FOREWORD BY THE WTO DIRECTOR-GENERAL



The mission of the World Trade Organization, as set out in the preamble to its founding Marrakesh Agreement, is to use trade as a means to raise living standards, create jobs and promote sustainable development. As we mark the WTO's 30th anniversary, it is clear that members have used the open and predictable global economy anchored in WTO rules and norms to accelerate growth and development, with enormous positive impacts for human well-being. At the same time, many people and places have not shared adequately in these gains.

This year's edition of the *World Trade Report*, titled "Trade and Inclusiveness: How to make trade work for all", looks at how the world has been transformed through trade – and at how we can use trade and other policies to improve the lives and livelihoods of people who remain on the margins of the global economy.

Perhaps the biggest takeaway from the report is its reaffirmation of trade's transformative role in reducing poverty and creating shared prosperity – contrary to the currently fashionable notion that trade, and institutions like the WTO, have not been good for poverty or for poor countries, and are creating a more unequal world.

But the second biggest takeaway is that there is much more we can do to make trade and the WTO work better for economies and people left behind during the past 30 years of globalization.

The report describes how, over the past three decades, open global markets, underpinned by the WTO, gave rise to a boom in trade, enabling the productivity gains that came with greater specialization, scale and competition. Lower-priced imports lifted household purchasing power, especially at the bottom of the income distribution. As more developing economies reformed at home and tapped into external demand for goods and services, their share in global trade increased sharply. With strong income growth in low- and middle-income economies, the proportion of their populations living in extreme poverty fell from 40 per cent in 1995 to under 11 per cent in 2022. China was only part of this story: take it out of the equation, and the poverty rate in low- and middle-income economies declined from 36 per cent in 1996 to under 14 per cent in 2022. Never before have the living conditions and prospects of so many people improved so rapidly.

During this period, for the first time since the Industrial Revolution two centuries earlier, poor countries began to narrow the per capita income gap with rich ones – until the COVID-19 pandemic halted this convergence by hitting the weakest economies hardest.

Analysis showcased in this report shows that trade policy reforms played an important role in this growth story. Trade cost reductions increased global real GDP by 6.8 per cent between 1995 and 2020 – and by 33 per cent in low-income economies. Economies that took on more reform and liberalization commitments as part of their WTO accession negotiations saw a 1.5 percentage point boost to their annual growth rates, and also attracted more capital investment.

And yet many poor countries, particularly in Africa, Latin America and the Middle East, remained on the margins of global trade, and were lagging behind on income convergence even before the pandemic.

In some rich countries, many people felt left behind, unable to benefit from new opportunities – and their frustration fuelled a political backlash against international trade.

This report looks in detail at the various factors that have held back individuals, firms and economies from capitalizing on, and adjusting to, international trade. These range from high trade costs that constrain countries' access to foreign markets or cheap inputs, to the mobility and information frictions, skill mismatches and limited access to finance that, too often, prevent people from seizing new opportunities.

The report finds that trade is part of the solution to making the global economy more inclusive – but also that trade policy alone is insufficient to achieve this goal.

Protectionism, the report demonstrates, is not an effective path to inclusiveness: restricting trade is typically an expensive way to protect jobs for specific groups within society, and can raise production costs, while inviting costly retaliation from disgruntled trading partners.

A more promising path towards a global economy that works for everyone lies in what we at the WTO have been calling "re-globalization" – bringing more economies and communities from the margins to the mainstream of the global economy by helping them attract more trade-oriented investment. Fast-growing trade in digitally-delivered services and environmental goods offer exciting opportunities, with digital trade in particular lowering the bar for enabling underrepresented economies, small businesses and women entrepreneurs to connect to international markets. In an era when global supply chains have exhibited some vulnerabilities, deconcentrating and diversifying them to business-friendly but underrepresented regions and economies can be part of fostering inclusiveness, while also building global resilience.

The WTO remains a cornerstone for international trade cooperation, and new and prospective rules in areas such as investment facilitation for development, services domestic regulation and digital trade promise to advance the re-globalization process. But a key finding of this report is that rules for open and simplified trade are not enough to support inclusiveness between and within economies – they need to be complemented with other policies at the domestic and international levels.

For example, while global rules for digital trade at the WTO would create new commercial opportunities in the sector, extending the reach of those opportunities to everyone who could benefit would require action to close the digital divide, with investments in digital connectivity, infrastructure and digital skills, as well as in creating an enabling legal and regulatory environment.

More broadly, countries need to act to ensure that as many of their citizens as possible can benefit from the opportunities created by open and rules-based international markets – or are, at least, cushioned against the downsides of economic change, whether these are due to technological change or to increased import competition. This means investing in education and infrastructure, maintaining an appropriate competitive environment, implementing effective adjustment and redistribution policies including active and passive labour market support, avoiding a race to the bottom on taxation, and so forth.

The report makes the case that enhanced coherence across international organizations would magnify their collective impact on inclusiveness. At the WTO, we recognize these interlinkages, and have been working with partner international organizations to this end. For instance, the WTO and the World Bank have launched the "Digital Trade for Africa" project to support African economies' efforts to build the necessary hard and soft infrastructure to take advantage of digital trade opportunities. The WTO and the International Trade Centre have launched a US$ 50 million global fund for women exporters in the digital economy. Further collaborative efforts could range from simple information exchanges to formal partnerships.

I hope that readers – and especially, policymakers – will take to heart the lessons from this report. Maintaining open and predictable rules-based trade should be part of any country's path to greater inclusiveness. There is no substitute for complementary domestic policies: to make trade work for more people, the wider economy needs to work for everyone. And we need strong and renewed political support for multilateral cooperation to make trade work for all.



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