



# **International Monetary and Financial Committee**

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**IMFC Statement by Roberto Azevêdo  
Director General  
World Trade Organization**

## **IMF COMMITTEE OF GOVERNORS, Roberto Azevêdo, Director General of the WTO**

The contrast between the global economic situation and the current state of international trade relations is striking. On the one hand, the world economy continues to record solid growth (slightly slower than what was forecast a few months ago but still above the post-crisis average). On the other hand, trade measures targeting broad economic sectors in large economies have multiplied, raising the prospect of a cycle of retaliation that could leave everyone worse off.

The immediate economic impact of recent trade actions has been thus far modest but the uncertainty that these measures generate may already be having an effect through a reduced pace of investment spending, which tends to be import intensive. Year-on-year merchandise trade volume growth fell to 3.8% in the first half of 2018 from 5.3% in the second half of 2017. The WTO recently revised its forecast for world trade growth for the whole of 2018 down to 3.9% from 4.4% previously, citing increased policy uncertainty, falling export orders and a build-up of macroeconomic and financial risks. Trade growth in 2019 is expected to slow further to 3.7%.

Although the short-term outlook for trade remains fairly strong, the downgraded forecast is still disappointing since it shows that trade growth may have past its cyclical peak. More worrying is the possibility of a wider trade conflict, which is not factored into current projections. Additional tariffs would undoubtedly have negative consequences for the global economy and trade, but the magnitude of the impact would depend on nature and extent of the measures.

Trade policy is far from the only threat to the economic outlook. Normalization of interest rates in developed countries and tighter credit conditions in emerging economies could weigh on output and trade in the coming months. Geopolitical tensions could also reduce trade growth in the short run while structural factors such as demographic change could reduce growth over the medium-to-long term.

These risks highlight the continued need for a strong multilateral trading system, embodied by the WTO. The WTO's trade rules create a predictable trading environment that encourages investment, while the organization's dispute settlement system prevents trade tensions from escalating. In recent years important trade agreements have been concluded within the context of the WTO, including the Trade Facilitation Agreement, the elimination of agricultural export subsidies and the expansion of the plurilateral Information Technology Agreement. WTO Members continue to address traditional and new trade issues within the system.

A further escalation of trade tensions should be avoided at all costs. We urge ministers to rededicate themselves to maintaining and strengthening the multilateral trading system to meet current challenges and sustain economic growth and development around the world.