

Financial Times (April 11, 2017)

Global institutions mount joint defence of trade benefits

Shawn Donnan

A rare joint defence of the benefits of global trade has been mounted by the heads of the International Monetary Fund, World Bank and World Trade Organisation as concerns grow about Donald Trump's plans for the world economy.

The joint appearance in Monday in Berlin — which under German chancellor Angela Merkel's leadership is emerging as the new capital of global free market liberalism — is an attempt to fight back against what the institutions fear is a slide towards greater protectionism since Mr Trump became US president.

The robust defence of multilateralism comes a little over a week before finance ministers and central bankers from around the world gather in Washington for the first biennial meetings of the IMF and World Bank since Mr Trump's election last November. The US is the biggest shareholder of both institutions and the meetings are set to be dominated by questions about Mr Trump's plans for them.

The Geneva-based WTO, in which the US has traditionally been a leading player, is due to hold its own biennial meeting of ministers in Argentina later this year with discussions about just what will be on the agenda held up by questions over Washington's role.

While avoiding mentioning the US or Mr Trump by name, IMF managing director Christine Lagarde, World Bank president Jim Yong Kim and WTO director-general Roberto Azevêdo have become increasingly vocal in defending what they and many economists see as the widespread benefits of trade. "Trade integration is a powerful tool to raise growth and improve living standards. It's been an engine of global growth and

prosperity,” Ms Lagarde will tell a gathering of business leaders in Berlin on Monday. The defence of trade comes alongside calls from the three institutions for governments to do more to help those left behind by a wave of technological change and automation and the impact of international competition from globalisation.

The effect on workers has been the focus of an increasingly heated debate among academic economists. Studies in recent years blamed growing imports from China for the loss of US manufacturing jobs in particular. **But those findings have faced a number of challenges in recent months with economists arguing that automation and domestic competition should bear far more of the blame.** The rise of Mr Trump and last year’s vote in the UK to leave the EU have also prompted a focus on how to do more to help those left behind by economic change, with many of those people voting for either Mr Trump or Brexit.

In the joint report prepared by the IMF, WTO and World Bank for a recent G20 meeting, the three institutions call for governments to deploy everything from education and housing programmes to better unemployment insurance to help people displaced by economic change. They also tout the benefits of trade — which from 1960 to the eve of the global financial crisis in 2007 grew at an average real rate of about 6 per cent a year before slowing down markedly — and the WTO and a multilateral system that has helped prevent trade wars.

In a rebuke to the Trump administration, which has signalled it will take a more sceptical view of the WTO and its rulings, the report also calls for governments to defend the institution and its dispute settlement system. “A strong global trading system centred on the WTO remains critical,” its authors wrote. “Sustaining the dispute settlement system . . . is more important than ever.”

But the genesis of the report says a lot about the changing political climate. Work on it began after leaders attending the September G20 summit in Hangzhou, China, against the backdrop of Mr Trump’s presidential campaign and fears of growing populism in Europe, committed to fight back and do more to communicate the benefits of trade and to help those left behind. Such a clarion call is unlikely to be repeated when Mr Trump joins fellow G7 leaders in Italy in May or G20 leaders in Hamburg in July for his first international summits. At a meeting of G20 finance ministers last month the US blocked a call for the world’s leading economies to renounce protectionism.