

Introduction

The 2023 High-Level Political Forum and the WTO

The UN's High-Level Political Forum (HLPF), held annually, offers organizations, including the WTO, the opportunity to review progress towards the attainment of the UN Sustainable Development Goals (SDGs). In the case of the WTO, this involves examining the contribution of international trade and the multilateral trading system to attainment of the SDGs and to development in general.

The 2023 HLPF will focus particularly on Goal 6 ("Clean water and sanitation"), Goal 7 ("Affordable and clean energy"), Goal 9 ("Industry, innovation and infrastructure"), Goal 11 ("Sustainable cities and communities") and Goal 17 ("Partnerships for the goals"). The HLPF will also take into account the different and particular impacts of the COVID-19 pandemic across these SDGs and the integrated, and interlinked nature of the SDGs.

The HLPF process therefore gives the WTO the opportunity to delve into SDGs where connections with trade have not been examined in detail up to now.

Overview of international trade between 2022 and 2023 and projections for the future

The WTO's recent "Global Trade Outlook and Statistics" report (WTO, 2023a) showed that, due to strong external pressures, 2023 projections for trade and output growth are below the respective averages of 2.6 per cent and 2.7 per cent for the 12 years since the trade collapse that followed the global financial crisis. The WTO recognizes the important role that trade must play in the economic recovery from the COVID-19 pandemic and the need for decisive positive action on multilateral trade; as WTO Director-General Okonjo-Iweala stated during the launch of the "Global Trade Outlook and Statistics":

"Trade continues to be a force for resilience in the global economy... This makes it even more important for governments to avoid trade fragmentation and refrain from introducing obstacles to trade. Investing in multilateral cooperation on trade... would bolster economic growth and people's living standards over the long term."

The report projects merchandise trade volume growth of 1.7 per cent in 2023, accompanied by real GDP growth of 2.4 per cent at market exchange rates (see Figure 1). However, this projected merchandise trade volume growth is, in fact, an upwards revision from the previous estimate of 1.0 per cent made by the WTO in October 2022, and is due to the relaxation of COVID-19 pandemic controls in China, which is expected to unleash pent-up consumer demand in the country, resulting in a boost to international trade.

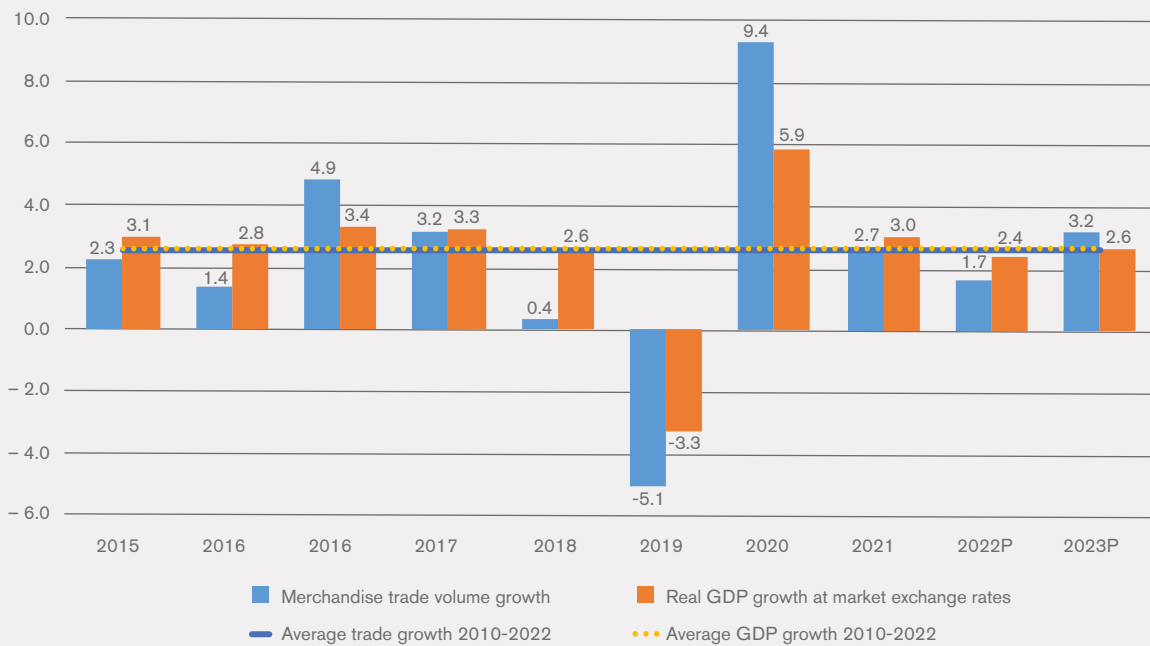
The report also shows that goods trade was more resilient than expected for most of 2022, despite the effects of the war in Ukraine. Year-on-year merchandise trade volume growth averaged 4.2 per cent in the first three-quarters of 2022, before a sharp quarter-on-quarter decline in the fourth quarter dragged growth for the year down to 2.7 per cent. Several factors contributed to that slump, including elevated global commodity prices, monetary policy tightening in response to inflation, and outbreaks of COVID-19 that disrupted production and trade in China.

Trade growth in 2022 was in line with the 2.4 to 3.0 per cent baseline scenario predicted by the WTO's March 2022 report on the war in Ukraine (WTO, 2022a), which was well above a more pessimistic scenario in which the formation of competing economic blocs would have resulted in trade growth of 0.5 per cent. Instead, as a result of continued open markets, many vulnerable countries were able to compensate for increased food prices and reduced supply by turning to alternative products and suppliers (WTO, 2023b).

Looking ahead to 2024 (see Figure 2), a rebound of trade growth to 3.2 per cent is projected, as GDP picks up to 2.6 per cent. However, this estimate is more uncertain than usual due to the presence of a number of significant risks, including geopolitical tensions, resurgent inflation, food supply shocks and the possibility of unforeseen effects resulting from monetary tightening. Interest rate hikes in advanced economies have also revealed weaknesses in banking systems that could lead to wider financial instability unless addressed by governments and regulators. The outcome of the worst-case scenario continues to be a food crisis that could trigger widespread hunger and, potentially, political instability in low-income countries.

Inflation and commodity prices were also among the main drags on trade and GDP in 2022 (see Figure 3). Coupled with an appreciation of the US dollar, inflation rates in 2022 were among their highest since the 1980s, strongly influenced by massive commodity price fluctuations, which also affected 2022 trade volumes.

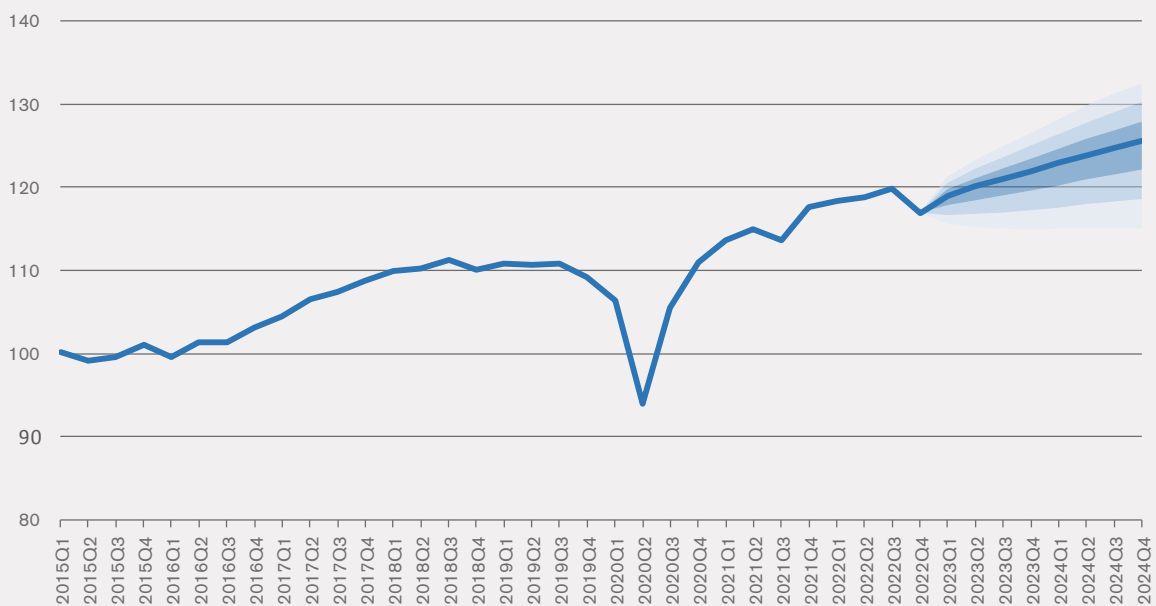
Figure 1: World merchandise trade volume and GDP growth, 2015-24
Annual % change



Note: 2023 and 2024 are projections.

Source: WTO for merchandise trade volume and consensus estimates for GDP (WTO, 2023a).

Figure 2: Volume of world merchandise trade, 2015Q1-2024Q4
Seasonally adjusted volume index, 2015=100



Note: The shaded region represents both random variation and subjective assessment of risk.

Sources: WTO and UNCTAD for historical data, WTO Secretariat estimates for forecasts and WTO (2023a).

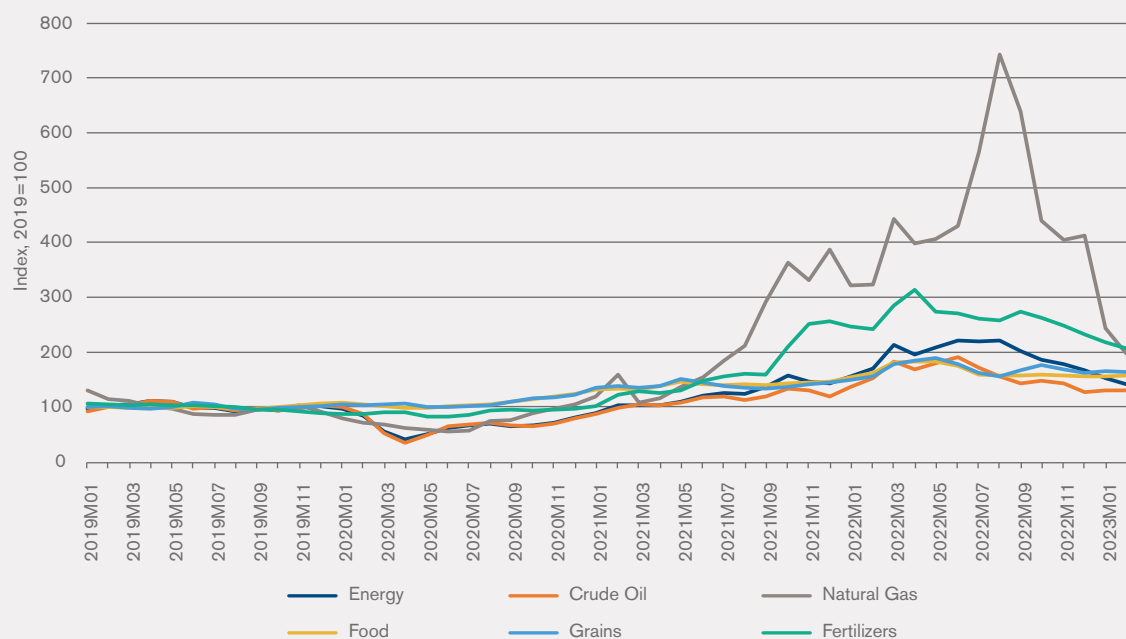
These fluctuations were particularly strong for European natural gas prices, which rose 48 per cent between January and August 2022, before falling 76 per cent by February 2023. Prices of food commodities also underwent wide variations over the course of 2022, surging by 19 per cent between January and May, before plunging 15 per cent between May and December. Prices of fertilizers registered an even larger year-on-year increase of 63 per cent.

The COVID-19 pandemic was also responsible for a dramatic reduction in international trade, resulting in depressed GDP growth, particularly in 2020 (see Figure 1). Conversely, international trade has played a critical role in accelerating the economic recovery from the pandemic in a number of ways:

- The pandemic created a surge in demand for goods such as masks, ventilators and personal protective equipment. International trade helped to ensure that these essential medical supplies and equipment were available in the countries that needed them most, even when domestic production was unable to meet the demand.
- International trade played a critical role in the transport of COVID-19 vaccines and related medical supplies to countries in need, including low-income economies lacking resources to develop or purchase vaccines.

- The pandemic disrupted global supply chains, causing shortages and delays in the delivery of goods and services. International trade helped to maintain these supply chains and ensured that essential goods and services continued to flow despite disruptions.
- The pandemic caused a significant downturn in global economic activity, leading to widespread job losses and business closures. International trade helped to support economic recovery by enabling businesses to access new markets, offsetting the impact of reduced domestic demand.
- International trade helped to facilitate global collaboration and cooperation in addressing common challenges by enabling the sharing of knowledge, expertise and resources across borders and by promoting international dialogue and cooperation.

Figure 3: Global average primary commodity prices, January 2019 - February 2023



Source: World Bank and WTO (2023a).

WTO contributions to recovery from COVID-19 and future pandemics

The WTO's work has been instrumental in creating conditions favouring the recovery of international trade and economies from the COVID-19 pandemic. An important example is the WTO's 12th Ministerial Conference (MC12), held in June 2022 following a delay of over two years due to the pandemic.

The Conference resulted in two outcomes specifically related to trade responsiveness to pandemics, namely, the Ministerial Declaration on the WTO Response to the COVID-19 Pandemic and Preparedness for Future Pandemics² and the Ministerial Decision on the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS Agreement).³

The Ministerial Declaration on the WTO Response to the COVID-19 Pandemic and Preparedness for Future Pandemics resulted from work by WTO members on a holistic multilateral response to the pandemic, which would also take into account future pandemics. This Declaration is solutions-oriented and, for example, will enable members to better leverage the knowledge generated by the networks established by WTO Director-General Okonjo-Iweala in order to coordinate discussions among relevant international organizations, development agencies, civil society and businesses. The declaration calls upon relevant WTO bodies to continue or initiate work on lessons learned and challenges

experienced during the pandemic. Areas of focus include export restrictions, food security, intellectual property, regulatory cooperation, services, tariff classification, technology transfer, trade facilitation and transparency. A yearly stocktaking exercise will take place in the General Council up to the end of 2024.⁴

The Ministerial Decision on the TRIPS Agreement provides a platform for members to work together to diversify vaccine production capacity. It allows members greater scope to take direct action to override the exclusive effect of patents through a targeted waiver that addresses specific problems identified during the pandemic, especially facilitating and streamlining vaccine exports for the next five years and greater clarity regarding emergency use measures. Developing-economy members with existing COVID-19 vaccine manufacturing capacity are encouraged to opt out of availing themselves of the waiver. Members were also due to decide on whether to extend the waiver to cover the production and supply of COVID-19 diagnostics and therapeutics by December 2022, though this deadline has been extended.