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IMF COMMITTEE OF GOVERNORS – Mr Yi Xioazhun, Deputy Director-General of the WTO

For 50 years, trade grew on average at almost twice the rate of gross domestic product, but over the past decade its growth rate has declined. This has led to the suggestion that the increase in trade's share of world GDP -- around 30% today -- is reaching its maximum level.

Indeed, 2015 is likely to mark the fourth consecutive year of below-average trade growth. However, a closer look at the reasons behind these figures shows that fears of a decline in trade's power to drive global growth are largely unjustified.

Some have argued that the change in trade growth is due to structural factors. For example, the rapid spread of production chains across borders that began in the 1990s appears to be decelerating. Similarly, the gains from containerization and new communications technology, both of which have reduced the cost of trade and facilitated its expansion, are stabilizing. I do not deny that such structural shifts can be part of the picture. But by far, this is not the only part.

There are also major cyclical factors. In recent years, demand has been dampened by slow growth or recession in the U.S. and European Union, notably in the period 2010-13, the continued sluggish performance of Japan and now the moderation of growth in emerging economies. The EU is a particularly important driver of cyclical developments. It accounts for a third of world trade, but only a quarter of GDP, so any slowdown in Europe automatically has a more pronounced impact on trade. Europe's recession has therefore had a more important impact on global trade than it had on global GDP.

It is also possible that our methods of measuring trade need to be updated. Trade in software and services is not fully captured statistically so growth in these areas, which is quite obvious to everyone from someone using a mobile phone to send money in Mombasa to the Uber customer in London, is not fully reflected in the statistics on trade in services. There is also the question of how to measure trade in manufacturing components. Should they be counted every time they cross a border, or should the value they add to the final product be captured just once? It is clear that double-counting doesn't reflect the real contribution that trade provides to global growth. We are working with other international organizations to improve this analysis, in the context of the "trade in value-added" project.

Given these factors, any talk of "peak trade" is quite premature. But let us not be too complacent. The 35-fold expansion of global trade since the 1950's is of course not unrelated to the reduction of tariffs negotiated through the multilateral trading system, from 40% to 4%. Other important trade barriers remain, in agriculture, in services, behind the border. Here, policy-makers have the power to act on the conditions that can boost trade further. This is also important for the world economy's growth path, as the room for manoeuver on macroeconomic policies has already been used quite extensively. Interest rates are at historic lows, and the fiscal stance in most countries is either neutral or on the consolidation side. Trade's is a strong potential stimulant of global demand.

Some positive steps have been taken. WTO members struck a historic deal in Bali in 2013 that will dramatically cut trade costs and deliver an economic boost of up to $1 trillion annually. Negotiators are also working to expand the WTO's

Information Technology Agreement and liberalize trade in environmental goods, and many countries are pursuing regional trade agreements. All these efforts are very welcome, but we need to be more ambitious. The last major global trade agreement is now 20 years old. Global deals deliver far more than any other approach. Rather than simply deepening existing trade connections, multilateral reforms allow new trading relationships to be established. Moreover, evidence shows that bringing developing countries into the world economy in a fair and progressive way is the best way to foster development and maximize the contribution of trade to global growth.

Hence, new agreements on trade in agricultural produce, industrial goods and services could lower barriers to business and sharply reduce longstanding distortions in the trading system, thereby supporting growth and development around the world. The WTO's Bali deal provided momentum to our broader global trade talks. Our next major negotiating meeting is in December in Nairobi, the first such meeting ever held in Africa. Instead of talking about trade's capacity to leverage growth as mere observers, we should recognize that we can take control, and that this may be the policy option for which we have long been searching.