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WORLD TRADE ORGANIZATION

IMFC

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Mr. Chairperson

The global economic picture remains one marked by turbulence. Growth rates remain sluggish and global unemployment still remains far too high. New threats to food security are growing and questions about how to effectively address climate change remain.

In the area of trade, the WTO has recently revised downwards its predictions for trade growth in volume for 2012 from the Spring forecast of 3.7 per cent growth to 2.5 per cent-which is a more than the expected downgrade. In 2012 trade growth in volume will fall below real GDP growth in 2012 which reflects the combination of some expected global rebalancing between external and domestic demand and the strong impact of the EU slowdown on trade. EU trade (intra and extra) still accounts for more than a third of world trade – with intra trade accounting for 70% of it. With the EU and US accounting for 50% of trade, more than their share in world GDP, there is a risk that emerging countries are being hit more than expected.

Trade is the transmission belt of cycles, in upswings and downswings, with some magnifying effects in a world of global production sharing. In the big trade collapse, we all underestimated the contraction of trade and output on emerging economies because we have limited understanding of micro and macro consequences of global supply-chains. Work on the micro part, specifically on the Made in the World Initiative, is proceeding as the WTO is working with national and international institutions such as UNCTAD, the OECD, the World Bank, networks of academics and statisticians to develop trade statistics that better reflect the reality of trade today and its focus on trade in tasks. We expect the first batch of numbers on trade in value added to appear at the end of the year.

With tighter foreign markets, competition is fiercer and trade tensions are building up. The WTO has a role to play to deflect this but should countries be affected more than anticipated, the pressure on them to take protectionist measures will and are increasing. Slower growth also reveals structural and competitiveness weaknesses in some countries and some have resorted or are resorting to tariff hikes as evidenced by the WTO/UNCTAD/OECD G-20 Monitoring report. I believe the IMF has also a role to play to advise that this might not be the first-best policy to address structural issues.

When these actions are examined alongside the currency debate which had been discussed in a workshop in the WTO earlier this year, it is clear that the underlying debate is not only about trade, but about lack of coordinated macroeconomic policies. I would see the advantages in the IMF being more present in this debate.

Finally, in the current circumstances and in view of the deleveraging taking place in a number of financial institutions I believe it is important to pay attention to the availability and affordability of trade finance. I also believe it is worth pursuing a dialogue with the Basel regulators to ensure that the much needed financial regulation does not unintentionally have a negative impact on trade finance, especially for poor developing countries.