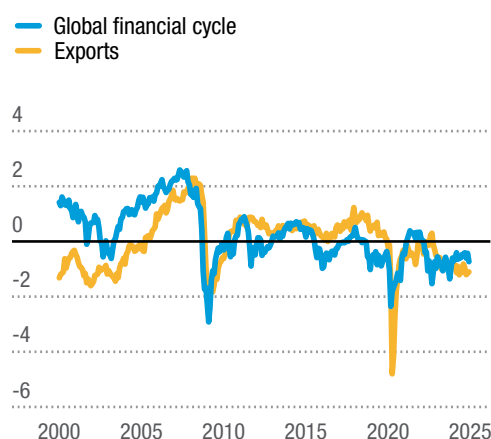


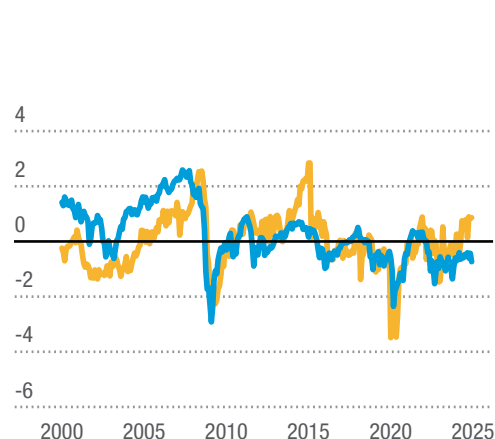
Figure II.7 Advanced and emerging market exports alike co-move with the global financial cycle

Monthly global financial cycle and detrended merchandise export volumes in advanced and emerging markets
(Standard deviations)

A. Advanced economies



B. Emerging markets



Source: UNCTAD based on an updated version of Miranda-Agrippino and Rey (2020) and the CPB World Trade Monitor. Country group classification relies on the CPB Netherlands Bureau for Economic Policy Analysis (Ebregt et al., 2024).

Note: The correlation between the GFCy and export volumes equals 0.49 for advanced economies and 0.48 for emerging markets.

d) Beyond the aggregates: Unveiling the heterogeneity across trade flows

Heterogeneity among country groups

Before closing this data-driven investigation, it is worth analysing whether the effects of the finance-related variables are relatively homogenous across economic and geographical country groups, or whether the interlinkages between the GFCy and trade

flows can vary across sectors and countries. To initiate this investigation, figure II.7 depicts the evolution of the GFCy with the export trajectories of two broad country groups: advanced economies and emerging ones. Data do not point to major discrepancies between the two. The correlation between the GFCy and export volumes is almost 0.5 in both cases. Similar conclusions are reached when looking at patterns in the IRFs.

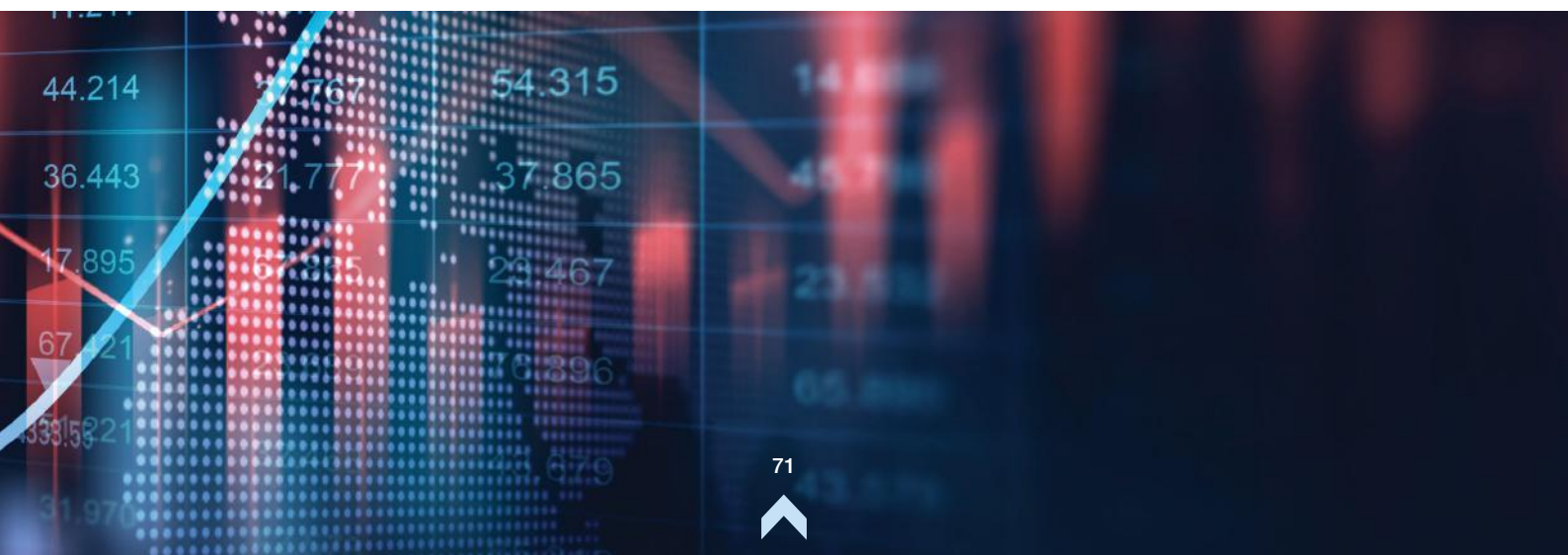




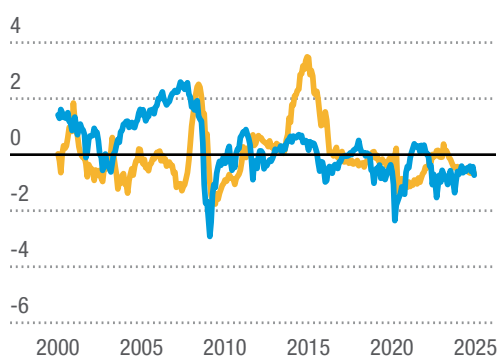
Figure II.8

Exports of some regions correlate more closely with the global financial cycle

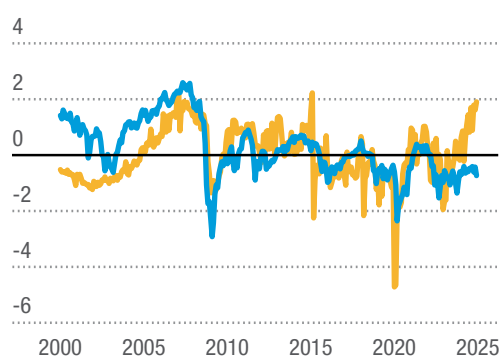
Monthly global financial cycle and detrended merchandise export volumes across selected developing regions
(Standard deviations)

A. Africa and the Middle East

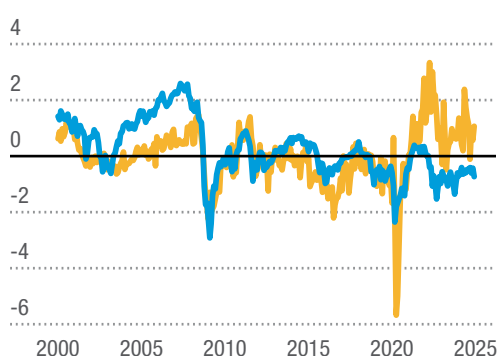
— Global financial cycle
— Exports



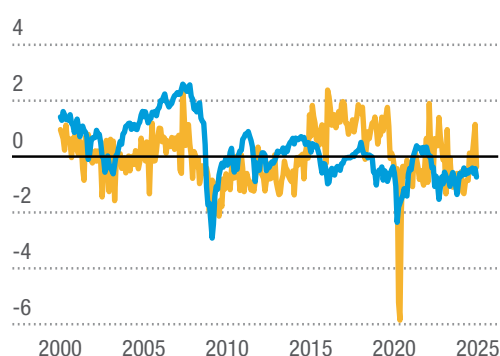
B. China



C. Emerging Asia excluding China



D. Latin America



Source: UNCTAD based on an updated version of Miranda-Agrippino and Rey (2020) and the CPB World Trade Monitor. Country group classification relies on the CPB Netherlands Bureau for Economic Policy Analysis (Ebregt et al., 2024).

Note: The correlation between the GFCy and export volumes equals 0.11 for Africa and the Middle East, 0.44 for China, 0.40 for emerging Asia excluding China, and 0.22 for Latin America.

When analysis is conducted at a more granular level within emerging regions, the heterogeneity becomes more striking. Figure II.8 turns to the subcomponents of these broad country groups: namely, Africa and the Middle East, China, emerging Asia excluding China and Latin America.

In Africa and the Middle East (panel A), the correlation drops significantly (0.11), but this low level masks important dynamics. More specifically, the muted average co-movement over the entire period partly reflects idiosyncratic shocks or data volatility. At times of major financial turmoil (e.g., the global financial crisis and the COVID-19





Table II.1

Trade of manufactured goods moves most in sync with the global financial cycle

Correlations between maritime transport subsegments and the global financial cycle index, January 2015 to December 2024

Category	Segment	Correlation with the global financial cycle
Manufactured goods	Container	* 0.43
	Car carriers	* 0.25
Dry bulk commodities	Coal	0.12
	Iron ore	0.05
	Grain	-0.07
	Dry bulk	0.19
	Minor bulk	* 0.28
Energy products	Crude oil	-0.02
	Total gas	-0.10
	Liquefied natural gas	-0.10
	Liquefied petroleum gas	-0.03
Chemicals	Chemicals	0.02
Aggregate/other	Global total	* 0.24
	Total oil	0.10

Source: UNCTAD based on Clarksons Research Shipping Intelligence Network and an updated GFCy index (Miranda-Agrippino and Rey, 2020).

Note: The GFCy is a statistical construct that captures common fluctuations in financial activity based on more than 800 asset prices relating to credit conditions, risk-taking, capital flows, leverage, etc. (see sources for more details). Trade data have been linearly detrended. The two series are standardized with a mean of 0 and a standard deviation of 1. Correlations are pairwise Pearson coefficients. An asterisk (*) denotes a statistical significance level at 1 per cent.

shock), however, the two series tanked in sync. Subsequently, the recovery of trade compared to the GFCy took longer. One takeaway is that this region is not always immune to the GFCy. Rather, this observation suggests non-linear or threshold effects in the transmission of financial shocks. The regional reliance on commodity exports (priced in dollars) and, for many countries, shallow domestic financial systems can still imply the acute sensitivity of trade to the GFCy, such as during the reversal of capital flows or large commodity price swings.

Turning to China (panel B), its exports face a relatively strong correlation with the GFCy (0.44), although Chinese monthly exports appear more erratic than other monthly

export patterns, especially after 2010. It is interesting to note the partial decoupling between the two series in recent years – with Chinese exports growing markedly and the GFCy being relatively flat – even though it is too early to know whether this trend will last. Similarly, exports of emerging Asia excluding China (panel C) exhibit one of the highest correlations with the GFCy (0.4). This is accompanied by pronounced export volatility during global tightening episodes. Overall, the high integration of many emerging Asian economies into global value chains and their higher export specialization in manufactured products could be factors behind the higher correlation, since the elasticity of demand of such products with respect to financial conditions is likely to

Exports from emerging Asia align most closely with global financial conditions.



Trade in manufactured goods is more tightly linked to global financial cycles than primary commodities.

be greater than for primary commodities (a point further addressed in the next subsection).

Lastly, Latin America (panel D) sits somewhere between Africa and emerging Asia, with a correlation of 0.22. An interesting question is whether the link between its exports and the GFCy could strengthen as the region tries to move towards greater trade diversification and a larger share of manufacturing products in its export basket.

Heterogeneity among segments of seaborne merchandise trade

Sectoral disaggregation hints at the need to devise more microanalyses in the future to better understand how different industries and product types respond differently to

financial conditions. Table II.1 provides the correlation between various types of seaborne merchandise trade – measured in volume terms – and the GFCy.¹⁸ Results confirm significant heterogeneity across segments of seaborne merchandise trade, which accounts for the bulk of international merchandise trade, with the rest being shipped by air or land.

The analysed segments fall into four categories. Manufactured goods – shipped either via car carriers or containers – stand out with higher positive correlations of 0.25 and 0.43, respectively. Trade flows of these goods co-move more strongly with swings in global financial conditions. This corroborates earlier findings on exports in emerging Asia, which show a greater sensitivity to the GFCy given a much higher share of manufactured

¹⁸ Due to constrained data availability, the analysis could only be run based on a shorter period from January 2015 to December 2024. Overall, results could not be compared with the above analysis based on global and regional trade flows.



goods than in Africa and the Middle East or Latin America.

By contrast, except for minor dry bulk commodities, all other trade segments – including dry bulk, coal, chemicals and even total oil flows – exhibit weak and statistically insignificant correlations with the GFCy. This suggests that these categories are either less exposed to financial transmission channels or are supported by structural demand that insulates them from financial shocks. Trade in commodities, such as coal and grain, may respond more to actual supply and demand factors than financial dynamics. This is likely the case as well for energy-related flows such as liquefied natural gas or total oil volumes, which also tend to operate on more long-term contractual relationships.

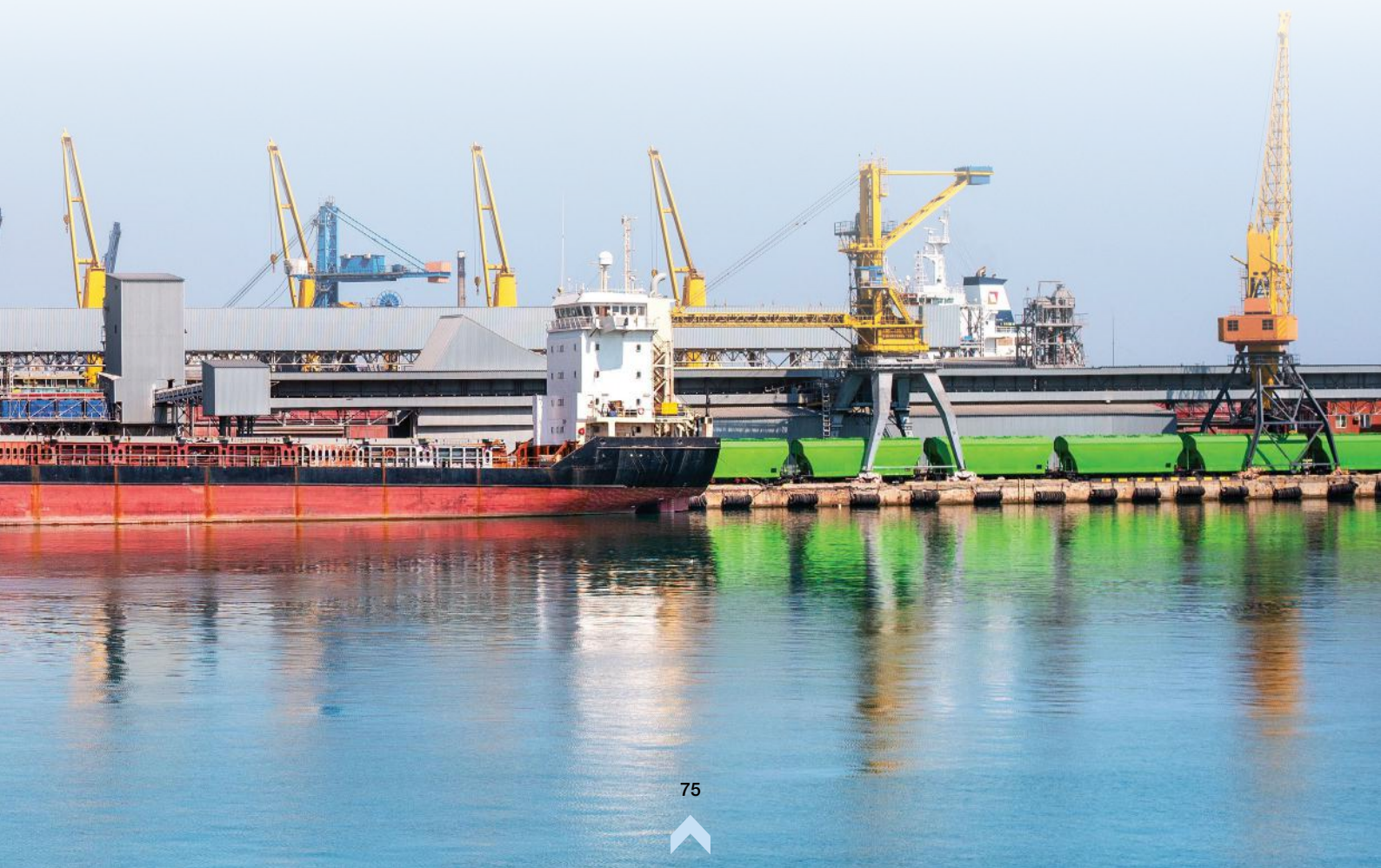
These contrasts suggest that considering sector-specific attributes matters in understanding the sensitivity of trade flows

to financial conditions. While further analyses would be required, it is plausible that, among other factors, variations across sectors in capital intensity, reliance on trade credit or simply demand elasticities, among others, play a role in diverging correlations.

3. Moving forward

The analysis presented above identifies common patterns between the GFCy and merchandise trade flows. A more granular analysis confirms that increased financial volatility and the appreciation of the dollar both coincide with diminished trade flows. Within the developing world, exports from China and other emerging Asian economies are more intricately linked to the GFCy, echoing insights on manufactured goods compared to primary commodities.

Such findings call for better understanding of how the GFCy, and financial channels



Ignoring financial drivers may leave trade vulnerabilities unexplained and unaddressed.

more broadly, affect trade flows. They also suggest that financial shocks do not impact trade outcomes uniformly but rather through channels that may depend on context, and vary by region, export structure, financial openness and institutional robustness (Scheubel et al., 2025). Failing to consider such dimensions can lead to situations that cannot be fully explained by real economy factors. Suitable alternative measures are required to recognize and counter adverse financial impacts, such as macroprudential tools that mitigate procyclical and global factors harming the external sector of domestic economies.

When devising such instruments, it is important to move from the macro to the meso level to understand the sector-specific aspects of an economy. Insights gained can then guide measures to mitigate negative spillovers from the financial sphere. Further research could assess why sectors such as agriculture, manufacturing or energy – and plausibly digitally deliverable services, an important aspect that warrants dedicated attention in future work – interrelate with the GFCy in general, and whether and how the availability and structure of trade credit, in particular, matters. Likewise, analysis could probe why some firms may find it harder to access trade finance due to product-specific risks, contract liquidity or destination markets. A growing body of literature provides valuable insights on these issues,¹⁹ pointing to how policymakers can potentially influence several parameters if they gain an in-depth understanding of the diverse

pathways through which financial constraints shape trade flows.

More granular economic analyses could also develop evidence on where resilience lies (or is most at risk) in the global trading system (chapter III). While this report does not delve into these details, it underscores the need for conducting such exercises at the sectoral or national level or across regional blocs. Identifying where trade is most sensitive to financial shifts is essential in designing actionable macroprudential, trade and development plans to shield vulnerable economies or sectors.

Taken together, these insights underline that understanding the trade–finance nexus is not just an academic exercise but also a policy imperative where multilateralism play an important role. As UNCTAD reiterated during the Fourth International Conference on Financing for Development in July 2025, trade and finance should not be considered separately. Policymakers should take a holistic approach because both topics – alongside others such as investment – are interrelated and central to the development equation. Stable and sustainable financing should be available, even as it remains paramount that finance primarily supports the real economy. In parallel, instruments should be developed to tame risks emanating from financial channels. All these aspects could be best addressed through multilateralism, although policymakers can also explore domestic and regional solutions.

¹⁹ Broda and Weinstein (2006) offer one of the most complete mappings of sectoral demand elasticities, estimating substitution patterns across thousands of goods, making their work a key reference for identifying which sectors are more exposed to price and financing shocks. Manova (2013) provides a theoretical and empirical framework linking financial frictions to trade participation, emphasizing how firm and sector characteristics shape exposure to external finance. In turn, Liu et al. (2025) distinguish the effects of supply and demand shocks in commodity markets, helping to explain why the energy trade may be less sensitive to financial volatility. While the empirical framework in this current report provides a macrofinancial perspective on how trade responds to broad financial shocks, it has inherent limitations. Most notably, it does not allow us to precisely disentangle the more granular mechanisms at play within the credit channel. For example, as Bruno and Shin (2023) emphasize, for global banks, dollar funding conditions and leverage cycles play central roles in amplifying shocks across borders, directly influencing trade finance availability. Other strands of the literature have explored more specific and heterogeneous effects of credit on trade, highlighting how firm size, sectoral capital intensity and financial dependence shape the sensitivity of exporters to credit shocks.



References

- Amiti M and Weinstein DE (2009). Exports and financial shocks. Working Paper 15556. National Bureau of Economic Research.
- Bernanke B and Gertler M (1989). Agency costs, net worth, and business fluctuations. *American Economic Review*. 79(1): 14–31.
- Bernanke B, Gertler M and Gilchrist S (1996). The financial accelerator and the flight to quality. *The Review of Economics and Statistics*. 78(1): 1–15.
- Bernanke B (2007). The financial accelerator and the credit channel. Speech 296. Board of Governors of the Federal Reserve System (U.S.).
- Bernanke B and Gertler M (1995). Inside the black box: The credit channel of monetary policy transmission. *Journal of Economic Perspectives*. 9(4): 27–48.
- Boz E and Tesar L (2019). The global financial cycle. *IMF Economic Review*. 67(1): 1–3.
- Broda C and Weinstein D (2006). Globalization and the gains from variety. *The Quarterly Journal of Economics*. 121(2): 541–585.
- Bruno V and Shin HS (2023). Dollar and exports. *The Review of Financial Studies*. 36(8): 2963–2996.
- Cerutti E, Claessens S and Laeven L (2017). The use and effectiveness of macroprudential policies: New evidence. *Journal of Financial Stability*. 28(C): 203–224.
- Cerutti E, Claessens S and Rose AK (2019). How important is the global financial cycle? Evidence from capital flows. *IMF Economic Review*. 67(1): 24–60.
- Cerutti E and Claessens S (2024). The global financial cycle: Quantities versus prices. IMF Working Papers. International Monetary Fund.
- Chor D and Manova K (2012). Off the cliff and back? Credit conditions and international trade during the global financial crisis. *Journal of International Economics*. 87(1): 117–133.
- CNBC (2025). Most Trump tariffs ruled illegal by appeals court, dealing major blow to trade policy. 29 August.
- DeLong S (2015). What is a contract. *South Carolina Law Review*. 67(1): Article 6.
- Ebregt J, Hendriks B and Ligthart M (2024). The CPB World Trade Monitor: Technical description. CPB Background Document. CPB Netherlands Bureau for Economic Policy Analysis.
- Financial Times* (2025). US retail giant Walmart warns Donald Trump's tariffs are pushing up costs. 21 August.
- Giles C (2025). Tariffs are generating inflation. *Financial Times*. 12 August.
- Gourinchas PO and Obstfeld M (2012). Stories of the twentieth century for the twenty-first. *American Economic Journal: Macroeconomics*. 4(1): 226–265.
- Habib MM and Venditti F (2019). The global capital flows cycle: Structural drivers and transmission channels. Working Paper Series. European Central Bank.
- Jiang Z, Krishnamurthy A and Lustig H (2024). Dollar safety and the global financial cycle. *The Review of Economic Studies*. 91(5): 2878–2915.
- Liu K, Wang X and Zhang T (2025). Rollover restrictions and firm export behavior: Evidence from China. *Journal of Applied Economics*.
- Manova K (2013). Credit constraints, heterogeneous firms, and international trade. *The Review of Economic Studies*. 80(2): 711–744.
- Miranda-Agrippino S and Nenova T (2022). A tale of two global monetary policies. NBER International Seminar on Macroeconomics 2021. National Bureau of Economic Research.
- Miranda-Agrippino S and Rey H (2020). U.S. Monetary policy and the global financial cycle. *The Review of Economic*. 87(6): 2754–2776.
- Miranda-Agrippino S and Rey H (2022). The global financial cycle. In: Gopinath G, Helpman E and Rogoff K, eds. *Handbook of International Economics*. Vol. 6. Elsevier. New York: 1–43.
- Plagborg-Møller M, Gopinath G and Boz E (2017). Global trade and the dollar. 2017 Meeting Papers. Society for Economic Dynamics.
- Polanyi K (1944). *The Great Transformation Economic and Political Origins of Our Time*. Rinehart. New York.
- Rey H (2013). Dilemma not trilemma: The global financial cycle and monetary policy independence. In: *Proceedings – Economic Policy Symposium*. Federal Reserve of Kansas City. Jackson Hole: 285–333.
- Sander H and Kleimeier S (2024). The global financial cycle and the gravity of finance and trade. *The GSBE Research Memoranda*, Maastricht University, Graduate School of Business and Economics.
- Scheubel B, Stracca L and Tille C (2025). The global financial cycle and capital flows: Taking stock. *Journal of Economic Surveys*. 39(3): 779–805.
- Schularick M and Taylor AM (2012). Credit booms gone bust: Monetary policy, leverage cycles, and financial crises, 1870–2008. *American Economic Review*. 102(2): 1029–1061.



- Sims C (1980). Macroeconomics and reality. *Econometrica*. 48(1): 1–48.
- Tinbergen J (1956). *Economic Policy: Principles and Design*. North-Holland. Amsterdam.
- UNCTAD (2024). Correspondent banking relationships and trade. UNCTAD Policy Brief No. 115.
- UNCTAD (2025a). Global trade update (July): Global trade endures policy changes and geoeconomic risks. Policy Insights.
- UNCTAD (2025b). *Review of Maritime Transport 2025* (United Nations publication. Sales No. E.25.II.D.36. Geneva).
- UNCTAD (2025c). *Trade and Development Foresights 2025: Under Pressure – Uncertainty Reshapes Global Economic Prospects* (United Nations publication. Geneva).
- UNCTAD (2025d). Sparing the vulnerable: The cost of new tariff burdens.
- UNCTAD (2025e). Global trade update (September): Trade policy uncertainty looms over global markets. Policy Insights.
- World Tourism Organization (2025). *World Tourism Barometer*. May. Madrid.
- WTO (2024). General Council Chair welcomes “significant progress” in dispute settlement reform talks. 17 December.
- WTO (2025). WTO reform – An overview. MC12 Briefing Note.
- WTO, IMF, OECD, UNCTAD and World Bank (2024). *Working Together for Better Climate Action: Carbon Pricing, Policy Spillovers, and Global Climate Goals*. World Trade Organization. Geneva.

