International Monetary and Financial Committee

Thirty-Fifth Meeting
April 22, 2017

IMFC Statement by Roberto Azevêdo
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IMF COMMITTEE OF GOVERNORS, 22 April 2017
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In 2016, global trade growth, at 1.3%, hit its lowest level since the financial crisis. Trade growth fell below GDP growth for the first time in 15 years. While 2017 does look slightly more promising (with trade growth forecast at 2.4%), the rate of expansion continues to hover close to the rate of real economic growth. The biggest factor for slowing trade is a weakness in usually trade-intensive elements of aggregate demand, investment and exports. With changing growth models, from trade-intensive (investment and exports) to less trade intensive (consumption and government expenditure), emerging market countries are contributing less to the global expansion of commerce. But the weakness of fixed investment in developed countries also plays an important role, and is worrying in the medium term.

Weak global demand can trigger demand for increased restrictions on trade. Moreover, some of the economic insecurities felt by the middle-class are attributed to globalization. While trade can cause job displacements, the effect should not be overstated. Technology and innovation are having a much bigger impact on the structure of labour than trade. Many jobs in developed and developing countries are at risk of automation. Like trade, technological progress is important for growth and development. The concerns of affected communities must be heard and addressed through a range of domestic policies. But at the same time we should recognise that erecting new barriers to trade would not solve these challenges; in fact it would make them worse. Protectionism reduces consumer purchasing power, discourages innovation and harms the competitiveness of domestic firms.

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. It also provides an important backstop against protectionism. In the crisis of the 1930s, an escalation of protectionist measures wiped out two-thirds of global trade. In the crisis of 2008, this was not repeated. The share of world imports covered by import-restrictive measures implemented since October 2008 and still in place is just 5%.

Delivering reforms of the trading system can provide a further boost to growth and development. On this front the WTO has seen a number of notable successes in recent years. For example, the WTO's Trade Facilitation Agreement (which entered into force in early 2017) could reduce trade costs by an average of 14.3%. In 2015, an agreement was struck to abolish agricultural export subsidies. This was the biggest reform of agriculture trade in 20 years. In addition, also in 2015, a group of WTO members agreed to eliminate tariffs on a wide range of new generation information technology products, trade in which is worth over US$1 trillion per annum. These are significant reforms but of course this is much more to do. WTO members are looking to make further progress at the next WTO 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 months.

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.