



## Digest Content

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### Global trade hits record high of \$28.5 trillion in 2021, but likely to be subdued in 2022<sup>1</sup>

All major trading economies saw imports and exports rise above pre-pandemic levels in the fourth quarter of 2021, with trade in goods increasing more strongly in the developing world than in developed countries.

UNCTAD's Global Trade Update<sup>2</sup> published on 17 February shows that in 2021, world trade in goods remained strong and trade in services finally returned to its pre-COVID-19 levels.

"Overall, the value of global trade reached a record level of \$28.5 trillion in 2021," the report says. That's an increase of 25% on 2020 and 13% higher compared to 2019, before the COVID-19 pandemic struck.

While most global trade growth took hold during the first half of 2021, progress continued in the year's second half.

After a relatively slow third quarter, trade growth picked up again in the fourth quarter, when trade in goods increased by almost \$200 billion, achieving a new record of \$5.8 trillion.

Meanwhile, trade in services rose by \$50 billion to reach \$1.6 trillion, just above pre-pandemic levels.

#### ***Greater trade growth in developing countries***

The report shows that in the fourth quarter 2021, all major trading economies saw imports and exports rise well above pre-pandemic levels in 2019.

But trade in goods increased more strongly in the developing world than in developed countries.

Exports of developing countries were about 30% higher than during the same period in 2020, compared with 15% for wealthier nations.

<sup>1</sup> <https://unctad.org/news/global-trade-hits-record-high-285-trillion-2021-likely-be-subdued-2022>

<sup>2</sup> [https://unctad.org/system/files/official-document/ditcinf2022d1\\_en.pdf](https://unctad.org/system/files/official-document/ditcinf2022d1_en.pdf)



The growth was higher in commodity-exporting regions, as commodity prices increased. Moreover, South-South trade growth was above the global average, with a 32% year-on-year increase.

### ***Substantial trade growth in most sectors***

Except transport equipment, all economic sectors saw a substantial year-over-year increase in the value of their trade during the final quarter of 2021.

“High fuel prices are behind the strong increase in the value of trade of the energy sector,” the report says, “Trade growth was also above average for metals and chemicals.”

As a result of the global shortage of semiconductors, trade growth in communication equipment, road vehicles and precision instruments was subdued.

### ***Forecasts for 2022***

The UNCTAD report indicates that trade growth will slow during the first quarter of 2022.

Positive growth rates are expected for both trade in goods and services, albeit only marginally, keeping trade values at levels similar to the last three months of 2021.

“The positive trend for international trade in 2021 was largely the result of increases in commodity prices, subsiding pandemic restrictions and a strong recovery in demand due to economic stimulus packages,” the report says.

“As these trends are likely to abate, international trade trends are expected to normalize during 2022.”

### ***Factors set to shape 2022 world trade***

Trade growth in 2022 is likely to be lower than expected, given the macroeconomic trends.

The International Monetary Fund has revised its world economic growth forecast downwards by 0.5 points, the report notes, considering persistent inflation in the United States and concerns related to China’s real estate sector.

It also points to ongoing logistic disruptions and rising energy prices, saying that “efforts to shorten supply chains and to diversify suppliers could affect global trade patterns during 2022.”

On trade flows, the report projects the trend of regionalization to increase because of various trade agreements and regional initiatives, as well as “increasing reliance of geographically closer suppliers.”

Moreover, trade patterns in 2022 are expected to reflect the increasing global demand for products that are environmentally sustainable.

The report also flags the record levels of global debt, warning that concerns over debt sustainability are likely to intensify due to mounting inflationary pressures.

“A significant tightening of financial conditions would heighten pressure on the most highly indebted governments, amplifying vulnerabilities and negatively affecting investments and international trade flows,” the report cautions.



### WTO members look at how trade can help LDCs recover from COVID-19<sup>3</sup>

WTO members noted the sharp decline in least-developed countries' (LDCs) participation in world trade since the outbreak of the COVID-19 pandemic at a meeting of the Sub-Committee on LDCs on 16 February.

The WTO Secretariat presented the latest trends in trade in goods and services for LDCs, noting that the COVID-19 pandemic caused a 35 per cent decline in LDC services exports and a 12 per cent decline in their exports of goods in 2020. LDC exports of goods and commercial services declined more sharply than the world average, falling from a 0.96 per cent world share in 2019 to 0.91 per cent in 2020.

Speaking on behalf of the WTO's LDC Group, Chad expressed concerns over LDCs' dwindling share in world trade. The delegation noted that the target of the Istanbul Programme of Action of doubling their share in global exports by 2020 has not been met and that the pandemic has reversed the economic progress achieved during the previous ten years. Chad called on development partners to provide support to help LDCs recover from the pandemic and build resilient economies.

Several LDCs called on WTO members to reinforce the use of WTO tools to strengthen LDCs' role in global trade, including reinforcing steps to facilitate market access for their goods and services, and addressing non-tariff barriers, including sanitary and phytosanitary measures and rules of origin. LDCs also called on members to ensure that they can continue to meet their trade and development objectives after they graduate from LDC status.

Several WTO members updated the Committee on work to improve LDCs' integration into the world trading system, including through preference programmes, aid for trade assistance and targeted capacity-building initiatives.

Highlighting the need to further invest in digital infrastructure in LDCs, the World Bank outlined its projects on digital infrastructure, digital trade governance and digital payments. The World Bank also pointed to the Bali Fintech Agenda, which lists 12 policy recommendations to help developing countries tap into the benefits that financial technology can bring to banking services. The LDCs stressed that assistance in addressing digital shortfalls - regarding broadband connectivity, digital trade platforms and e-commerce strategies, for example - would help them further integrate into global trade. They also requested support on data protection and cybersecurity.

The WTO's Institute for Training and Technical Cooperation encouraged LDCs to continue their requests for technical assistance activities and reported that 80 national, regional and global capacity-building activities for developing countries were carried out in 2021. LDCs accounted for 30 per cent of e-learning courses in 2021. The objective was to ensure that trade-related technical assistance continued to be available to government officials from WTO members and observers despite the pandemic. The LDCs underlined the

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<sup>3</sup> [https://www.wto.org/english/news\\_e/news22\\_e/ldevc\\_18feb22\\_e.htm](https://www.wto.org/english/news_e/news22_e/ldevc_18feb22_e.htm)



importance of WTO technical assistance to effectively participate in the multilateral trading system and stressed that lack of internet access and availability of electricity continue to hinder their ability to fully benefit from virtual activities.

### **U.S. safeguard measures on import of Large Residential Washers and some parts of them from Korea<sup>4</sup>**

On May 14, 2018, Korea requested U.S. consultation on safeguard measures on imports of Korean Large Residential Washers. According to the Korean representativeness, the U.S. measures are contrary to the provisions of the WTO Agreement on Special Safeguard Measures and the GATT 1994. On May 25, 2018 Thailand said that the country would like joining the dispute.

A panel to review the issue was formed on July 1, 2019. A report prepared by the panel was send on February 8, 2022. According its review of the issue, the panel concluded that the U.S. authority had acted in violation of WTO agreements. The panel concluded that the U.S. authority acted in violation of Article XIX: 1(a) of the GATT 1994 and Articles 2.1, 3.1, 4.1(c), 4.2(a), 4.2(b), 8.1 and 12.3 of the Agreement on Safeguard Measures.

### **China's government procurement within the US report “2021 Report to Congress on China’s WTO Compliance”**

February 16, 2022 the Office of the United States Trade Representative released<sup>5</sup> its annual “2021 Report to Congress on China’s WTO Compliance,” laying out the Biden Administration’s assessment of China’s membership in the World Trade Organization.

As part of this Report, the United States reports that, in its WTO Accession Agreement, China made a commitment to accede to the WTO Agreement on Government Procurement (GPA) and to open up its vast government procurement market to the United States and other GPA parties. To date, however, the United States, the EU and other GPA parties have viewed China’s offers as highly disappointing in scope and coverage. China submitted its sixth revised offer in October 2019. This offer showed progress in a number of areas, including thresholds, coverage at the sub-central level of government, entity coverage and services coverage. Nonetheless, it fell short of U.S. expectations and remains far from acceptable to the United States and other GPA parties as significant deficiencies remain in a number of critical areas, including thresholds, entity coverage, services coverage and exclusions. Although China has since stated that it will “speed up the process of joining” the GPA, it has not submitted a new offer since October 2019. China’s most recent submission,

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<sup>4</sup> [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds546\\_e.htm#bkmk546r](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds546_e.htm#bkmk546r)

<sup>5</sup> <https://ustr.gov/sites/default/files/enforcement/WTO/2021%20USTR%20Report%20to%20Congress%20on%20China's%20WTO%20Compliance.pdf>



made in June 2021, was only an update of its checklist of issues, which informs GPA parties of changes to China's existing government procurement regime since its last update.

Under both its government procurement regime and its tendering and bidding regime, China continues to implement policies favoring products, services and technologies made or developed by Chinese-owned and Chinese-controlled companies through explicit and implicit requirements that hamper foreign companies from fairly competing in China. For example, notwithstanding China's commitment to equal treatment, foreign companies continue to report cases in which "domestic brands" and "indigenous designs" are required in tendering documents. China also has proposed but has not yet adopted clear rules on what constitutes a domestic product. As a result, there are no specific metrics, such as a percentage of value-added within China, for foreign products to qualify for many procurements and tenders, which often works to the disadvantage of foreign companies.

China's Foreign Investment Law, which entered into force in January 2020, and a related October 2021 Ministry of Finance measure state that China will provide equal treatment to foreign companies invested in China and to domestic Chinese companies with regard to government procurement opportunities. However, it is not yet clear how these measures may be impacting government procurement in China.