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

We thank staff for a clear and comprehensive Review of the Role of Trade in the Work of the Fund. We fully support its key objective of enhancing the work of the Fund to help the membership navigate the evolving trade landscape and transform trade-related challenges into opportunities for higher growth. To this end, the Fund should continue to be a vocal advocate for open, stable, and transparent trade policies in its engagement with the membership and its collaboration with other international organizations, especially the WTO. We agree with the key factors which will shape the global trade landscape and the related policy challenges identified by staff. We also concur with the main elements of the proposed enhanced trade strategy and offer the following specific comments.

- **The work of the Fund should more closely reflect the evolving sectoral and geographic patterns of global trade.** The report shows a long-term shift in global trade from goods to services, driven by structural factors and, regrettably, accompanied by a rise in non-trade barriers, including in the new areas of digital services and cross-border data flows. However, as noted by staff, the coverage of non-trade barriers in staff's reports has not matched their growing economic importance. We, thus, welcome the proposal to increase attention to these issues in multilateral surveillance. Similarly, the welcome upward trend in trade flows from and towards EMDEs, especially among EMDEs, should be supported by renewed efforts to facilitate the participation of these countries to regional trade and their integration into the global economy. We also look forward to further and more systematic coverage of trade and trade policies developments related to climate change and technology. In this respect, the Fund can play a key role in shading light on the potential benefits from enhanced international cooperation and identifying cooperative policy responses to global challenges.
- **We concur on the need to step up efforts to reflect the output of multilateral surveillance in bilateral surveillance and program reviews.** Trade-related topics have

often received little attention because assessed as not macro-relevant or less relevant than other more pressing issues. Nonetheless, we see scope for greater attention not only to trade policies, e.g., the introduction of new trade restrictive measures and trade agreements – but also on domestic polies – namely, on competition, education, training, and business regulation – which can help share the gains from trade and technological progress more widely. We stress that these issues are relevant for both AEs and EMDEs, although for low-income countries it is important to consider the interactions with other development policies. Importantly, as well noted in the report, staff should analyze the spillover effects of domestic measures aimed at legitimate policy objectives - environment, inequality and inclusion, food security, public health, and national security – and advice on the design of these policies to mitigate negative externalities, and advocate for international cooperation to promote greater harmonization of standards.

- **The proposed approach to enhancing Fund's work on trade is appropriate.** The report proposes to expand the trade team in the Strategy and Policy Review Department via internal prioritization and provide advanced analytical trade tools also for the use by country teams. This approach, which has already been adopted quite successfully in other areas, such as climate and inequality, appears feasible and appropriate.
- **We fully support continued strong cooperation with other international organizations.** The Fund shares its core responsibility on trade with other organizations, each endowed with specific competencies and skills, which should be synergically leveraged on through close cooperation. The recent joint report with the WTO, the OECD and the WB on subsidies is a welcome example of productive collaboration and we look forward to further collaboration on emerging trade issues. Furthermore, the Fund should continue to advocate for a rule-based multilateral trade system centered around a reformed WTO, equipped with the structure and tools to respond effectively to today's global trade policy challenges.