WORLD TRADE ORGANIZATION
ORGANISATION MONDIALE DU COMMERCE
ORGANIZACIÓN MUNDIAL DEL COMERCIO

Perspektiven für den globalen Handel

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* This presentation has been prepared to assist public understanding of the issue. It must not be associated with the WTO or its Members and is without prejudice to the positions of WTO Members and to their rights and obligations under the WTO.

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Current situation and future scenarios

Trade, growth and development

Policy implications

World Trade Organization
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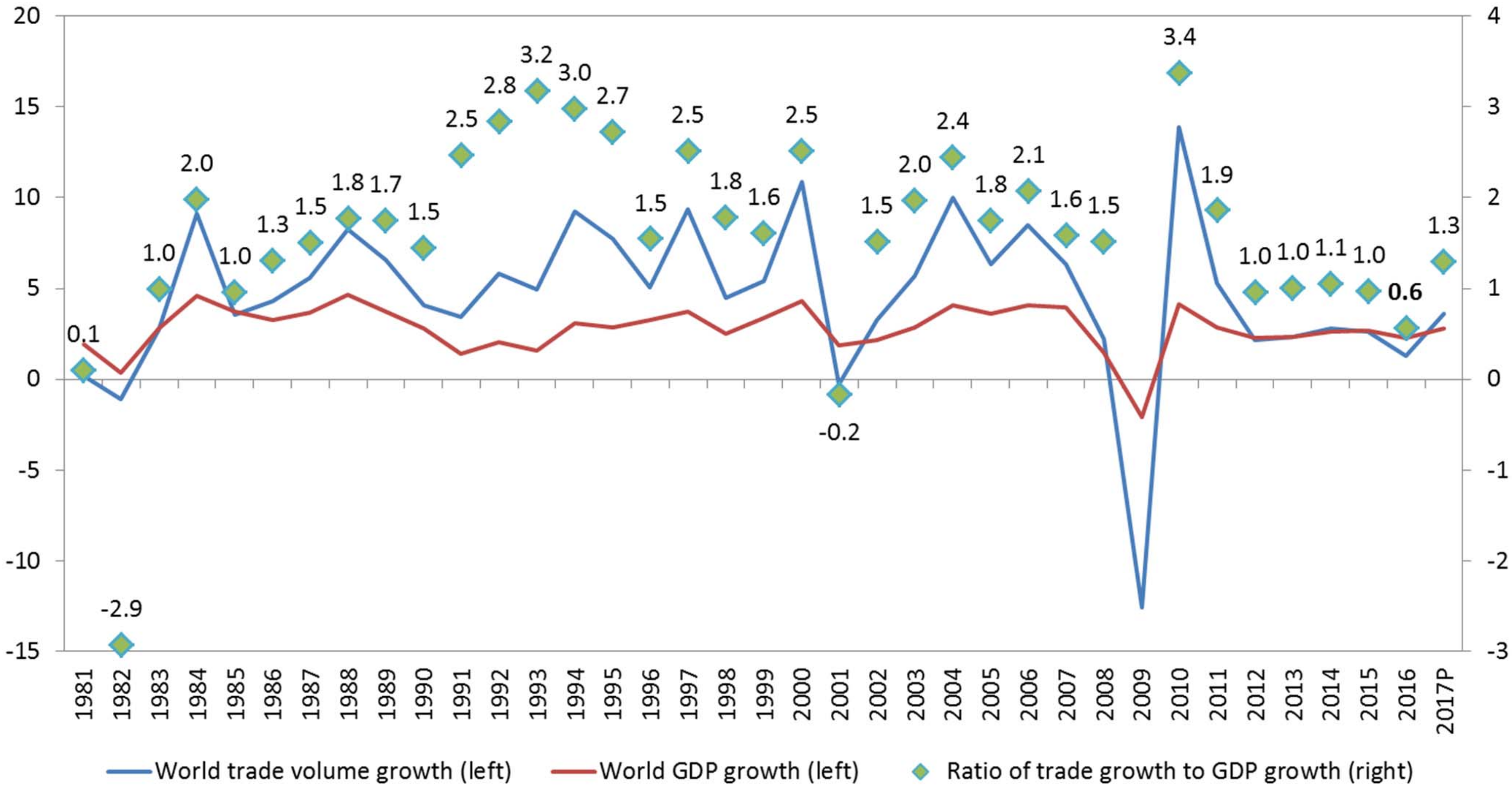
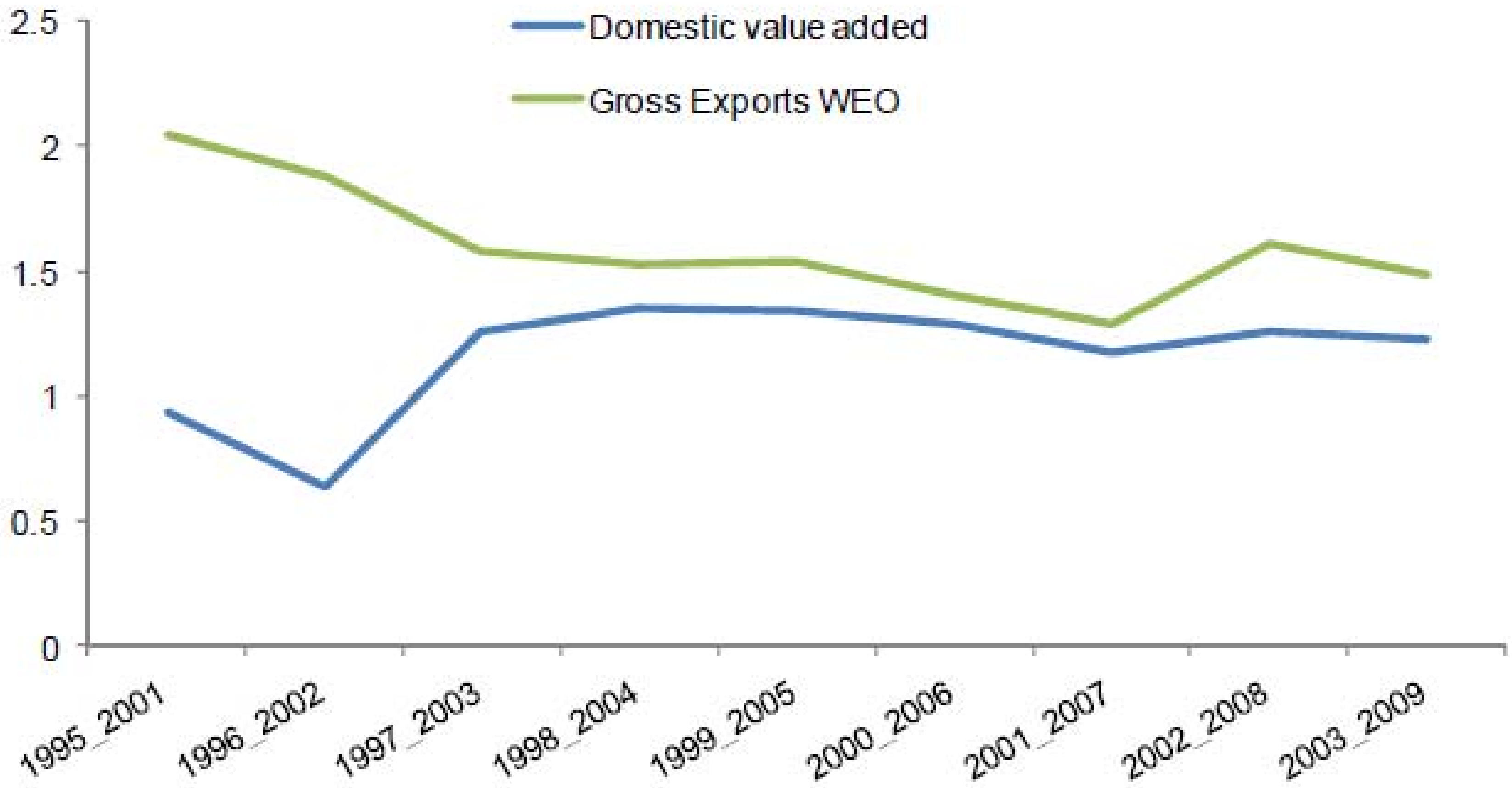
Current situation and future scenarios

Ratio: merchandise trade volume growth to real GDP growth, world, 1981-2017



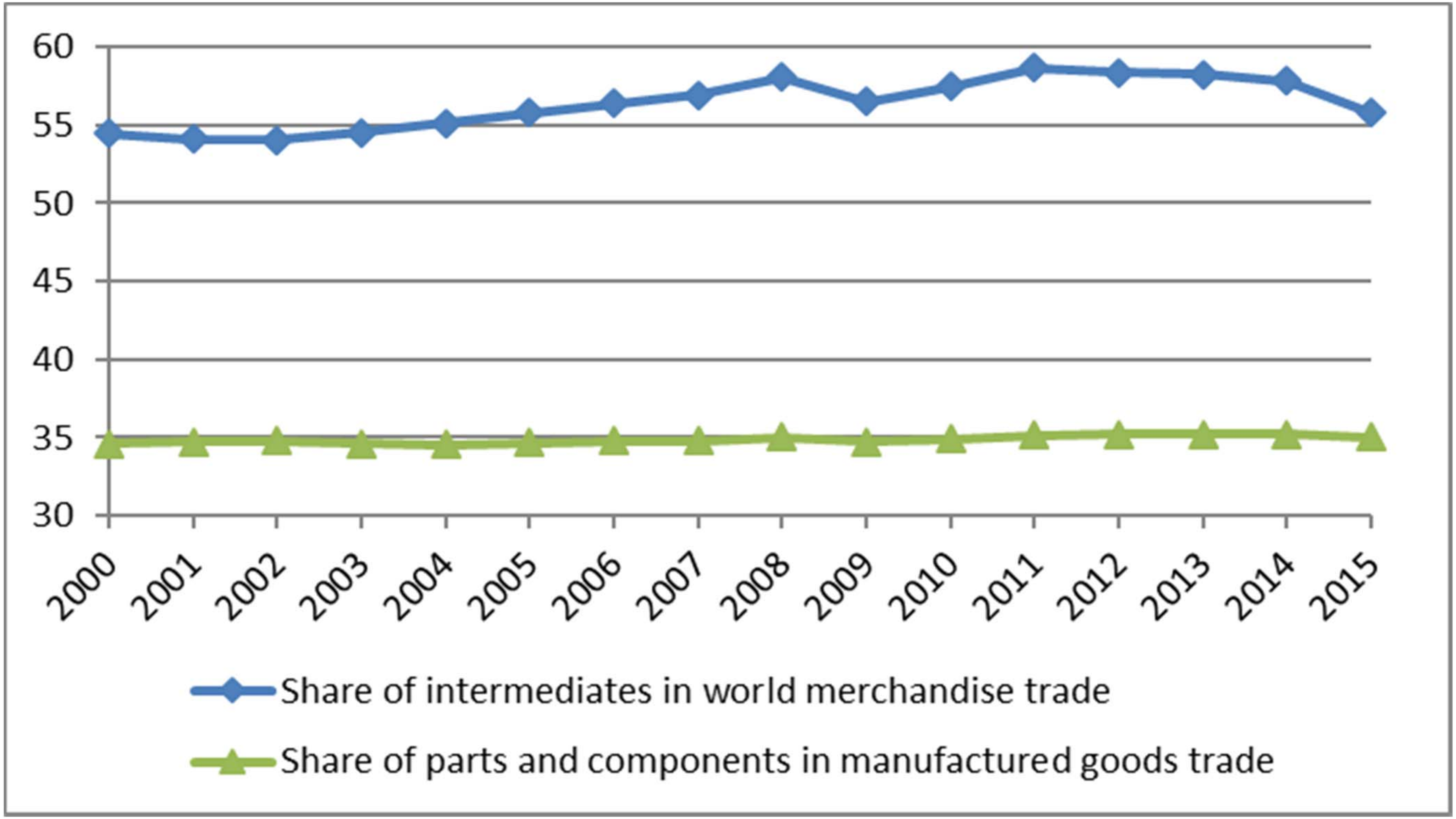
Source: WTO (2017), % change and ratio.

Trade has NOT lost its mojo: Long-run elasticities



Source: IMF WEO, Duval et al. (2014) and OECD-WTO TiVA Database

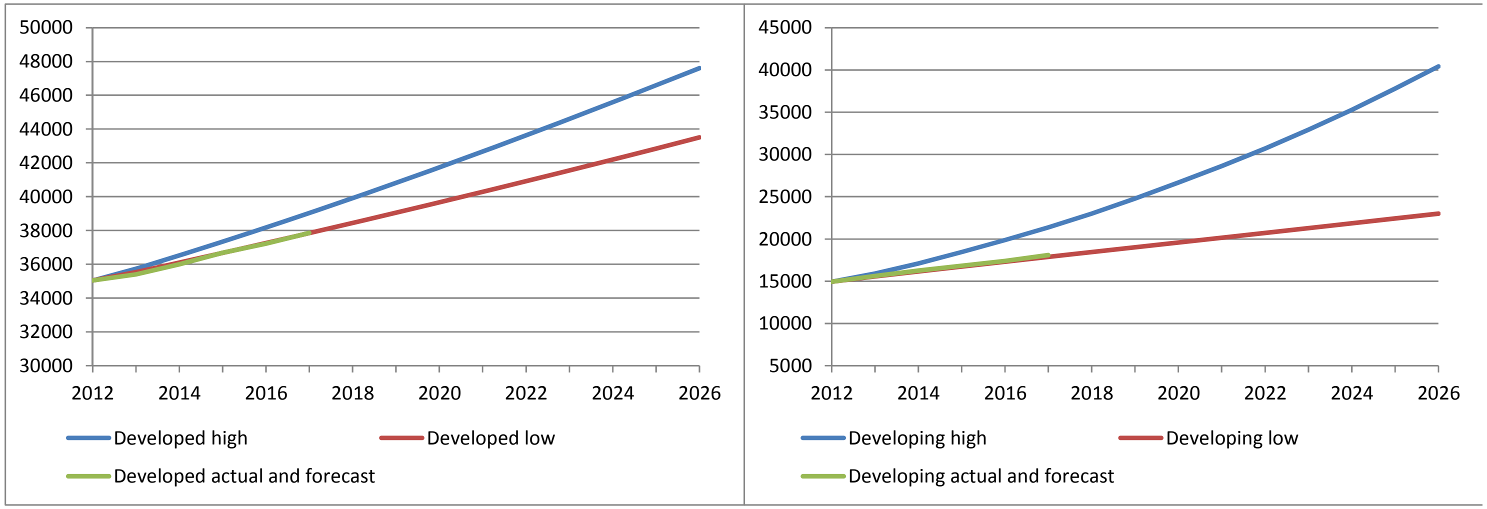
Intermediate goods and parts and components shares in world trade



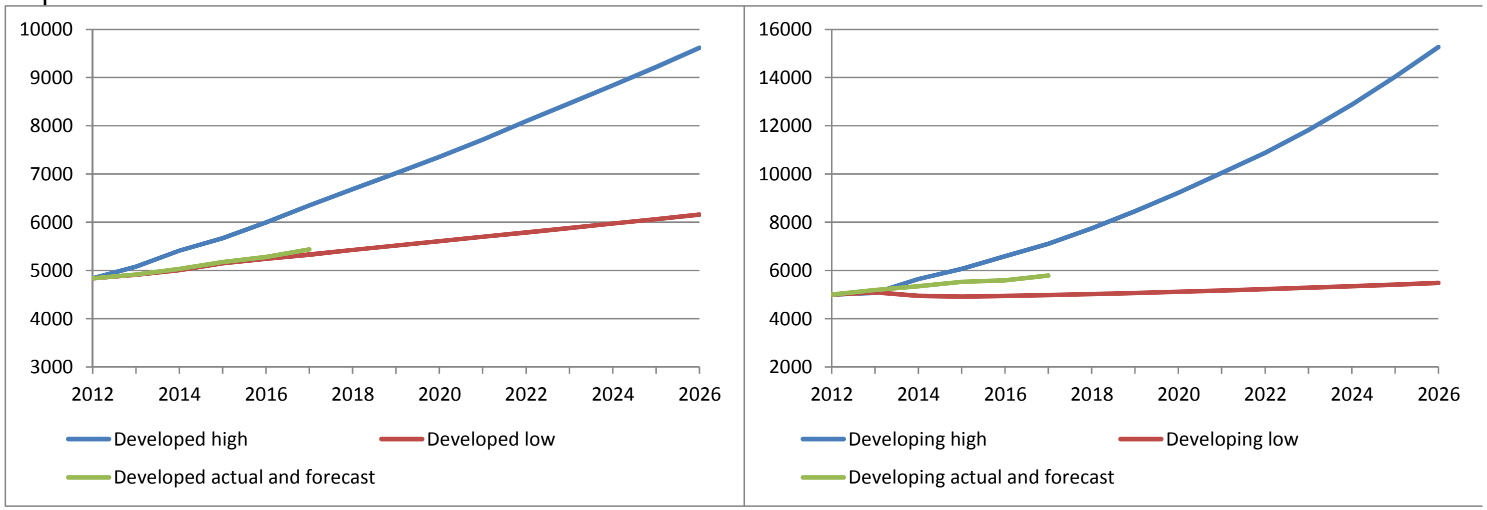
Source: UN Comtrade database for trade, Federal Reserve for US dollar effective exchange rates.

Projected GDP and exports 2012-26

GDP



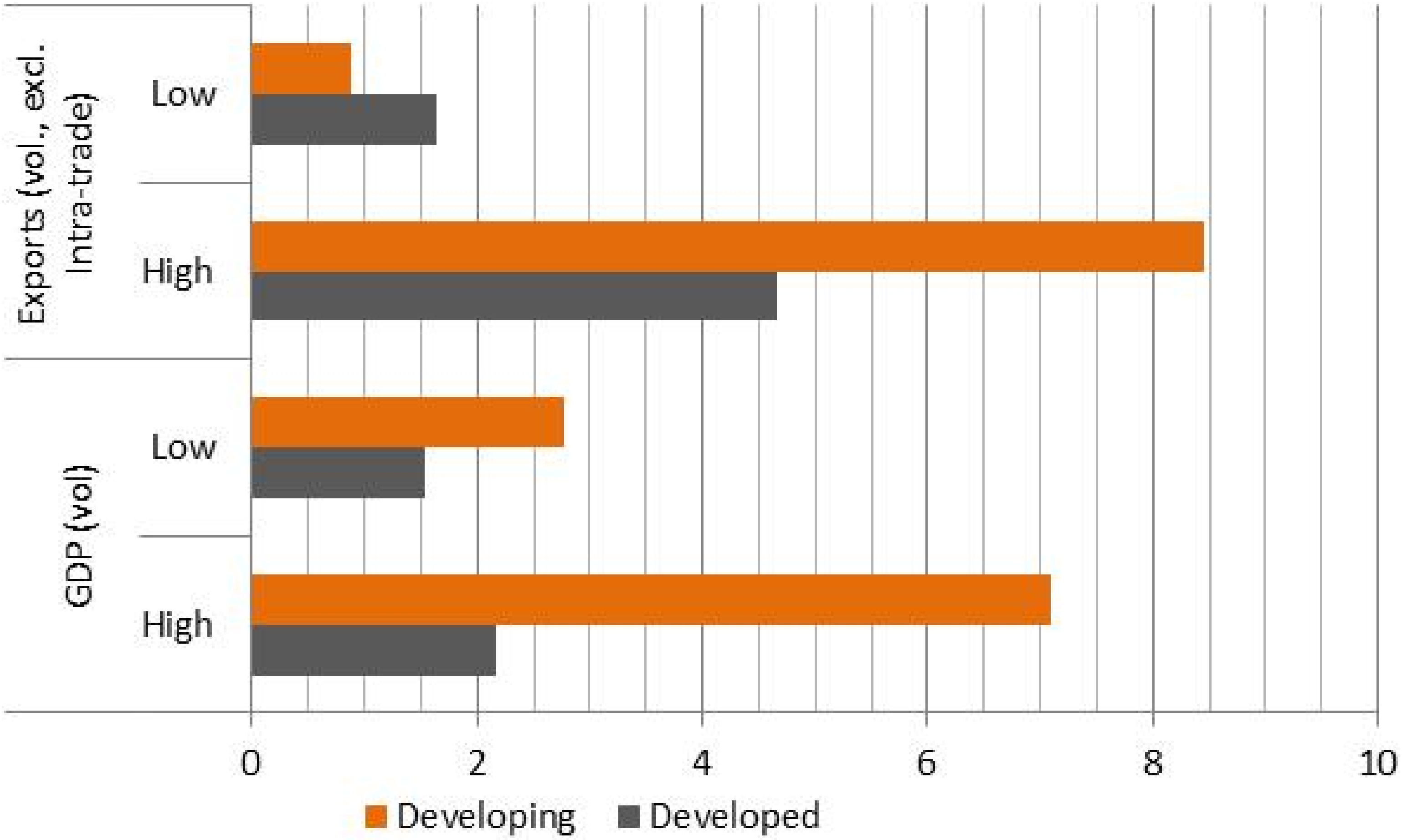
Exports



Source: Fontagné, Fouré and Keck (2017), WTO (2016) and WTO (2013), in billion constant 2004 US$.

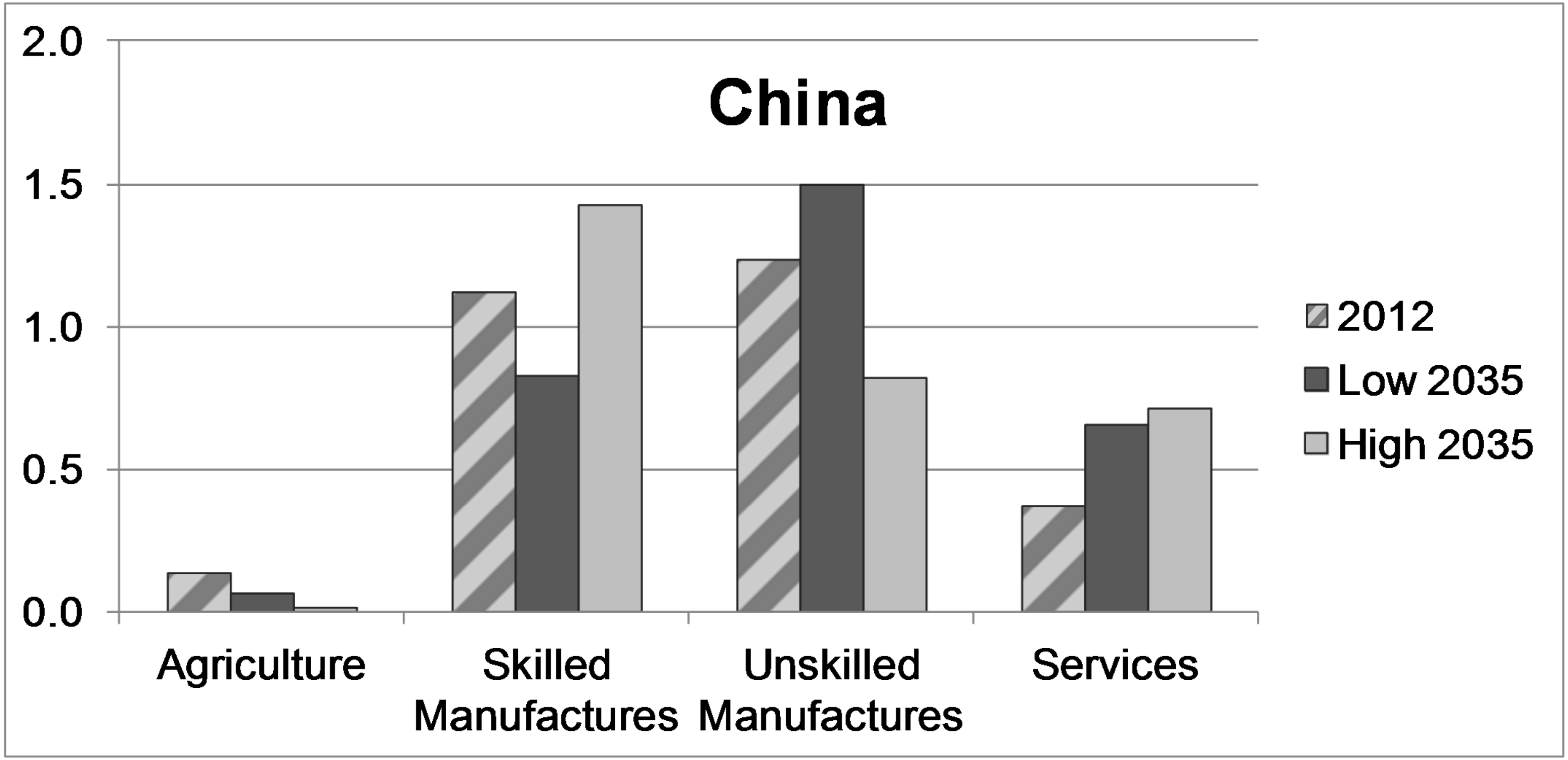
Projected rate of growth p.a., exports and GDP, average 2012-2035 (%)

- More is at stake for some countries than others



Source: Fontagné, Fouré and Keck (2017)

Example: China, possible changes in revealed comparative advantage

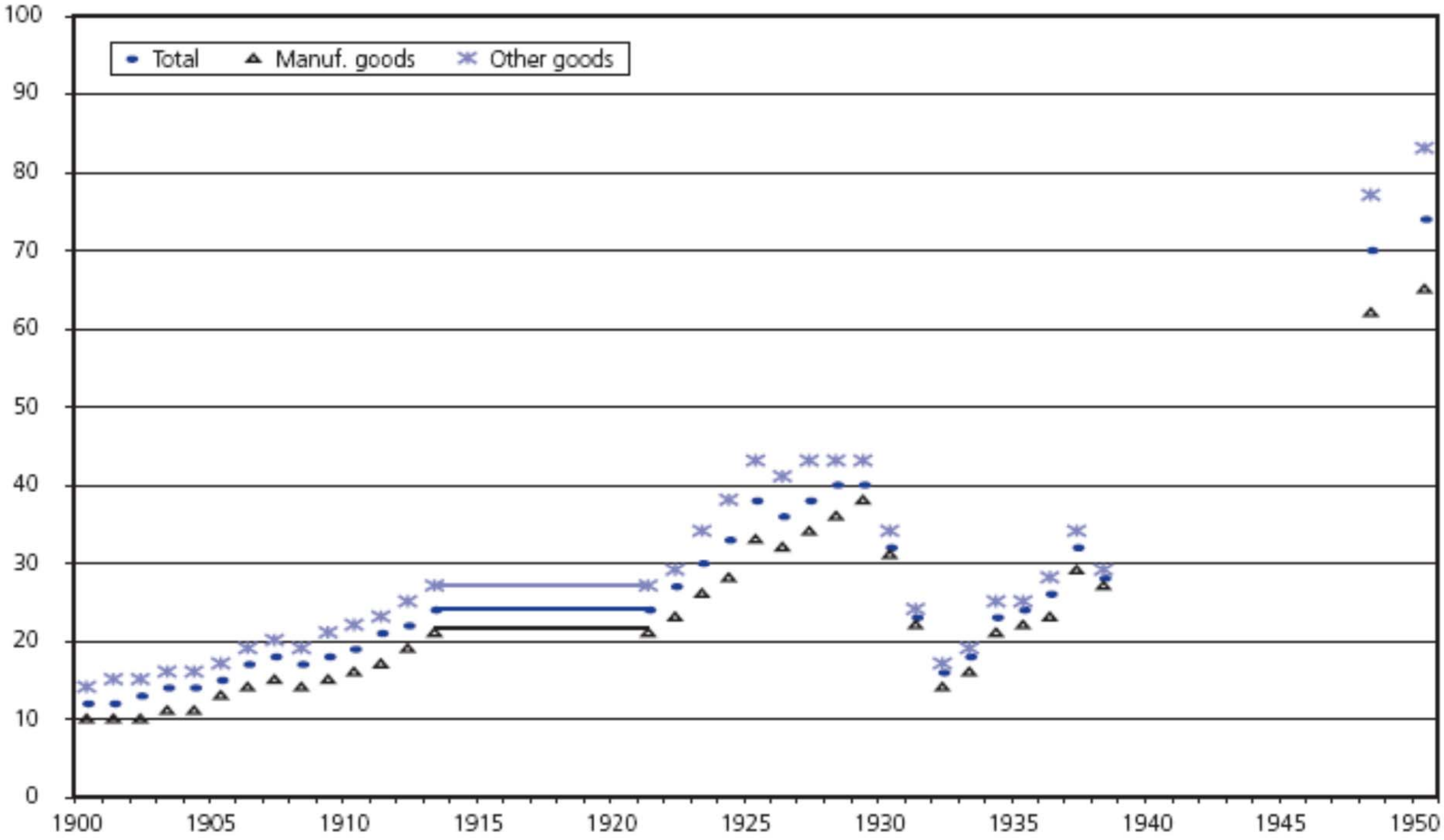


Source: Fontagné, Fouré and Keck (2017)

Protectionism in the past

World merchandise exports, 1900-1950

(Indices, 1953=100)



Source: United Nations (1970) and Norbohm (1962).

And nowadays?
Example of export measures

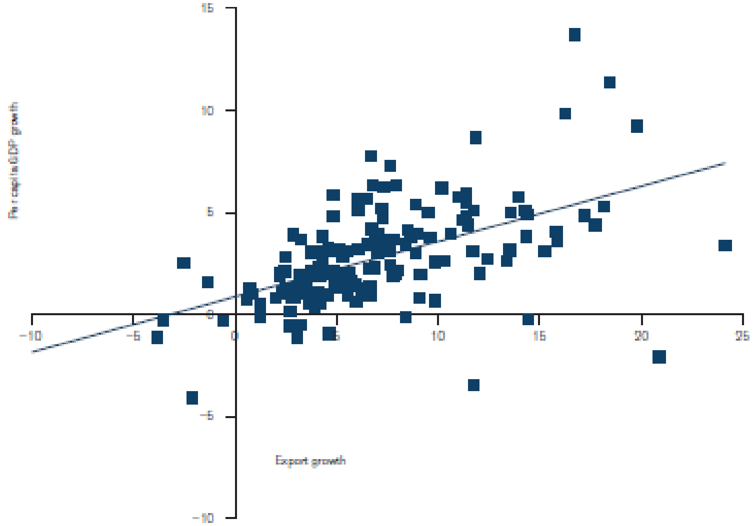
Figure 2. Rice Prices and Recent Policy Responses
$/Ton; January 2004 – April 2008

Source: Brahmbhatt M and L Christiaensen (2008)
'Rising Food Prices in East Asia: Challenges and Policy Options'

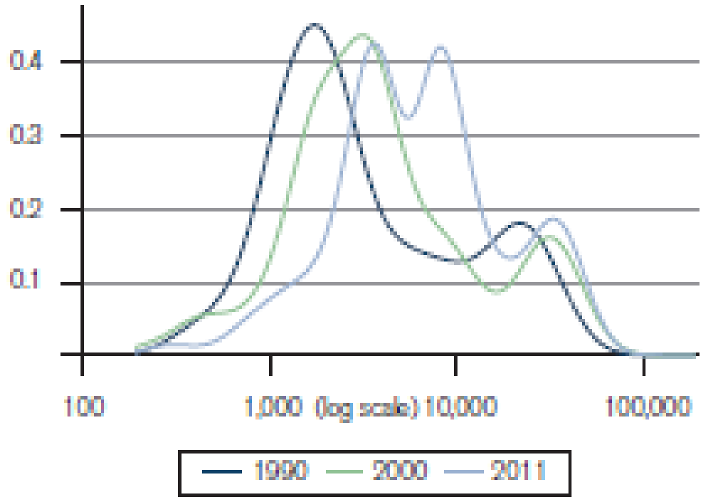
Trade, growth and development

Trade and GDP growth

- GDP growth has moved hand in hand with integration in the world economy.
- Although this relationship does not show causation, we know trade increases growth through various channels.

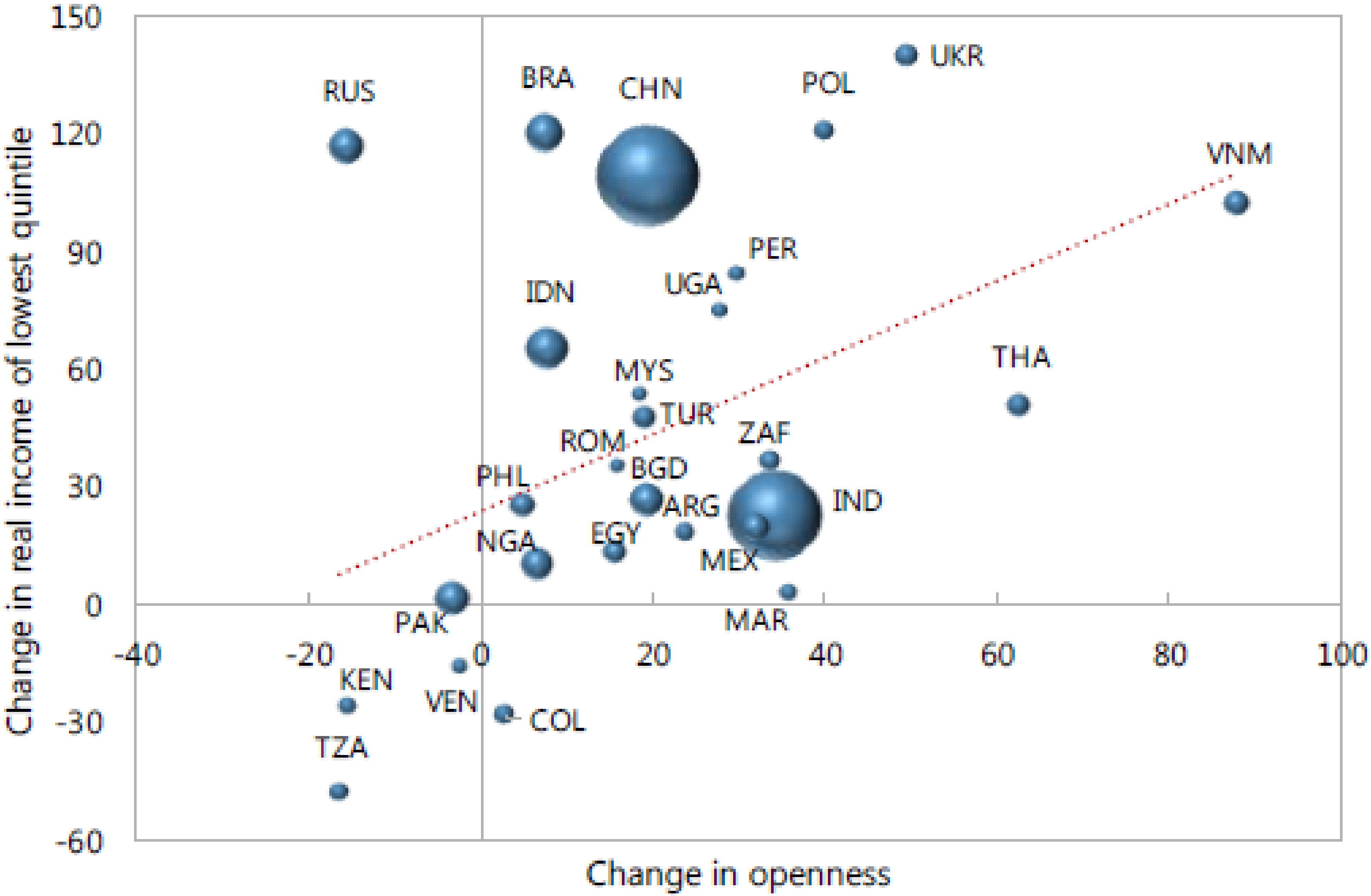


- Kernel density of real GDP at PPP weighted by population shows evidence of convergence.



Source: WTO (2014)

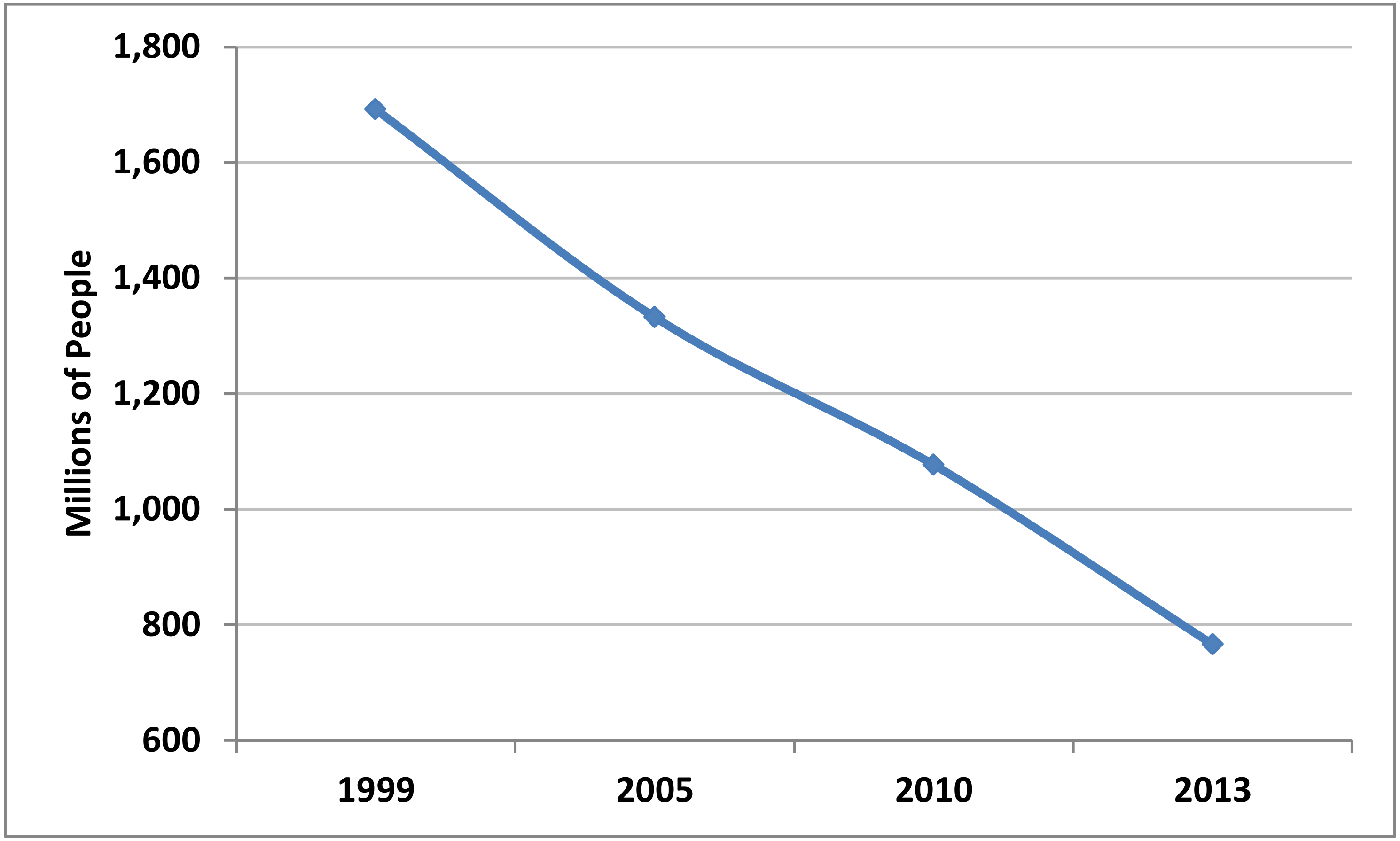
Trade and poverty



Source: IMF, WB and WTO (2017), based on Lakner-Milanovic (2013), World Panel Income Distribution dataset and World Development Indicators.

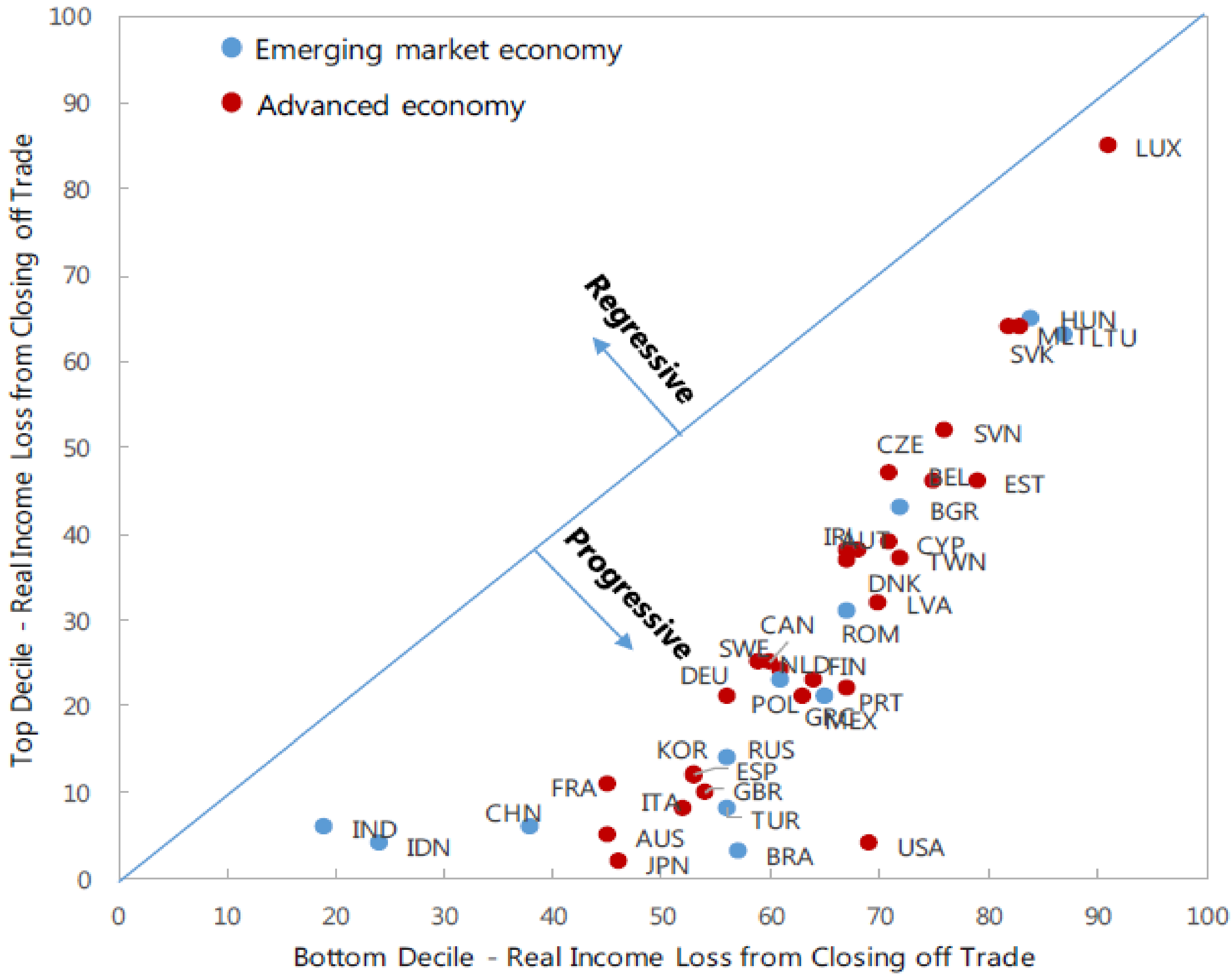
A highly correlated decline in poverty

Chart 1: Number of the Poor in the Developing World
(Number of people with incomes below US$1.90 a day (2011 Purchasing Power Parity))



Source: World Bank Povcalnet (http://iresearch.worldbank.org/PovcalNet/povDuplicateWB.aspx

Hypothetical loss from closing off trade: Bottom and top deciles



Source: Faijgelbaum and Khandelwal (2016, Table V). Country classification is from WEO.

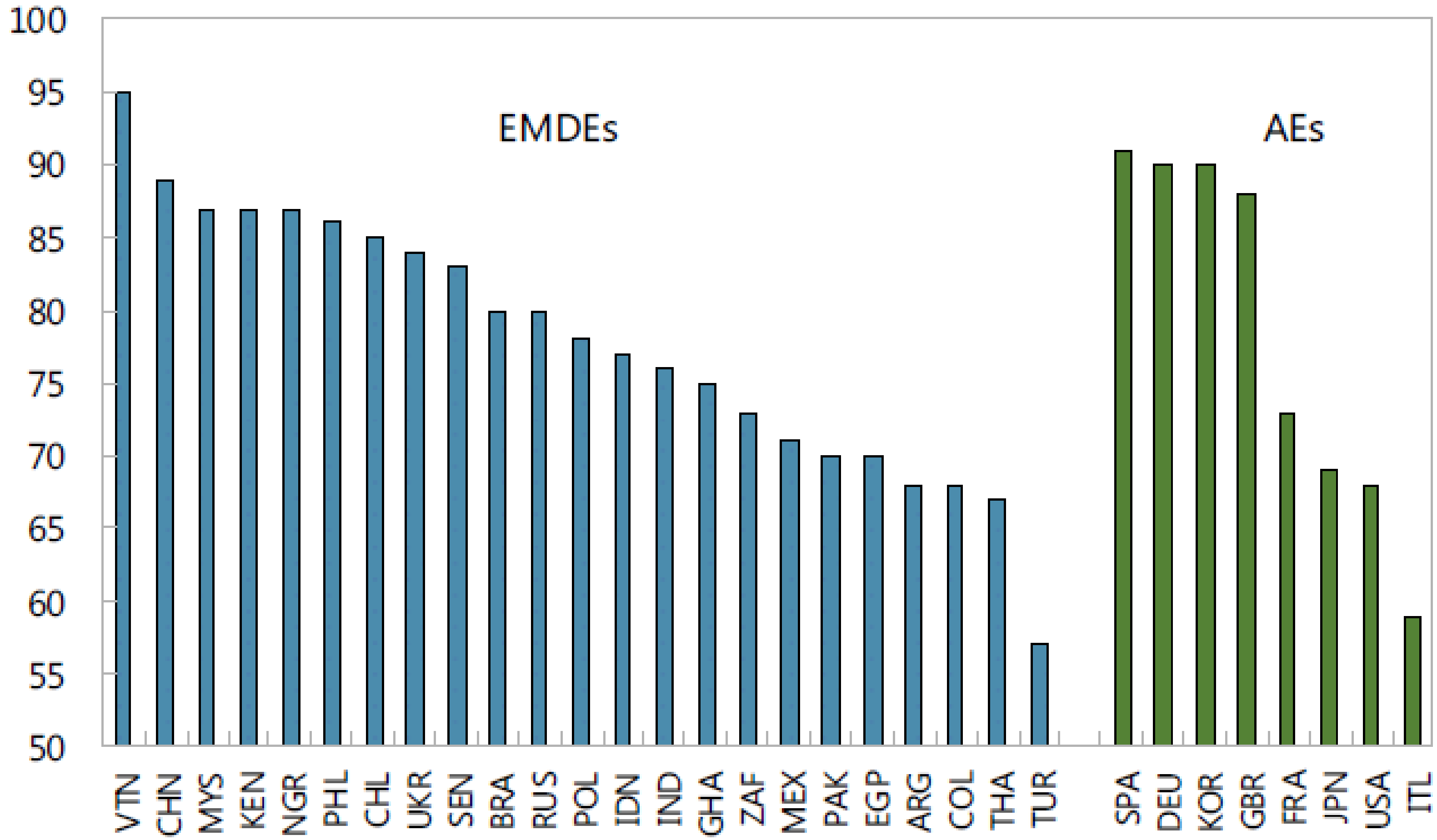
Benefits of trade

In sum, recent study (2017) by the, IMF, World Bank and WTO presented to G20 Leaders shows:

- Trade increases productivity, e.g.:
  - In Argentina, firms increased investment in innovation by 20-30% following tariff reductions by Brazil.
- Trade lowers prices for both firms and consumers, particularly the poorer, e.g.:
  - In Germany, real incomes of the poorest 10% would be 56% lower without trade (21% for the richest).
- Trade can contribute to greater social inclusion, e.g.:
  - In the United States and Germany, trade increased the relative incomes of women, in both import-competing and exporting sectors.

Public perceptions

- Attitudes to trade highly favourable, but considerable heterogeneity across countries.



Source: PEW Foundation (2014).

Trade and adjustment

Trade triggers a re-allocation of resources that is essential to realize gains, but:

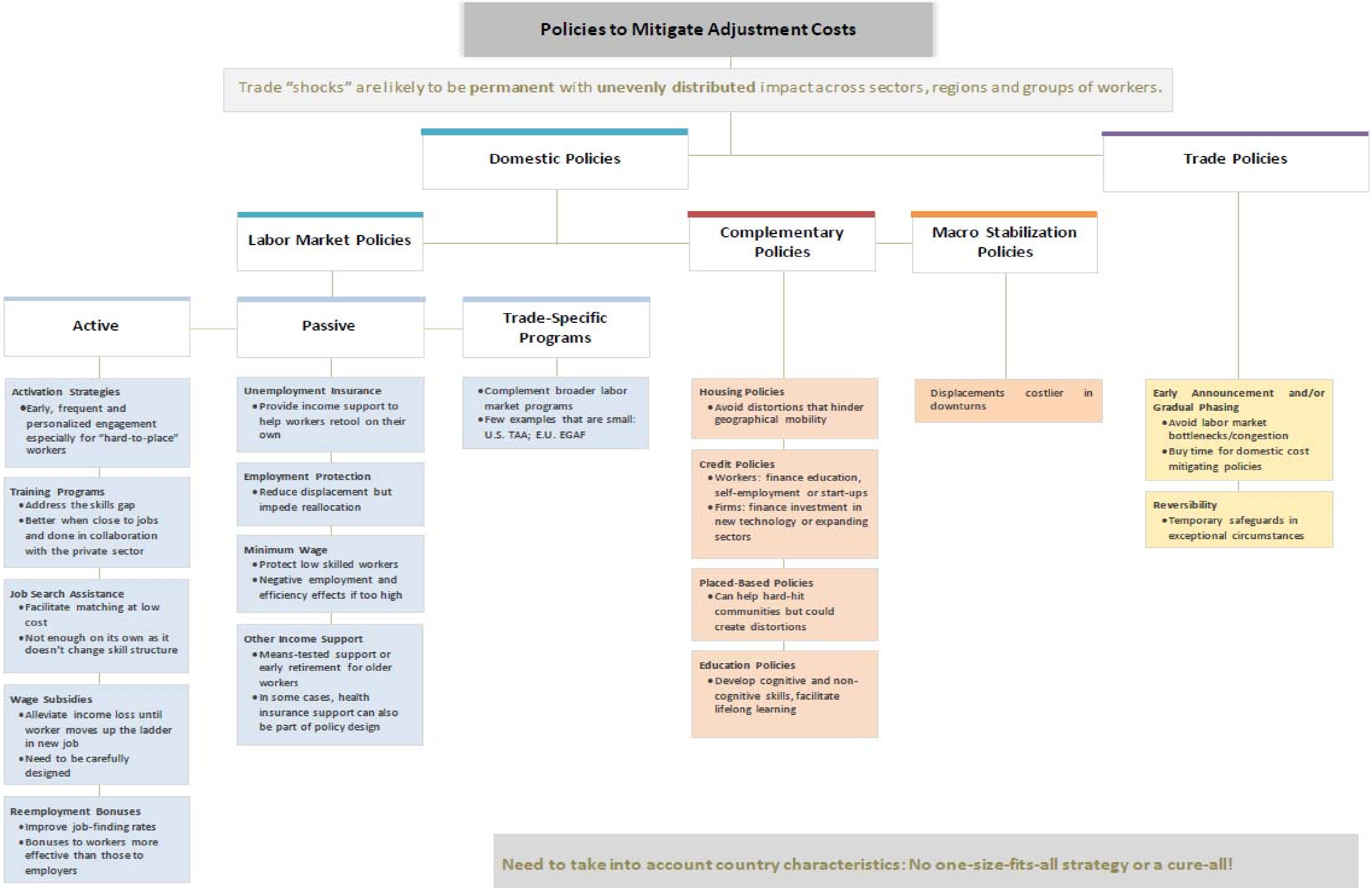
- May reduce relative demand and wages for low-skilled workers.
- May lead to job losses in certain sectors, even when overall more jobs are created.
- May cause large and long-lasting adjustment costs, e.g. when geographical or sectoral mobility is low and skills do not match new demands.

Mobility and labour market frictions amplify adjustment costs and are larger than expected, e.g.:

- Even in advanced economies, adjustment costs can reduce the gains from trade by up to 30%.
- Adjustment costs are lower when growth is strong and labour markets function smoothly.
- Evidence reviewed highlights need for appropriate adjustment policies, rather than closing markets.

Source: IMF, WB and WTO (2017).

Trade and adjustment



Source: IMF, WB and WTO (2017).

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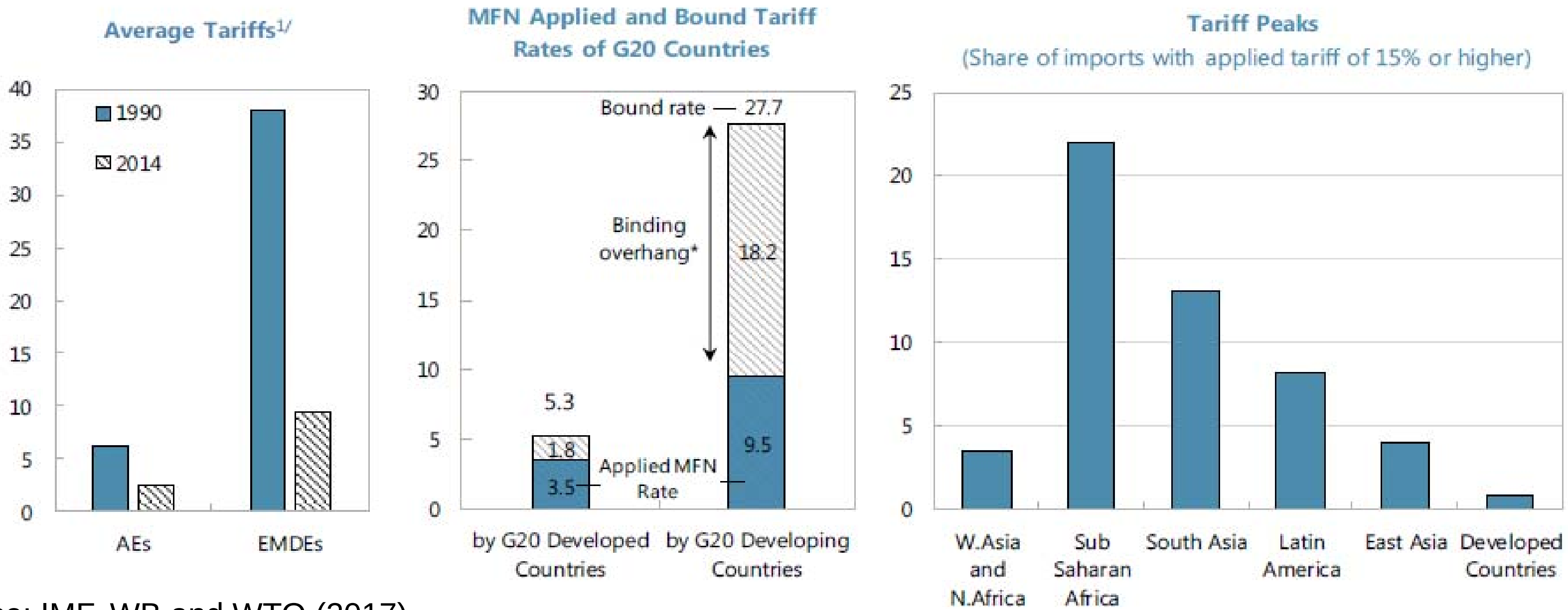
Policy implications

Average Tariffs, MFN Applied and Bound Rates, and Tariff Peaks

Average Tariffs, MFN Applied and Bound Rates, and Tariff Peaks



Source: IMF, WB and WTO (2017).

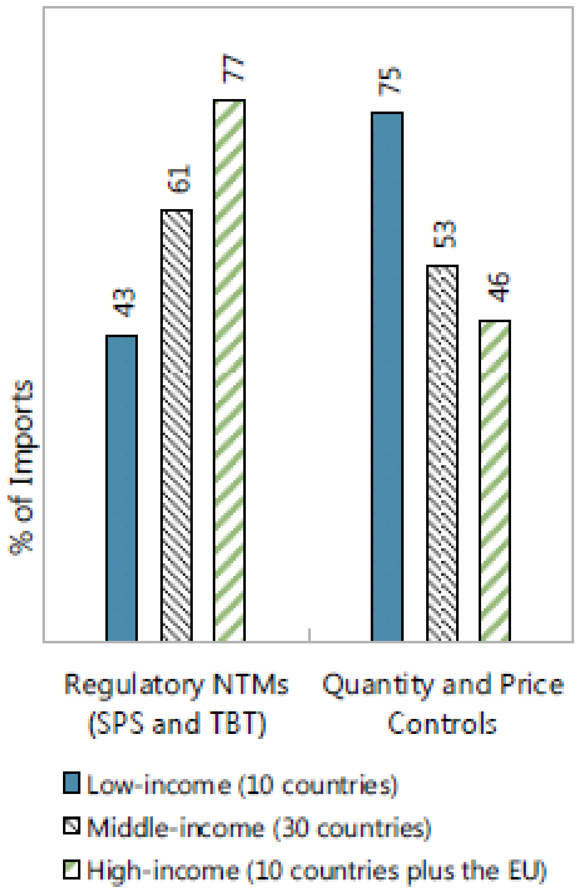
Average weighted bound duty by country group

	Exporter		
Importer	**Developed**	**Developing (excluding LDCs)**	**LDCs**
Developed	3.6	3.4	7.7
Developing (excluding LDCs)	18.3	15.5	9.4
LDCs	29.0	32.2	29.3

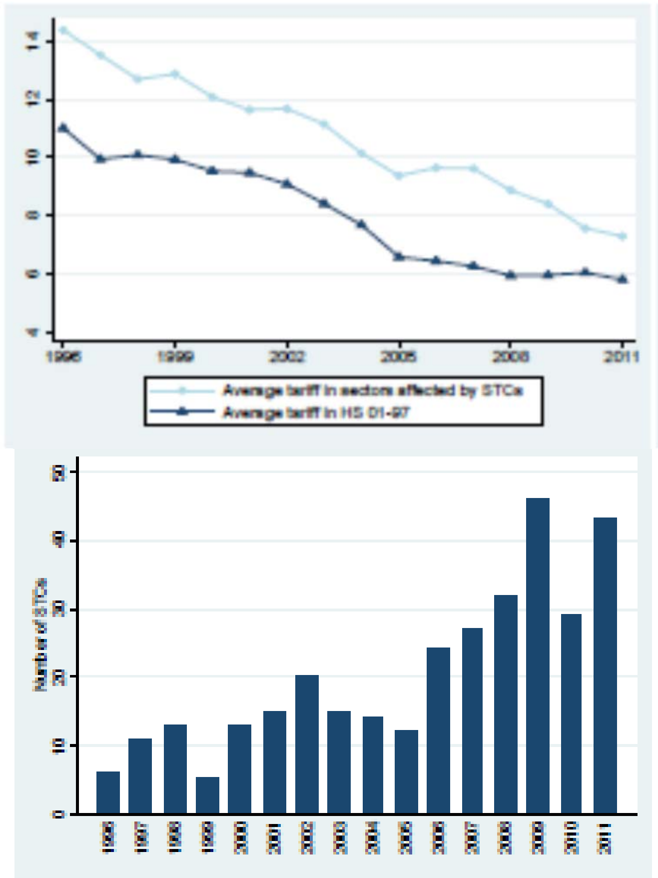
Source: WTO (2014).

Non-tariff measures and policy substitution

Coverage ration of NTMs



Evolution of average applied tariffs and specific trade concerns

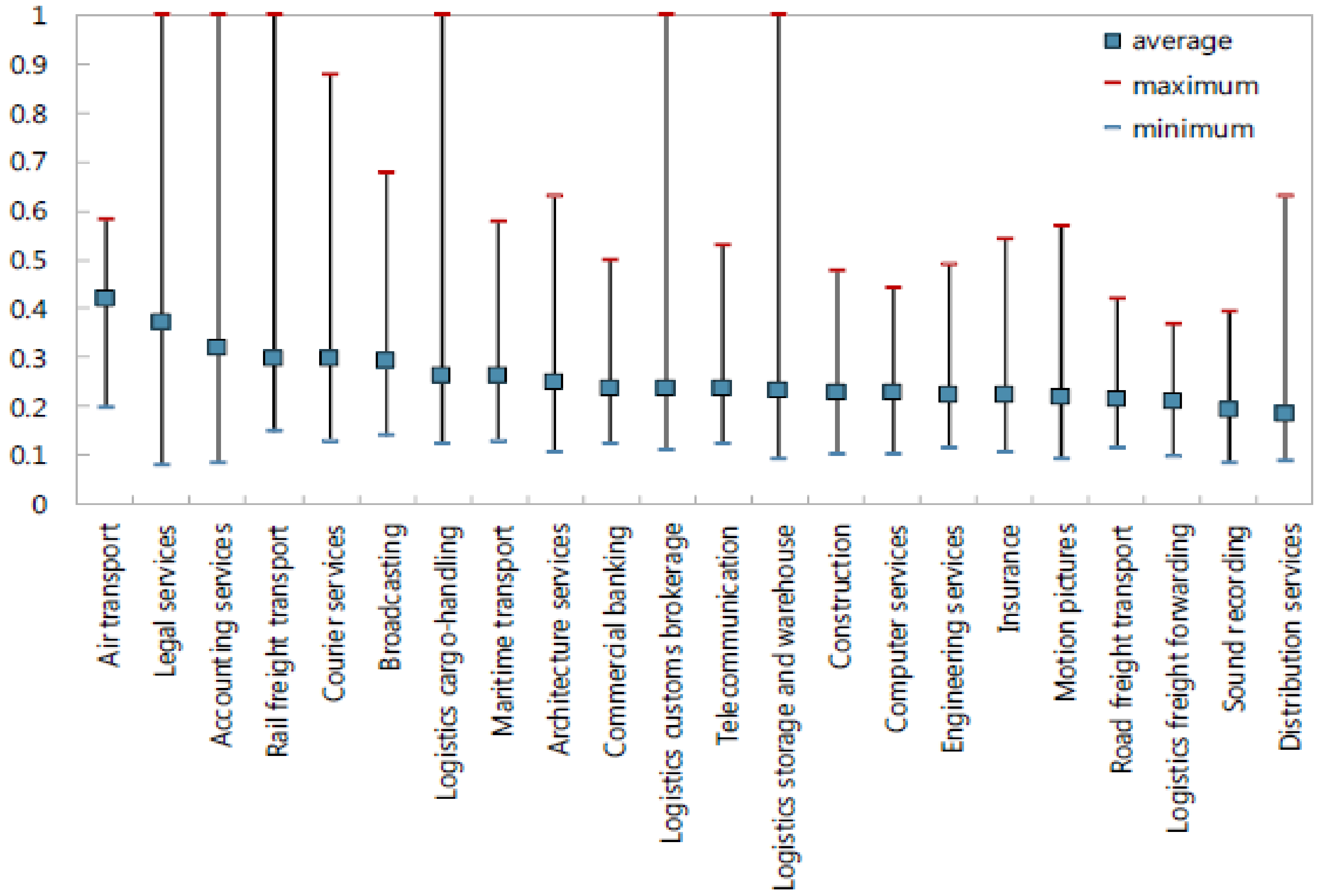


Source: IMF, WB and WTO (2017).

Source: Beverelli, Boffa and Keck (forthcoming).

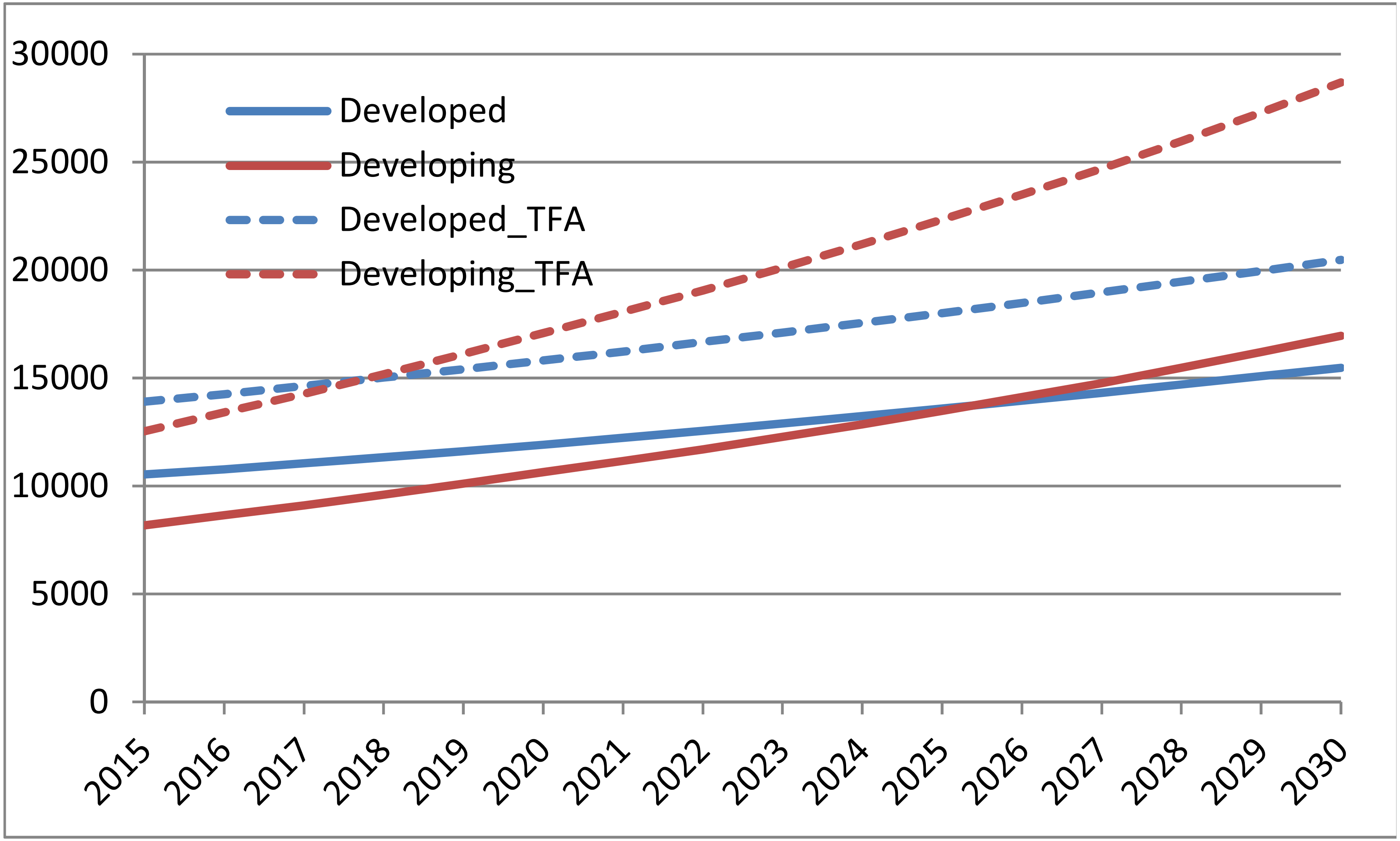
Services trade restrictiveness

OECD Services Trade Restrictiveness Index Scores by Sector



Source: OECD (2016).

Trade facilitation: Projected exports 2015-30



Source: Fontagné, Fouré, Beverelli and Keck (2017) and WTO (2015), in billion constant 2007 US$.

Further trade integration and value of the global trading system

An open, stable global trading system benefits from a strong WTO at its center. Important areas are, for instance:

- Implementation of Trade Facilitation Agreement, ITA II, removal of agricultural export subsidies, LDC issues, etc.
- Further opening in traditional areas, including agriculture.
- Services another area with high growth potential from further trade opening.
- Increasing cooperation on a variety of trade-related policies in light of globally integrated production structures and high growth potential, e.g. coherence between trade and investment; electronic commerce; SMEs.

⟹ Building on recent successes to revive the WTO’s negotiating function, including through more flexible approaches to attain multilateral outcomes.

Further trade integration and value of the global trading system

Together with domestic policies, further trade integration and strengthening of the rules-based trading system will contribute to inclusive global growth.

- G20 Leaders at Hamburg Summit agreed ”to exchange experiences on the mitigation of the adjustment costs of trade and investment liberalisation and technological change, and on appropriate domestic policies”.

Open markets abroad complement and facilitate adjustment at home.

- Importance of avoiding increases in trade restrictions and distortions and rolling back existing ones.
- Strong, well-enforced trade rules help to reassure citizens that trade is even-handed.
- Role of the WTO dispute settlement system.
- The value of transparency through regular dialogue.