

Message from Director-General Ngozi Okonjo-Iweala

This annual report on the WTO's work in 2021 and early 2022 comes a bit later than its usual release in early June. With our Twelfth Ministerial Conference scheduled for the middle of the month, following multiple pandemic-related postponements, it did not make sense to publish this report – much of which deals with efforts to lay the groundwork for ministers to deliver results – only days before the gathering was set to begin.

As we now know, WTO members, supported as always by the Secretariat, made MC12 a resounding success. After nearly six days of negotiations – culminating in a marathon 48 hours of non-stop talks – ministers and delegates adopted a package of multilateral deals that will deliver for people, businesses, and the planet. The scale and scope of the so-called “Geneva Package” of agreements has not been seen at the WTO since the mid-1990s.

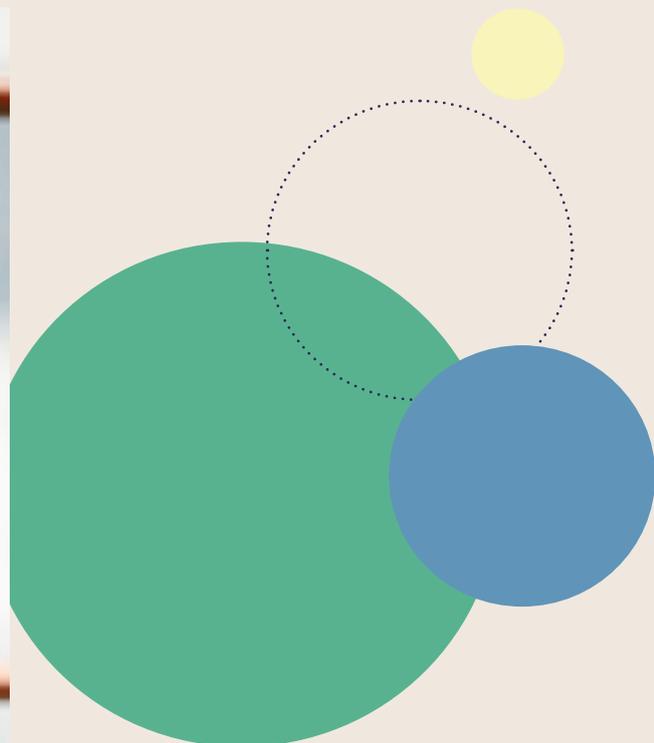
I came to the WTO because I was firmly convinced that trade was part of the solution to the global commons problems, from pandemic disease to climate change, that represent some of the biggest threats to our future prosperity. Speaking to members on my first day in office in March of last

year, I recalled the fundamental goals of the WTO, as set out in the preamble to our founding Marrakesh Agreement: using trade as a means to improve living standards, create better jobs and promote sustainable development. These goals are fundamentally about people. But one more reason I came here was that I felt the WTO had the potential to do much more to improve the lives of people around the world.

MC12 is proof that the WTO can deliver results. Members have shown they are capable of reaching multilateral compromises and finding solutions to contemporary challenges – provided they have the political will to do so.

The results achieved at MC12 will enhance the role trade has been playing in helping people cope with the multiple problems we currently confront – economic, environmental, and of course, the COVID-19 pandemic and the more recent food security crisis.

The deal on fisheries subsidies – concluded after nearly 21 years of negotiations – is only the second new agreement WTO members have reached since 1995, and the very first WTO agreement to put environmental

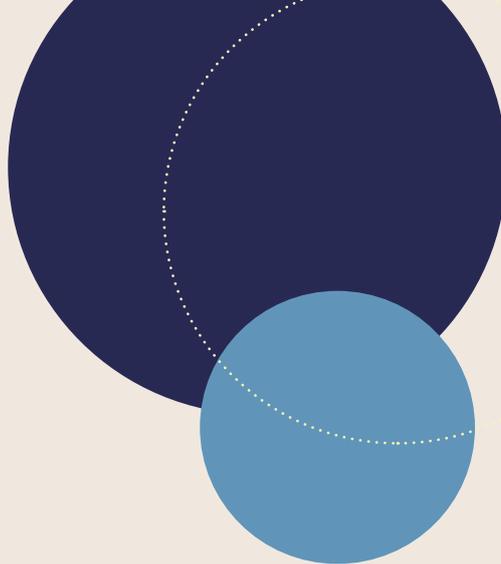


sustainability at its core. By banning subsidies that contribute to illegal, unreported and unregulated fishing, as well as fishing in the high seas and in overfished stocks, the pact represents a major step forward in protecting ocean health and biodiversity. Importantly, it also means that WTO members have delivered on the mandate given to them in Sustainable Development Goal 14.6.

Amid the pandemic, cross-border supply chains – often blamed for supply shortages early on – have in fact been a source of supply resilience. Trade has been central to manufacturing and distributing vaccines, personal protective equipment and other essential goods. Between the first half of 2019 and the first half of 2021, the value of global trade in medical goods grew by 30 per cent, compared to the 12 per cent growth in total global merchandise trade over that

period. The MC12 outcomes on pandemic response – a hard-won compromise on the proposed waiver of intellectual-property protections related to COVID-19 countermeasures, together with pledges to keep cross-border trade in medical supplies and components open and transparent – will help deconcentrate and diversify vaccine production, and foster better access to medical supplies in this pandemic and the next one.

At the macro level, the 9.8 per cent expansion in global merchandise trade volumes in 2021 – nearly double the expansion in global output – made external demand a key driver of growth for many countries. This was particularly true for several developing countries where domestic demand had been slow to recover. The strong rebound in trade, coupled with a pandemic-induced



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shift in consumption from services to heavily traded durable goods, pushed global merchandise trade volumes to record highs by early 2021. However, producers and logistics infrastructure have struggled to meet demand, leading to snarled supply chains, overwhelmed ports and high freight costs.

The war in Ukraine has darkened the global economic and trade outlook, adding to continuing COVID-19-related disruptions, notably in China. WTO economists this past spring recently lowered projections for merchandise trade volume growth in 2022 to 3.0 per cent, compared with the 4.7 per cent they were forecasting last October.

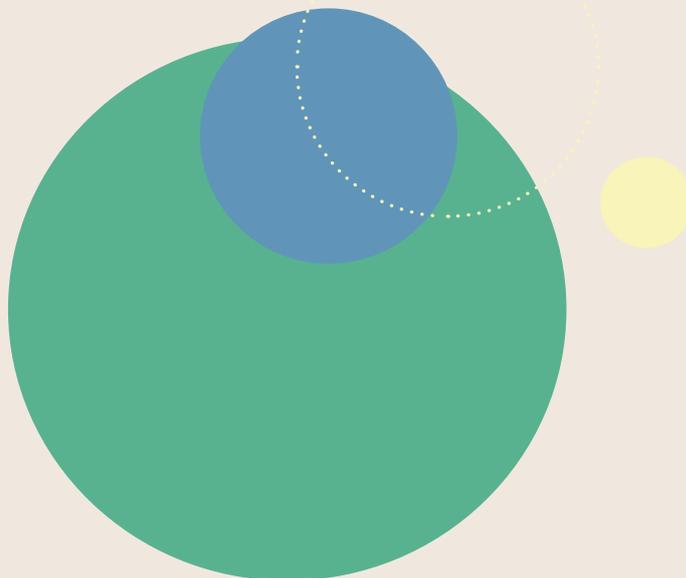
Global food trade had held up well through the pandemic, but it has been disrupted by the war. While Ukraine and Russia together account for barely 2 per cent of global GDP, they are major suppliers of food and energy to international markets. Prices for both, already high by historical standards, have soared since the war began in late February. Hundreds of millions of people in

poor economies are at risk of hunger and deprivation. Cooperation on trade will be critical to manage and mitigate food security impacts from the war as well as from weather-related reductions in crop yields. This is why it is so valuable that at MC12, WTO members pledged to make trade in food and agricultural inputs more predictable, recognizing the risks that come with export restrictions.

They also agreed to exempt the World Food Programme's humanitarian food purchases from export restrictions, which the Nobel-winning UN agency says will save it time and money when delivering relief to millions of the world's most vulnerable people.

As this annual report makes clear, the WTO has been working to support global trade throughout the pandemic.

In line with our historical role going back 75 years to the creation of the multilateral trading system, WTO rules and norms helped members keep international markets mostly open despite protectionist pressures and severe economic and political disruptions.



We worked with leading COVID-19 vaccine manufacturers from around the world to identify trade bottlenecks holding back the production and distribution of vaccines. We convened leading port operators and logistics actors to look for solutions to supply chain problems. The Secretariat continued to shine a spotlight on pandemic-related trade policies, contributing to the steady reduction in export restrictions.

In December 2021, 67 members accounting for over 90 per cent of global services trade reached an agreement setting out common parameters for services domestic regulation. That deal will save businesses as much as US\$ 150 billion a year in reduced trade costs.

In addition, members continued to use WTO committees to share views, raise questions about each other's policies, and monitor implementation of the WTO agreements.

Despite the enduring impasse over the Appellate Body, members looked to the WTO to resolve disputes, filing nine cases in 2021, compared with five in 2020. Parties in four disputes agreed to an alternative mechanism for appeals of final panel reports.

WTO training work continued in 2021, all of it on a virtual basis, with 11,700 participants, mostly government officials from developing countries, using these opportunities to increase their understanding of WTO rules.

Looking to the future, I hope that MC12 will become a foundation for the ongoing reinvention and reinvigoration of the WTO. This involves carrying forward the WTO reform process members launched at MC12 to make all of the institution's core functions – negotiation, monitoring and dispute settlement – more effective and efficient. It entails finding solutions to longstanding development issues and addressing fact-based concerns about the full spectrum of subsidies. It also means leveraging the full power of trade and the WTO to accelerate a just, rapid, and cost-effective low-carbon transition; to articulate new rules for digital trade; and to expand opportunities for women-owned businesses and micro, small, and medium-sized enterprises to be included in regional and global value chains.

The Secretariat and I look forward to supporting members as they work to reinvest in the multilateral trading system and keep the WTO fit for purpose in the 21st century.

DR. NGOZI OKONJO-IWEALA
DIRECTOR-GENERAL