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Statement by Mr. Ubisse and Mr. Garang on Review of the Role of Trade in the Work of the Fund
(Preliminary)
Executive Board Meeting
March 27, 2023

We thank staff for the comprehensive Review of the Role of Trade in the Work of the Fund. Trade remains central to IMF's mandate given its direct implication on macroeconomic stability. In this regard, we concur with staff on the imperative to improve the work of the Fund on trade and trade policies, including supporting the membership to address current trade challenges and implications to support a balanced growth in international trade while sharing gains in an equitable fashion. Furthermore, ensuring that the Fund remains a strong promoter of open, rules-based, and tangible trade policy, while collaborating with other key stakeholders remain vital. Therefore, staff's focus on the future direction of the Fund work on trade to bolster the global economy is welcome given the increasing risks of fragmentation and geopolitical tensions. We broadly agree with the thrust of staff's review and recommendations and offer the following comments for emphasis.

We strongly support the proposed strategy to advance the Fund's work on trade. To this end, we endorse the perspectives of the external experts relating to (i) the core trade areas which merit sustained attention and more granular analysis; (ii) the call to further analyze "modern" trade areas that have increasing macroeconomic ramifications; and (iii) the call for the Fund to remain agile in its application of new data and tools. We support investment in more granular data and specific expertise, including through training. In this context, we urge the Fund to scale up its work on trade, including by enhancing internal processes, and streamlining resources. More importantly, we agree that increasing the amount of expertise in trade area can go a long way in delivering on the Fund's mandate across multilateral and bilateral surveillance and capacity building. *Could staff comment on whether the proposed reprioritization of internal resources would be sufficient to meet the need for ramping up expertise on trade policy internally amid other competing needs.*

Effective collaboration with other International Organizations (IOs) such as the WTO, UN, and World Bank remains essential to support the Fund's work on trade. Moreover, cooperation on trade issues to help address resource constraints, as the burden is shared between institutions, will complement the Fund work while promoting the rule-based multilateral trade system and addressing collective challenges. We thus concur that scaling up the internal trade policy expertise to support surveillance and other activities can enhance the Fund voice at the table with other IOs. That said, we positively note that the Fund has acted in an agile manner, responding to global challenges. Building in this positive direction, we urge the Fund to consistently engage other IOs to serve the membership. To this end, strengthening trade strategy has the potential to bring macroeconomic perspectives to trade challenges which the review lays bare as well as presenting a "Fund" perspective to key global trade policy debates, including during its engagement with the WTO. *That said, we wonder how the envisaged WTO reform could help strengthen the Fund's mandate in trade area?* Going forward, we associated ourselves with the view that conveying macroeconomic perspectives in a way that is selective and effective to best meet the Fund's broad mandate on trade remains crucial.

We agree with staff on the three key trade-related challenges that the country authorities will face in the coming years, and which will demand support from the Fund. Concerted efforts will be needed to address emerging challenges arising from and the identified opportunities that relate to climate change and technology; using trade to achieve non-trade objectives; and the amplification of geopolitical tensions. To address these connected issues, we concur that domestic policies will need to adapt to equally share the gains from trade and technological progress more widely. In addition, policy coordination should remain a cornerstone of this approach, underscoring cooperation by governments should be encouraged to keep trade open while fully evaluating the impact of the respective measures on economic and non-economic outcomes at home and abroad. We also see merit in cushioning against risks from increased trade restrictions which require awareness-building of the implications, while advancing better policy choices. This will help address the usual discontents that come with trade liberalization. Importantly, effective trade policies should allow member countries to address poverty and share gains from trade.

Given that trade tensions have been on the rise in recent years, we see merit in the Fund's advice to the membership to discourage engaging in disruptive trade policies. While not surprising given the effects of the combined successive shocks, we note with concern the findings from the review that trade tensions have reached unparalleled levels in recent years. While these challenges are beyond the control of one country, there is a role for collective action in reducing this policy uncertainty, including by putting in place global guardrails. The Fund has an important role to play in advising countries on how best to strengthen domestic policies, including through eliminating trade distortions. The successive shocks have affected, for example, the global supply of essential goods, services, and fertilizers, adding costs, and reducing efficiency gains to the most vulnerable countries. As this review and prior Fund work have shown, these resultant restrictions tend to disproportionately affect the low-income countries, underscoring the criticality of ensuring trade policies that work and deliver for everyone, including the vulnerable countries.

We welcome the increased presence of the regional trade and the related complementarities. We concur with the view that regional trade arrangements (RTAs) continue to play a constructive and beneficial role, including by reducing trade costs and augmenting efficiency gains. While we broadly agree with the suggestion to complement the RTAs with multilateral integration to avoid fragmentation and that WTO systems come with more strengths, we stress that RTAs should be seen in a positive light. We also underscore that there are no substitutes for increased regional integration, hence the criticality of the RTAs. Importantly, RTAs enhance regional trade, resulting in cost reduction, and efficiency gains. We, therefore, urge the Fund to provide commensurate capacity development and technical support to help RTAs advance frontier issues, especially through tailored collaboration with the AfCFTA, while giving Africa a space at international fora.

Finally, we positively note that three-pillared evaluation demonstrates the Fund's ability to respond to multiple shocks and major trade events with commensurate coverage in surveillance and analytical products, notwithstanding a revealed waning interest in the overall trade policy. Broadly, keeping pace with policy areas of emergent significance through determined investment is critical, as well as addressing globalization chokepoints, thereby allowing the Fund to transform multilateral surveillance into a tailored policy advice.