



International Monetary and Financial Committee

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**IMFC Statement by Yi Xioazhun
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New WTO trade forecasts show that real trade growth remain slow – they are roughly in line with global output and well below the average of the two previous decades. However, the WTO projects trade expansion of a little less than 3% in real terms, not a contraction. This should not be confused with the decline of trade in value terms observed in 2015, which reflects prices and exchange rates fluctuations, not fewer goods moving across the borders.

The slow-down in trade growth is primarily the result of slower aggregate demand and off-setting business cycles. Two years ago, emerging market economies' GDP and income growth was boosting global trade, offsetting the negative trade effects of the euro-zone recession. The recovery of import demand in the euro-zone is currently offsetting part of the slump in Asia's trade flows. The composition of global trade is also playing a role: the share of manufacturing goods (70% of the total) in trade is higher than the share of manufacturing in global GDP (somewhat more than 20% of GDP). Limited recessions of manufacturing activity have disproportionate effects on trade.

These complex movements may lead to misconceptions in the public debate: the world economy may be readjusting towards less globalization. Our data indicates the contrary; trade in intermediates, such as parts and components, is not declining as a share of global trade. The patterns of trade are not really changing, just the scale of growth. Even as some emerging market economies try to move up the value chain and export products with more value-added (which could be seen as decreasing global trade), elements of production which were previously concentrated in these countries are shifting to other markets.

The process of value chains is a dynamic one. It offers opportunity to new "frontier" countries to integrate into global trade by attracting tasks and production that is reallocated according to changes in comparative advantage.

Policy-makers can help this process of reallocation. One thing would be to liberalize trade multilaterally. No one can say exactly where the next burst of globalization will take place. At least, multilateral liberalization contributes to creating a "policy level-playing field". Also, trade costs in developing countries and distortions preventing their exports must be reduced.

This is what the WTO is meaning to do by ratifying and implementing the WTO Trade Facilitation Agreement (TFA), eliminating tariffs on a broad range of technology products and inputs, and by removing farm export subsidies. Other trade barriers need to be addressed to allow more developing countries to participate in production networks and help them recover some of the dynamism that supported world trade and output growth following the financial crisis. Further trade liberalization will also contribute to productivity improvements in developed countries and raise their long-run growth prospects.

I urge ministers to continue to give a high priority to multilateral trade negotiations and to voice their support for WTO agreements and negotiations.

Thank you for your attention.