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Introduction

The overall objective of the WTO is to help its members use trade as a means to raise living standards, create jobs and improve people's lives. The WTO operates the global system of trade rules and helps developing economies build their trade capacity. It also provides a forum for its members to negotiate trade agreements and to resolve the trade problems they face with each other.

Production of traditional hats at a factory in Dhaka, Bangladesh.





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Message from Director-General Ngozi Okonjo-Iweala

The past year was another tumultuous one for the world economy and for global trade. Even as the COVID-19 pandemic began to recede, the international community was tested by one crisis after another, from persistent inflation to climate shocks, food insecurity, and both civil and interstate conflict. Despite the shadow cast by rising geopolitical tensions, trade has proved itself to be a force for resilience and recovery. The value of global goods and services trade in 2022 was a record US\$ 31.4 trillion.

Nevertheless, the risk of costly economic fragmentation is real and growing. WTO economists predict that global goods trade

volumes will grow by only 1.7 per cent in 2023, before picking up speed to 3.2 per cent in 2024, barring new downside surprises.

The subdued trade growth mirrors slowing growth in gross domestic product (GDP). World Bank researchers believe growth potential is declining within advanced and developing economies alike, and have argued that one factor responsible is the slow but steady slowdown in global trade compared to economic output over the past decade. Against this backdrop of diminished economic prospects facing people around the world, the case for multilateral cooperation on trade to combat fragmentation and bolster growth and productivity is stronger than ever.



It is vital that the WTO builds on the success of MC12 so that it continues to fulfil its mandate of using trade as a means to improve living standards, create better jobs and promote sustainable development.

Such cooperation remains possible, as we saw in June 2022 at the WTO's 12th Ministerial Conference (MC12). All 164 of our members came together across geopolitical and substantive differences to deliver a series of ministerial decisions on fisheries subsidies, food security, pandemic response and e-commerce. They proved that the multilateral trading system can meaningfully contribute to solving global commons challenges. They showed the WTO is capable of acting swiftly to respond to pressing problems.

MC12 also saw a commitment to WTO reform, with members agreeing to undertake a comprehensive review of the WTO's core functions to ensure the institution remains fit for purpose. Ministers agreed in particular to address concerns about the WTO's dispute settlement system, with the aim of securing a fully functioning mechanism by 2024.

It is vital that the WTO builds on the success of MC12 so that it continues to fulfil its mandate of using trade as a means to improve living standards, create better jobs and promote sustainable development.

One key step in this direction is to ensure the Agreement on Fisheries Subsidies reached at MC12 enters into force as soon as possible, which requires formal acceptance

by two-thirds of members. The ground-breaking agreement – the WTO's first to place environmental sustainability at its core – will help curb an estimated US\$ 22 billion per year in harmful subsidies. It will also contribute to reversing the decline in marine fish stocks that is putting at risk both the health of our oceans and the livelihoods of fishing communities around the world. And it comes accompanied by financial and technical assistance for developing and least-developed members to upgrade fisheries management capacity and implement the new disciplines.

The Agreement also provides for a second wave of negotiations on fisheries subsidies issues that could not be resolved at MC12, such as support related to overfishing and overcapacity. Finding solutions on these outstanding issues is high on the agenda for the WTO's 13th Ministerial Conference (MC13), to be held in Abu Dhabi in February 2024.

As members look ahead to MC13, they have been actively discussing institutional reform and looking at dispute settlement as well as various ways to make existing committees and processes more effective. Large groups of members continue efforts to create shared rules in areas at the centre of the 21st century global economy, such as e-commerce

and investment facilitation, and to advance discussions on various environmental initiatives. Importantly, members also are exploring new ways to tackle longstanding issues, such as agricultural reform, a critical priority for many developing and developed economies on which negotiations have been stuck for far too long.

Food security remains an important challenge, despite the important progress made at MC12, where ministers agreed to smooth the flow of emergency food aid by shielding World Food Programme humanitarian purchases from export restrictions and pledged to keep food flowing across borders. According to a May 2023 report from a network of United Nations, regional and non-governmental agencies, 258 million people were in crisis or worse levels of acute food insecurity in 2022 – up from 193 million in 2021. Hundreds of millions more are undernourished. Although WTO monitoring of export restrictions on food, animal feed and fertilizer have helped, high food prices and market volatility continue to contribute to immediate problems of affordability, while droughts, heatwaves and flooding undermine current production and warn of even worse climate-related supply problems ahead.

At the end of last year, WTO members established a work programme to help vulnerable economies improve their resilience to food insecurity. This too springs from what members agreed to at MC12. But much more

needs to be done. Members must find ways of breaking the long impasse in agricultural negotiations so that the WTO rulebook for farm trade, most of which dates back to the 1990s, is reformed and updated to respond more effectively to global food security needs and challenges today and tomorrow, including climate change and sustainability. MC13 would be an ideal place to start.

As this Annual Report makes clear, the WTO has been working hard across a wide range of other areas to keep trade open and to help its members deal with global challenges, from the economic consequences of the war in Ukraine to ongoing impacts from the pandemic, natural disasters and the biggest collective action problem facing the planet, namely climate change.

We chose to devote last year's edition of our flagship publication – the World Trade Report – to the topic of international trade and climate change. That report underlines the many ways in which trade can help, and is helping, economies to mitigate greenhouse gas emissions and adapt to a changing climate. The key message, which we took to the UN climate conference – COP27 – in Sharm el-Sheikh in late 2022, is that when it comes to climate change, trade is part of the solution far more than it is part of the problem.

This year's Annual Report also describes how, far from the news headlines, members have continued to use WTO committees to



Bringing economies and communities from the margins of the global economy to the mainstream would make trade more inclusive and even more resilient. A strong WTO is a prerequisite for this process.

raise trade concerns and to find solutions to problems they are encountering. In addition, the report provides a snapshot of our continued work to provide training to government officials – over 5,500 in 2022 – to help them better understand WTO rules so they can help their economies to benefit from the economic opportunities created by the multilateral trading system.

The shocks of the past three years have exposed genuine vulnerabilities in how global supply chains operate. But I remain convinced that the most serious problems are a function of overconcentration rather than of trade as such. This means that the way to solve these problems is not to make everything at home – which would create vulnerabilities of its own – but to promote supply chains that are deeper, more diversified and more de-concentrated. Bringing economies and communities from the margins of the global economy to the

mainstream would make trade more inclusive and even more resilient. A strong WTO is a prerequisite for this process, which we are calling “re-globalization”.

MC13 will be an important opportunity for WTO members to show that last year’s ministerial was not a one-off miracle on Lake Geneva. We can and must continue to strengthen this vital institution and ensure that multilateral cooperation on trade does its part to provide solutions to problems facing people, nations and the wider global commons.

DR. NGOZI OKONJO-IWEALA
DIRECTOR-GENERAL

IN THE SPOTLIGHT

12th Ministerial Conference

The 12th Ministerial Conference (MC12), co-hosted by Kazakhstan, concluded successfully on 17 June 2022 in Geneva with the adoption of a series of important outcomes, including a landmark Agreement on Fisheries Subsidies, decisions on a multilateral response to the food crisis and the COVID-19 pandemic, and a multilaterally agreed outcome document.



MC12 took place in Geneva from 12 to 17 June amid a fragile recovery from the COVID-19 pandemic and against the backdrop of war in Ukraine, which was causing humanitarian suffering and serious implications for global trade and vulnerable populations around the world.

At the same time, the WTO was facing significant challenges in its core functions, notably surrounding the dispute settlement system (see page 132).

Twice postponed because of the pandemic, MC12 presented a critical opportunity for ministers to take action, accomplish what needed to be done and provide much-needed political guidance to enable the WTO to be more responsive to the challenges faced by all its members.

In her opening speech to the conference, DG Okonjo-Iweala said: “Members will have a chance to show the world that the WTO can step up to the plate.” Striking agreements in Geneva “will enhance the ability of all members to respond to people’s aspirations at home – aspirations for food, for health, for security, for better jobs, higher living standards, and a sustainable environment on land, in the oceans and in our atmosphere,” she said.

The DG noted that at a time when the multilateral system is seemingly fragile “this is the time to invest in it, not to retreat; this is the time to summon the much-needed political will to show that the WTO can be part of the solution to the multiple crises of the global commons we face.”

Initially scheduled to end on 15 June, the ministerial gathering was extended by two days to allow more time for negotiations and reaching agreements. Eventually, after round-the-clock talks among delegations, the chair of MC12, Timur Suleimenov, First Deputy Chief of Staff of the Kazakh President, brought down the gavel on 17 June on a series of important accords.

The “Geneva Package” includes a landmark agreement on fisheries subsidies, a multilateral response to COVID-19, as well as decisions on food security and WTO reform (see page 51).

In his closing remarks, the chair told members: “This week, you have all contributed to making what seemed impossible come to fruition. We have all engaged in frank and sometimes very difficult conversations. We may have not achieved everything that we set out for, but we have delivered, and this is something that all of us should be proud of.”



This week, you have all contributed to making what seemed impossible come to fruition.

MC12 Chair Timur Suleimenov





Fact box: Key elements of the “Geneva package”



Trade and health

WTO members adopted:

- a ministerial declaration recognizing the importance of the multilateral trading system in supporting the fight against COVID-19 and future pandemics
- a ministerial decision clarifying the right of members to override patents in certain circumstances and providing greater scope to diversify production of COVID-19 vaccines.

They also committed to explore whether to extend the decision to cover the production and supply of COVID-19 diagnostics and therapeutics (see page 62).



Fisheries subsidies

The Agreement on Fisheries Subsidies commits members to eliminate the most harmful fisheries subsidies that are fuelling depletion of fish stocks and depriving fishing communities of their livelihoods. It is the first WTO agreement to put a primarily environmental objective at its core (see page 55).

For the Agreement to enter into force, two-thirds of members have to deposit their “instruments of acceptance” at the WTO. Members have also started exploring how to approach the “second wave” of negotiations to further discipline harmful fisheries subsidies.



Food security

WTO members adopted:

- a ministerial declaration confirming the vital role of trade in improving global food security and committing members to improving the functioning of global markets for food and agriculture
- a decision exempting food purchased by the UN's World Food Programme for humanitarian purposes from any export prohibitions or restrictions (see page 52).

In November 2022, members established a work programme aimed at helping to address the food security concerns of least-developed countries and net food-importing economies in line with the MC12 mandate.



E-commerce

WTO members decided to maintain a moratorium on customs duties on e-commerce and to intensify discussions on the issue. The moratorium will remain in effect until MC13, due to be held in February 2024.



WTO reform

WTO members agreed to undertake a comprehensive review of the WTO's functions to ensure the organization is capable of responding to the challenges facing the multilateral trading system. The goal is to submit possible reform proposals to MC13.

Ministers also agreed to talks on addressing concerns about the WTO's dispute settlement system, with the view to securing a fully functioning system by 2024.



Other topics

Ministers adopted a Sanitary and Phytosanitary (SPS) Declaration committing WTO members to modernize the SPS Agreement, which regulates standards on food, animal and plant products. In November 2022, members agreed on the process for undertaking this work.

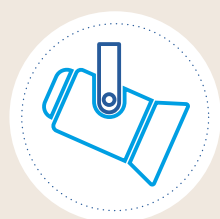
Ministers adopted a decision reaffirming their commitment to addressing the particular challenges faced by small economies.

They also decided to extend until MC13 a moratorium on so-called TRIPS “non-violation and situation” complaints, which deal with situations where a WTO member may argue that it has been deprived of an expected intellectual property benefit, even if no agreement has been violated.

IN THE SPOTLIGHT

Trade and health

WTO members achieved a multilaterally agreed response to the COVID-19 pandemic in June 2022 when the 12th Ministerial Conference (MC12) agreed on measures to diversify global production of COVID-19 vaccines and on ways to build resilience to future pandemics. The multilateral response reflects the exceptional nature of the crisis – in terms of loss of human life and the severe disruption to the global economy and world trade.



In their “Declaration on the WTO Response to the COVID-19 Pandemic and Preparedness for Future Pandemics”, trade ministers called on relevant WTO bodies to continue or initiate work on lessons learned and challenges experienced during the COVID-19 pandemic.

The declaration draws attention to how the world experienced medical supply constraints and lack of equitable access to vaccines. It emphasizes the need for transparency and information sharing in such circumstances and the importance of intensifying cooperation with other international organizations. Areas of focus for future work will 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.

“We affirm the need to review and build on all the lessons learned and the challenges experienced ... to build effective solutions in case of future pandemics,” ministers declared.

In parallel, a Ministerial Decision on the TRIPS Agreement (see page 61), also adopted at MC12, provides a platform for members to work together to diversify vaccine production capacity. Members will have greater scope over the next five years to override the exclusive effect of patents through a targeted waiver that addresses specific problems

WTO members achieved a multilaterally agreed response to the COVID-19 pandemic at MC12 in June 2022.

identified during the pandemic, especially facilitating and streamlining COVID-19 vaccine exports.

The outcomes “will make access to medical supplies and components more predictable in this pandemic, and in the next one,” DG Okonjo-Iweala said. The TRIPS decision “will contribute to ongoing efforts to deconcentrate and diversify vaccine manufacturing capacity so that a crisis in one region does not leave others cut off,” she added.

Members are debating whether to extend the TRIPS decision to cover the production and supply of COVID-19 diagnostics and therapeutics but no consensus has been reached (see page 62).

This decision opens the way for further multilateral technical support and cooperation between the WHO, the World Intellectual Property Organization (WIPO), the WTO and others to make full and effective use of options open to members for pandemic response, including an array of emergency use measures.

The WHO, WIPO and the WTO were already cooperating in addressing COVID-19 through a trilateral collaboration framework. Following a meeting between WHO Director-General Tedros Adhanom Ghebreyesus, WIPO Director General Daren Tang and DG Okonjo-Iweala in February 2022, a trilateral COVID-19 technical assistance platform was launched to help members and accession candidates meet their capacity-building needs to respond to the pandemic.

The three organizations also held a technical symposium in December, which highlighted that cooperation is a key factor in fostering innovation and equitable access to health



products. The symposium followed a series of jointly hosted technical workshops to increase the flow of information on the pandemic. The WTO's annual Trade and Public Health Workshop in December, focusing on pandemic preparedness and response, was organized in close cooperation with the WHO and WIPO.

Other areas of cooperation include the Multilateral Leaders' Task Force on COVID-19, led by the heads of the International Monetary Fund, the World Bank Group, the WHO and the WTO (see page 154). At a meeting in March 2022, they discussed with chief executives of leading vaccine manufacturers how to ensure the rapid delivery of vaccines where most needed.

Separately, DG Okonjo-Iweala met several times with pharmaceutical chiefs to press for better access for all to COVID-19 vaccines and medicines. In November, she met with CEOs from companies engaged in the production of key COVID-19 therapeutics to review the challenges in expanding and diversifying their production. They also explored the potential role of trade policy tools, such as an extension of the MC12 TRIPS decision on COVID-19 vaccines to cover diagnostics and therapeutics, which is being discussed in the TRIPS Council.

Recognizing the need to address the COVID-19 crisis through timely, accurate information, the WTO created a dedicated page on its website. It provides up-to-the minute trade-related information, including measures taken by WTO members, data on the impact of the virus on exports and imports, and pandemic-related WTO studies and reports.

The WTO has also been monitoring COVID-19 related trade-restricting and facilitating measures imposed by the Group of 20 leading economies and the WTO membership through its trade monitoring reports (see page 127).

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The MC12 outcomes will make access to medical supplies and components more predictable in this pandemic, and in the next one.

DG Okonjo-Iweala

IN THE SPOTLIGHT

Trade and climate change

The year 2022 marked an important step forward in advancing the role of trade in tackling climate change. From ministers at the 12th Ministerial Conference (MC12) highlighting the challenges posed by climate change to the WTO’s active engagement at the UN Climate Summit in November 2022, the publication of WTO reports on climate change and members’ ongoing discussions on the topic, the overall message made clear was that trade must be part of the solution.



As DG Okonjo-Iweala told “Climate Week NYC”, a conference on climate change held in New York in September, trade and trade policy must act as catalysts for the transformation of how “we produce, consume and live” if humankind is to successfully overcome the impact of climate change. “So where is the hope? The hope is that, among policymakers, the realization that we can’t go at it alone manifested itself at the WTO,” the DG said, noting landmark agreements members forged at MC12 in June 2022 in areas including the environment, food security and health (see page 10).

MC12 outcomes

In the MC12 outcome document, WTO members for the first time recognized the “global environmental challenges including climate change and related natural disasters, loss of biodiversity and pollution” and noted “the importance of the contribution of the multilateral trading system to promote the

DG Okonjo-Iweala participates with other leaders at a high-level event at COP27 in Sharm el-Sheikh, Egypt.



UN 2030 Agenda” and its Sustainable Development Goals (SDGs).

In a declaration on sanitary and phytosanitary (SPS) issues (see page 91), ministers spoke of the “growing importance of sustainable agricultural practices and production systems, including their contribution to addressing climate change and biodiversity conservation”.

On the margins of MC12, the DG met with trade ministers from a diverse group of around 20 WTO members exploring the establishment of a coalition of trade ministers on climate issues. The discussion, organized by the European Union, Ecuador, Kenya and New Zealand, sought to enhance ministerial-level dialogue to bring climate change to the forefront of trade policy and explore how partner organizations can help support this effort.

UN climate summit

DG Okonjo-Iweala participated in high-level events with world leaders at COP27, which took place in Sharm el-Sheikh, Egypt, from 6 to 18 November 2022.

At the WTO-led event, “Time to Act: Implementing Trade-Related Contributions to the Global Response to Climate Change”, the DG stressed that an effective strategy for tackling global warming cannot succeed without governments considering the role of trade in meeting climate goals. Examples of such trade actions include opening up trade in environmental goods and services, improving cooperation on carbon measurement and verification, and leveraging Aid for Trade to help developing economies and least developed countries (LDCs) build climate-resilient capacity and infrastructure, she said.

KEY FACTS AND FIGURES



Eliminating tariffs and reducing non-tariff measures on a subset of energy-related environmental goods could **boost exports by 5 per cent by 2030 while driving energy efficiency.**



Increased uptake of renewable energy technologies would **reduce global emissions by 0.6 per cent.**



Global shift to clean energy will generate as many as **30 million new jobs in clean energy and related sectors by 2030.**



International trade can play an essential role in climate adaptation, risk prevention, reduction and disaster preparedness.



Between 2013 and 2020, **Aid for Trade disbursements related to climate change action totalled US\$ 96 billion**, with a larger share of the disbursements directed at climate mitigation.

Source: WTO World Trade Report 2022.

The World Trade Report, the WTO's annual flagship report, was released at the high-level event. "Climate Change and International Trade" presents critical data, analysis and recommendations on how international trade and greater cooperation can amplify global efforts to address climate change and put the planet on a sustainable trajectory.

In the run-up to COP27, the WTO Secretariat released seven information briefs on trade, climate and related issues in support of efforts to harness trade policy as part of the solution for effective and just climate action.

Other initiatives

In addition to engagement on climate change at the Committee on Trade and Environment (see page 118), there was discussion on trade-related climate measures at the Trade and Environmental Sustainability Structured Discussions (TESSD), which currently have 74 co-sponsors, representing around 85 per cent of world trade (see page 71). At a stocktaking event in December 2022, the DG highlighted TESSD's important contribution in "searching for practical solutions and concrete actions to catalyse the trade and environment agenda."



It is clear to me that trade is part of the solution to the challenges we face, far more than it is part of the problem.

DG Okonjo-Iweala

The Fossil Fuel Subsidies Reform initiative (see page 71) also adopted a work programme and organized its first meeting in 2022. The 48 co-sponsors of the initiative seek "the rationalization and phase out of inefficient fossil fuel subsidies that encourage wasteful consumption". Several participants referred to the complex links between climate change and plastics during discussions in the Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade (see page 70), which aims to support global efforts to reduce plastics pollution.

Citing the TESSD and the dialogue on plastics as examples, the DG said in February 2022: "It is clear to me that trade is part of the solution to the challenges we face, far more than it is part of the problem."

IN THE SPOTLIGHT

Trade in a year of polycrisis

World trade expanded at a moderate pace in 2022, but this growth was constrained by several related factors, including the war in Ukraine, high food and energy prices, tighter monetary policies, supply chain disruptions and COVID-19. Trade growth in 2023 is expected to be subdued but a reduction in inflationary and supply chain pressures could raise prospects for trade and output.



Merchandise trade

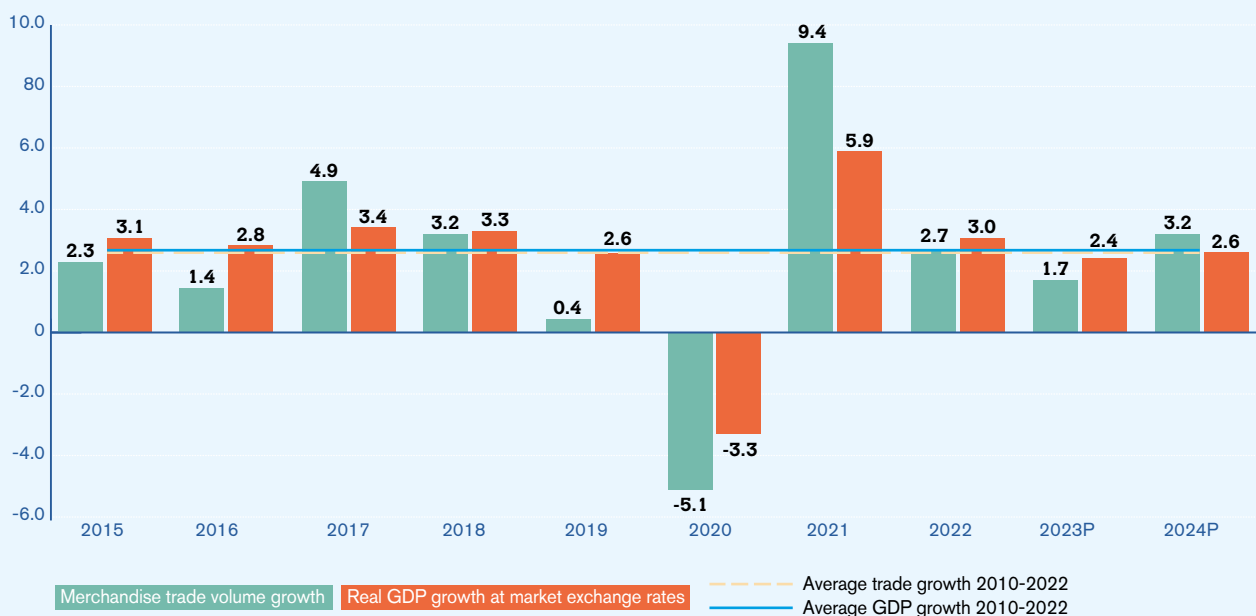
The volume of world merchandise trade grew 2.7 per cent in 2022, slightly weaker than WTO projections (see Figure 1). Trade and output growth for the year were dampened by several adverse economic factors, which collectively came to be regarded as a “polycrisis”.

The largest of these crises was the outbreak of war between Russia and Ukraine in late February, which has caused immense human suffering and extensive destruction of productive capacity in Ukraine and led to the imposition of broad economic and trade sanctions against Russia.

In a report on the crisis issued in April 2022, the WTO noted that Russia and Ukraine were key suppliers of essential goods, notably food and energy. Russia and Ukraine together accounted for 25 per cent of global wheat trade in 2019, while Russia alone made up 9.4 per cent of trade in fuels, including a 20 per cent share in natural gas trade. Countries in the Middle East and Africa were most vulnerable to the conflict in terms of food supply, with many importing around half of their grain needs from Ukraine, Russia or both.

The volume of world merchandise trade grew 2.7 per cent in 2022.

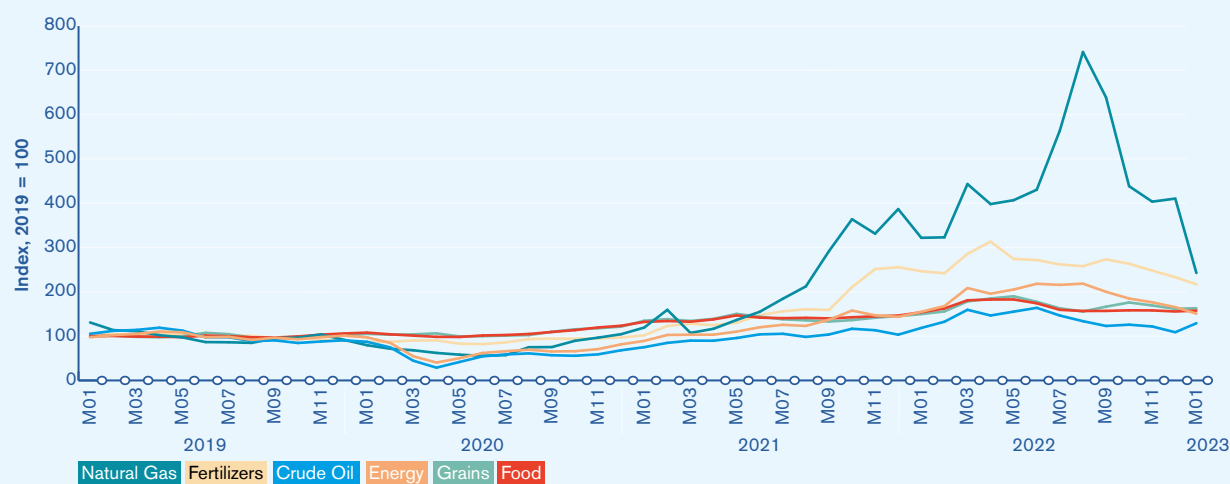
Figure 1: World merchandise trade volume and GDP growth, 2015-2024



Note: 2023 and 2024 are projections.

Sources: WTO for merchandise trade volume and consensus estimates for GDP.

Figure 2: World average prices for primary commodities, January 2019 - December 2022
Index 2019=100 and US\$ per million British thermal units (Btu)



Source: World Bank.

An updated WTO report issued on 23 February 2023 found that global trade remained resilient in 2022 and performed better than initially feared as economies most affected by the war found alternative sources of supply. Prices for goods affected by the war also rose less than expected. However, Ukrainian exports collapsed by 30 per cent in value terms. Russia's exports expanded by 15.6 per cent because of an increase in prices but its export volume appeared to have declined slightly.

Reduced supplies, or the threat of reduced supplies, of essential goods caused commodity prices to spike in 2022, with food prices rising 18 per cent year-on-year (65 per cent compared to 2019 – see Figure 2). Energy prices also jumped 58 per cent in 2022 (93 per cent compared to 2019), including a dramatic rise in natural gas. The curtailing of gas shipments between Russia and the European Union disproportionately affected energy prices in Europe, but efforts to find alternative sources of supply raised prices for liquefied natural gas (LNG) elsewhere. Gas prices in North America, with its plentiful local production, remained low compared to the rest of the world.

Trade volume growth in 2022 was sustained by strong consumer demand in North America and Europe.

High energy prices fed into a rise in general inflation, which had already picked up following the pandemic, partly due to supply chain disruptions and partly as a result of expansionary fiscal and monetary policies in many economies, including the United States and the European Union. Central banks around the world began to raise interest rates in an effort to rein in inflation, but this could weigh on business and consumer spending in 2023 and beyond.

Measures to combat COVID-19 were relaxed in most economies over the course of 2022, but strict controls remained in some places, most notably China. Intermittent outbreaks of the virus disrupted production and shipping throughout the year, weighing on global trade volumes. China announced in early 2023 that its zero-COVID-19 policies were being wound down, boosting prospects for global trade flows and economic output.

Trade volume growth in 2022 was sustained by strong consumer demand in North America and Europe, with imports growing faster than world trade overall (6.0 per cent and 5.2 per cent, respectively). In contrast, imports of Asian economies contracted slightly, falling 0.4 per cent. On the export side, most regions recorded moderate growth. Exceptions included the Middle East, where exports were up 9.9 per cent, and the Commonwealth of Independent States (CIS) (including certain former and associate members), where the volume of exports fell 4.9 per cent.

Merchandise trade in nominal US dollar terms grew much faster than trade in volume terms last year due to rising export and import prices. The value of world trade as measured by the average of exports and imports increased 12 per cent in 2022, bringing the value of world trade to US\$ 25.3 trillion.

The value of trade in fuels and mining products was up around 59 per cent

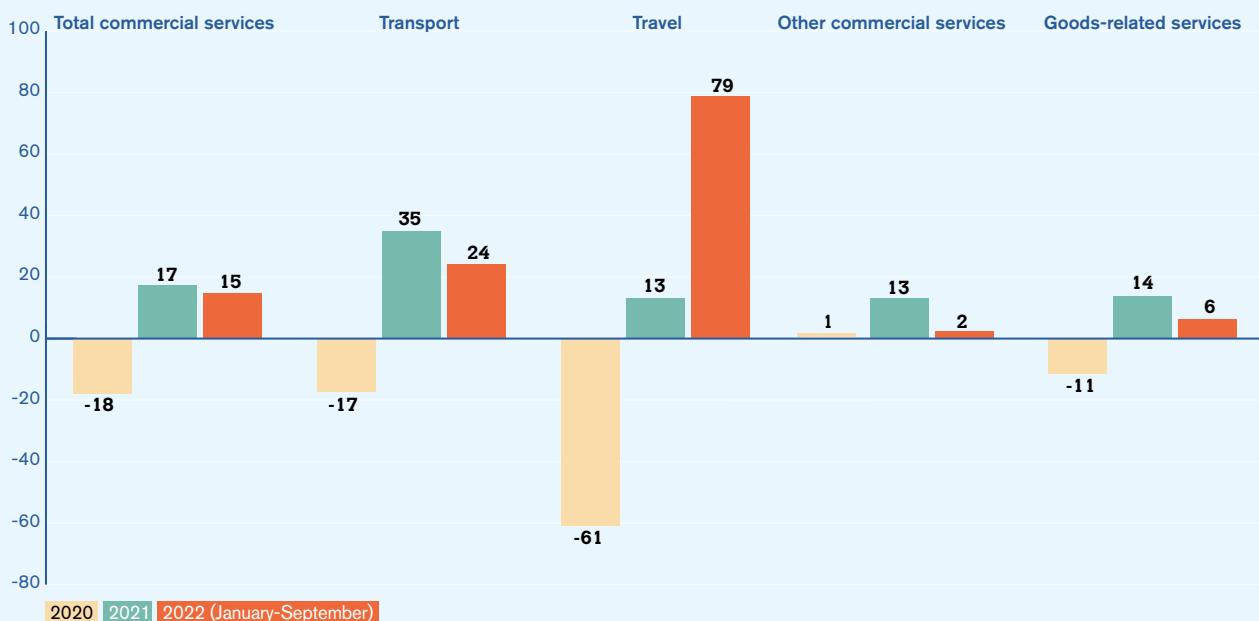
year-on-year, while trade in agricultural products rose 19 per cent, and manufactured goods trade increased by 21 per cent.

Services trade

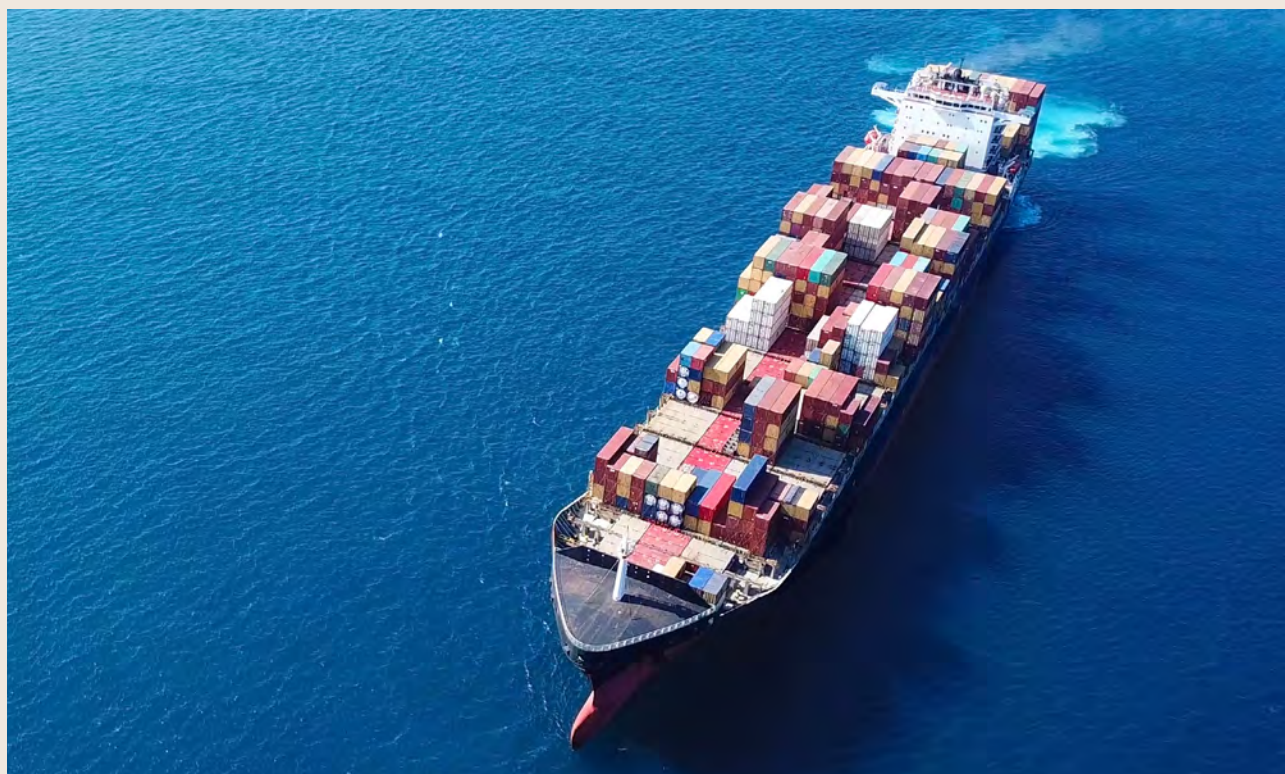
Overall, commercial services trade recorded a 15 per cent increase in terms of US dollar values in 2022, led by a 79 per cent jump in spending on travel (see Figure 3), due to a lifting of COVID-19 travel restrictions. Growth of transport services also remained strong, rising 24 per cent year-on-year. Meanwhile, the categories of other commercial services (covering sectors ranging from construction to financial services) and goods-related services grew 2 per cent and 6 per cent, respectively, barely keeping pace with core inflation in leading economies.

Commercial services trade recorded a 15 per cent increase in terms of US dollar values in 2022.

Figure 3: Year-on-year growth in world commercial services trade, 2020-22
Percentage change in US\$ values



Source: WTO-UNCTAD estimates in cooperation with the International Trade Centre (ITC).
Note: Data refer to average of exports and imports.



Unlike in 2021, when the value of transport services was boosted by a rise in shipping rates, most growth in transport services in 2022 was probably due to a combination of increased volume and rising fuel costs being passed on to consumers because shipping rates fell 75 per cent.

Outlook for trade in 2023

WTO economists revised their trade forecast in October 2022, raising their estimate for world merchandise trade volume growth in 2022 to 3.5 per cent from 3.0 per cent in April, and sharply lowering their estimate for 2023 to 1.0 per cent from 3.4 per cent previously. These results were broadly confirmed by the WTO's new Global Trade Outlook and Statistics in April 2023, which found trade volume growth of 2.7 per cent for the whole of 2022 and projected a slightly improved but still below-average increase of 1.7 per cent for 2023. The weak outlook for 2023 presumed that high inflation and rising interest rates would sap global GDP growth and reduce demand for traded goods in leading economies.

The WTO foresees below-average trade growth of 1.7% for 2023.

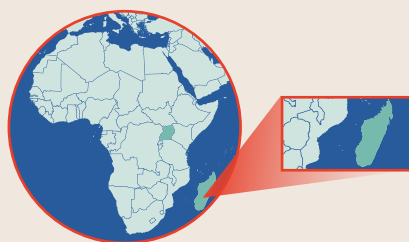
Shipping rates fell 75% in 2022.

By December, commodity prices had receded from their recent peaks, although they remained high by historical standards. Purchasing managers' indices (PMIs), based on surveys of businesses around the world, also showed an uptick in export orders at the start of 2023, possibly signalling the beginning of a recovery phase in trade following a larger-than-expected decline in the fourth quarter of 2022. The PMIs also showed falling input and output prices, shorter delivery times and a recovery of inventories, suggesting easing of inflationary pressures and improved supply chain conditions. However, higher interest rates have revealed weaknesses in banking systems that could stoke financial volatility if left unchecked, which would in turn weigh on trade growth. Governments and regulators will need to be alert to these and other risks in 2023.

IN THE SPOTLIGHT

World trade success stories

The following success stories show how trade and trade-related assistance can bring benefits to people across the globe, helping entrepreneurs improve their standard of living and creating new opportunities for local communities.



MADAGASCAR

New technology makes trade in plant products quicker and more efficient

Since July 2022, Nomenjanahary Saholy Ramilarijaona, Head of Plant Protection at Madagascar's Ministry of Agriculture and Livestock, has been overseeing the country's use of ePhytos, electronic phytosanitary certificates that allow plant



products to be traded more easily and efficiently across borders.

Initially, traders were a little worried because it was a new system and they had security concerns, she said. Through awareness raising and training, however, they gained confidence in the system, with more and more asking to be trained.

The state-of-the-art system, initiated by the Standards and Trade Development Facility (STDF) and used in more than 100 economies, leads to a lower likelihood of loss, damage and fraud compared with traditional paper certificates. It also saves time. "The most obvious change is the speed with which certificates are issued. Using ePhytos reduces processing time," Ms Nomenjanahary said.

"At the international level, compliance with international standards gives importing countries much more confidence in what we do. Using computers and other equipment enables our inspectors to work more efficiently. All in all, we've seen a real revolution in how we work."

The World Economic Forum, through the Global Alliance for Trade Facilitation, is financing the project, with the active participation of Madagascar's National Trade Facilitation Committee.

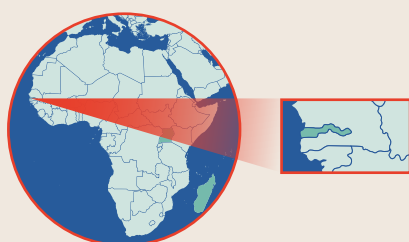
Source

Standards and Trade Development Facility (STDF).





Isatou Foon (left), tour guide, and Fatou Juka Darboe, co-founder of Make3D Company in The Gambia.



THE GAMBIA

Young women use technology and tourism to transform their communities

Fatou Juka Darboe is the co-founder and director of Make3D Company Limited, the first and only 3D printing company in The Gambia. Isatou Foon is a young tour guide from Janjanbureh, renowned for its historical and cultural heritage. What unites them is their passion to use trade to transform their communities.

Both young women have benefited from the "Youth Empowerment Project", an initiative of the International Trade Centre (ITC) funded by the European Union, which aims to unlock the potential of young people in The Gambia to support economic growth.

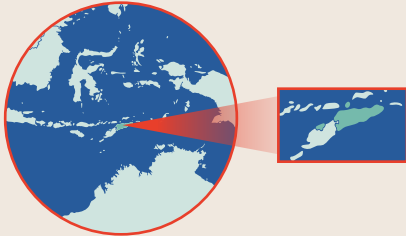
Make3D helps companies obtain customized items unavailable in The Gambia, ranging

from branded antibacterial combs to bespoke lip balm containers. Juka's work also provides health solutions. At the onset of the COVID-19 pandemic, Make3D partnered with ITC and the UK's Medical Research Council to print face shields. It also produces medical and safety equipment, such as customized prosthetics.

Isatou describes her job as "helping visitors make awesome memories" while visiting her community. She aims to provide her guests with insights into the local culture through a range of sight-seeing activities. She also shares her knowledge with other communities to help create tourism products that improve the region's standard of living while preserving the local culture and environment.

Source

International Trade Centre (ITC).



TIMOR LESTE

Coffee farmer fulfils dream of creating her own export business

Madalena Da Costa farms coffee, Timor-Leste's largest non-oil export, in Leolima, a remote village in the country's south west. With ambition and a dream of starting her own business, Madalena enrolled in the Women's School of Leadership, set up by Fairtrade Australia New Zealand, where she built key skills around business and leadership. Since graduating in September 2022, she has opened a small retail shop in her community and become a leader in a new community diversification project.

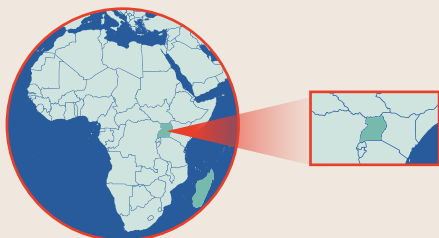
Due to her success at the school, she was sponsored to travel to the Melbourne International Coffee Expo, where she spoke about her experiences as a Fairtrade coffee farmer and the role of the Women's School of Leadership in empowering women. "The Women's School of Leadership has helped me understand how to run my business," she said.

Investments through Fairtrade have contributed towards the export of 16 containers of coffee and helped improve the supply of clean water, enabling more effective coffee production techniques in addition to clear health benefits. The project is part of the Enhanced Integrated Framework's (EIF) Empower-Women Power-Trade initiative.

Source

Enhanced Integrated Framework (EIF).





UGANDA

Helping fruit and vegetable traders reach global markets

In Uganda, the fresh fruit and vegetable sector is an important source of export earnings. Some 60 per cent of all fresh fruit and vegetable exports go to the European Union. However, in 2014 and 2015, over 80 per cent of consignments were intercepted on phytosanitary grounds.

At the request of the Uganda Government, the STDF introduced a project to tackle the problem. Led by the Centre for Agriculture and Bioscience International, a non-profit organization, and with support from the Government and the Uganda Agribusiness Alliance, the project improved inspection and certification procedures, using a public-private partnership approach, to achieve better controls and traceability.

As a result, interceptions of products due to SPS concerns have declined. Interceptions relating to false codling moth on chillies, for example, have dropped by over 90 per cent since 2018, improving agricultural traders' access to foreign markets. Over 1,400 public and private sector stakeholders have improved their awareness of phytosanitary measures.

The project has also encouraged private sector development, contributing to a rise in the number of horticultural exporting companies. It has also catalysed additional EU assistance of US\$ 8 million to help regulators and farmers tackle other challenges related to pesticide residues.

Source

Standards and Trade Development Facility (STDF).



Our year

An aerial photograph of a red fishing boat on a body of water. The boat is filled with fishing gear, including large coils of rope and several baskets. Four fishermen wearing blue shirts and conical hats are visible on the boat, handling a large green net that is partially submerged in the water. The water has a yellowish-green hue.

- The 12th Ministerial Conference (MC12) in June 2022 resulted in a series of important outcomes, including decisions on an emergency response to the food crisis and the COVID-19 pandemic and a ground-breaking agreement on curbing harmful fisheries subsidies.
- Following MC12, members focused on implementing outcomes and on how to approach areas such as agriculture, WTO reform and a second wave of negotiations on fisheries subsidies.
- DG Okonjo-Iweala urged members to find solutions wherever they can, especially in topics such as green technologies, services, digital commerce and inclusiveness.
- In December 2022, the General Council agreed that MC13 will be held in Abu Dhabi (United Arab Emirates) in February 2024.



Trade negotiations and discussions

Intensive negotiations in the run-up to the 12th Ministerial Conference (MC12) in June 2022 culminated in a series of important outcomes at MC12. These included decisions on an emergency response to the food crisis and the COVID-19 pandemic and a ground-breaking agreement on curbing harmful fisheries subsidies, the first WTO agreement to have an environmental objective at its core.

To build on the success at MC12, DG Okonjo-Iweala convened retreats on fisheries subsidies and agriculture later in the year, providing opportunities for members to reflect on the way forward.

The retreat on fisheries subsidies focused on how to approach a second wave of negotiations while the agriculture retreat considered fresh approaches to the talks to try to overcome entrenched differences. At a meeting on WTO reform, members emphasized the importance of the reform process and the need in particular for a resolution of the issues surrounding the dispute settlement system.

In December, the General Council agreed that MC13 will be held in Abu Dhabi (United Arab Emirates) in the week of 26 February 2024 and that MC14 will be hosted by Cameroon at a date to be determined.

The DG underlined the need to ensure the benefits of trade are felt by all. She urged members to avoid divisive debates and to find solutions wherever they can, especially in areas such as green technologies, services, digital commerce and inclusiveness.

See pages 48-73.



MC12
produced a series of important outcomes in areas such as health, food security and fishing subsidies



MC13
United Arab Emirates will host MC13 in February 2024

Fishermen in Quang Ngai, Viet Nam.



Implementation of WTO agreements and trade monitoring

The General Council continued to be an important forum for WTO members to raise trade concerns, including on the WTO response to the COVID-19 pandemic and the consequences of the war in Ukraine.

Following the 12th Ministerial Conference (MC12), the General Council began to review progress in implementing MC12 outcomes, in particular on WTO reform, the waiver decision on COVID-19 vaccines and work on e-commerce.

Together with the Director-General and the chairs of WTO councils and committees, the General Council Chair took steps to advance work on the reform process, including in areas such as dispute settlement, with the aim of achieving concrete milestones by MC13.

On e-commerce, key issues raised by members included the need to bridge the digital divide, the importance of an adequate legal and regulatory framework, and the benefits of sharing best practices.

The Agriculture Committee launched a work programme to address the food security concerns of vulnerable economies.

WTO members remained divided on whether to extend the MC12 decision on COVID-19 vaccines to diagnostics and therapeutics, with the General Council agreeing to extend the deadline for reaching a decision.

Following up on a declaration adopted at MC12, the Agriculture Committee launched a work programme to address the food security concerns of vulnerable economies.

The WTO's latest trade monitoring report revealed that members introduced trade restrictions at an increased pace between October 2021 and October 2022, in particular regarding exports, at a time of economic uncertainty exacerbated by the COVID-19 pandemic, the war in Ukraine and the food security crisis. However, some of these export restrictions were in place for only a short period of time.

See pages 74-131.

Dispute settlement

WTO members filed in 2022 eight requests for consultations, the first stage in the dispute settlement process, compared with nine in 2021. By the end of 2022, a total of 615 disputes had been initiated under the Dispute Settlement Understanding (DSU) since the establishment of the WTO in 1995.

Nine panel reports were circulated in 2022. The Dispute Settlement Body (DSB) adopted two panel reports during this period. Two arbitration decisions and two arbitration awards were circulated during the year. As of the end of December 2022, panel proceedings were ongoing in 18 disputes.

Members continued to put forward proposals on launching the Appellate Body selection process. The latest proposal, circulated in September 2022 by Mexico on behalf of 127 members, was considered by the DSB at its meetings up to end-2022. However, in the absence of consensus, all seven positions on the Appellate Body remained vacant and no appeals could be heard.

One notification of appeal was filed in 2022 by Indonesia. As of 31 December 2022, appeals in 25 disputes were pending before the Appellate Body.

At the 12th Ministerial Conference in June 2022, ministers agreed to talks on addressing concerns with respect to the dispute settlement system, with a view to securing a fully functioning system by 2024.

See pages 132-135.

Dr Athaliah Molokomme chaired the Dispute Settlement Body in 2022.



Supporting development and building trade capacity

The Committee on Trade and Development discussed initiatives to boost developing economies' integration into the global trading system. The share of least-developed countries (LDCs) in global merchandise exports remained unchanged – at 0.93 per cent in 2021 – while their share in world commercial services exports declined to 0.49 per cent, from 0.53 per cent in 2020.

Disbursements under the WTO-led Aid for Trade initiative, which seeks to help developing economies and LDCs benefit from trade, rose to US\$ 48.7 billion in 2020, up from US\$ 47.2 billion in 2019. The Aid for Trade Global Review in July brought together over 1,000 participants, with the event focusing on how to help developing economies and LDCs build resilience to ensure sustainable development.

As of end-2022, projects worth US\$ 90 million were supported by the Enhanced Integrated Framework (EIF), a multilateral partnership

dedicated to assisting LDCs use trade as an engine for growth. The EIF has supported over 16,000 micro, small and medium-sized enterprises in LDCs since 2010.

The Standards and Trade Development Facility, a global partnership helping developing economies meet international standards for food and plant trade, approved US\$ 7 million for projects in 2022, up from US\$ 3.6 million in 2021.

Approximately 5,500 government officials participated in training activities organized by the WTO to improve understanding about the multilateral trading system – a one-third increase on 2021.

In December, the WTO hosted the inaugural World Trade Congress on Gender to discuss women's empowerment through trade, bringing together over 80 speakers for the three-day event.

See pages 136-151.



US\$ 48.7bn

Aid for Trade disbursements rose to US\$ 48.7 billion in 2020



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Outreach

The WTO played an active role at the COP27 Climate Summit in Egypt in November. “Trade is the missing part of the puzzle for more ambitious, more effective climate action,” DG Okonjo-Iweala said at the launch of the 2022 World Trade Report, which focused on climate change and international trade.

Alongside the heads of the UN Food and Agriculture Organization, International Monetary Fund, World Bank Group and World Food Programme, the DG called for an urgent response to the food security crisis, noting that 349 million people across 79 economies are acutely food insecure.

At a G20 summit in November, the DG warned against fragmenting the world trading system along geopolitical lines, telling G20 leaders “we need to strengthen trade cooperation, not weaken it”.

The DG and FIFA President Gianni Infantino signed a memorandum of understanding on how international trade and football can stimulate economic growth and social inclusion.

The Prime Minister of Barbados, Mia Mottley, delivered the inaugural Presidential Lecture at the WTO, focusing on reinventing the global order to address the world’s most pressing challenges.

The 2022 Public Forum, under the theme “Ambition to action”, was attended by nearly 1,300 participants.

The DG received in Washington DC the National Foreign Trade Council Foundation’s prestigious World Trade Award, which recognizes outstanding contributions to furthering open trade.

See pages 152-183.



1,300

Approximately 1,300 people attended the 2022 Public Forum

