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Statement by Mr. Azevêdo World Trade Organization

IMF COMMITTEE OF GOVERNORS, 14 October 2017 Roberto Azevêdo, Director-General of the WTO

The WTO has upgraded its trade forecast for 2017 in view of stronger-than-expected trade growth in the first half of the year, and more robust economic growth generally. Merchandise trade growth is estimated to reach 3.6% for the year, which would mark a substantial improvement from the modest 1.3% increase recorded in 2016. Import demand is up in particular in China, the United States and the European Union, helping spur growth globally given their location in global supply chains. Economic cycles have become also more synchronized across the world, resulting in self-reinforcing effects on the demand for tradable goods.

While the expansion of global trade in the last four years was close to that of real economic growth, the WTO does not foresee for the time being a return to trends of the 2000s, when real trade growth outpaced real GDP growth by a factor of two. Due largely to changing economic models, notably in Asia, from very trade-intensive (investment and exports) to more consumption-based (private consumption and government expenditure), the ratio seems to be returning to longer-term historical levels of around 1.4.

The improved outlook for trade is welcome news, but there are a number of downside risks threatening the world economy and the recovery of world trade. Economic factors include the expected tightening of monetary policy in developing nations and the reining in of easy credit and fiscal expansion in large emerging market economies. Other risks include the possibility that protectionist rhetoric translates into trade restrictive actions. To date, the multilateral trading system has performed well its task of keeping such actions in check. WTO monitoring shows that trade restrictions imposed by the G20 economies since the financial crisis cover less than 5% of world trade.

More generally, the economic insecurities felt by the middle-class in some countries must be responded to. The joint IMF-WTO-World Bank publication of April this year entitled "Making trade an engine of growth for all" was an important contribution to this discussion, underlining the need to for tailored, country-specific policies to help workforces to adjust to economic change, brought by factors such as trade but predominantly by technological progress. Erecting new barriers to trade would not help workers to adjust; rather it would risk harming growth and development around the world.

A strong, rules-based multilateral trading system – as embodied in the WTO – provides the necessary stability and predictability for global commerce to function smoothly and play its full role in supporting economic growth and development. But the system can be continually strengthen and improved. Since 2013, WTO negotiating successes have delivered a number of important reforms. Breakthroughs include the Trade Facilitation Agreement, the agreement to eliminate agricultural export subsidies, and a series of steps to support our least-developed members. In addition, a group of members struck a deal to expand the Information Technology Agreement, thereby eliminating tariffs on a wide-range of information technology products.

WTO members are looking to make further progress at their next Ministerial Conference, which is due to take place in Buenos Aires in December this year. Precisely how much can be achieved will be determined by Members' discussions over the coming weeks. The multilateral trading system offers not only market opportunities for its participants, but also stability in trade relations. We should strive to ensure that the system is more inclusive – delivering the benefits of trade as far and as wide as possible. I urge ministers to continue strengthening cooperation on global trade issues, working with the WTO.