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**Statement by Mr. Dresse, Ms. Eijking, and Mr. Milutinovic 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 clear and insightful Review of the Role of Trade in the Work of the Fund.

The IMF should continue to be a vocal advocate for open, stable, and transparent trade policies backed by a strong, rules-based multilateral trade system. Promoting balanced growth of international trade lies at the core of the Fund's mandate. Multilateral rules-based open trade remains key for economic development and stability, and addressing global challenges such as climate change, food, health, and poverty reduction. Therefore, we share staff's concern over the deteriorating global trade landscape with stalled progress on the multilateral agenda. At the same time, we note that the number and deepness of Regional Trade Agreements (RTAs) significantly increased. These developments call for strengthening the multilateral trading system to avoid the risk of further trade fragmentation.

We urge staff to put more emphasis on the urgent need for a WTO reform and we welcome the increased IMF-WTO engagement. Reinforcing the multilateral trading system requires first and foremost a comprehensive WTO reform. This reform should include an update of the current rules and practices, such as the rules on SOEs subsidies, better enforcement of notification obligations, and an extension of the rulebook to newer areas such as digital services. It is also critical to restore the WTO dispute settlement and explore options to reform its voting mechanism to avoid the risk of fragmentation. In this regard, we welcome several positive developments on the June 2022 WTO Ministerial (MC-12), but many issues regarding e-commerce, investment protection, and environmental and labor standards remain to be addressed. We urge staff to put more emphasis on this in its advocacy and engagement with the WTO.

We agree with staff on three key trade-related challenges and encourage further analysis on trade in services, global value chains, and FDIs. We agree with staff's analysis of structural forces such as climate change and technology, the interplay between trade and non-tradable objectives, and

the risks and spillovers from geopolitical tensions. We also concur with staff that these topics should be analyzed in greater detail. In particular, we see scope for further analysis on the contribution of booming trade in services to global prosperity, as the contribution of trade in services could be significantly underestimated as a share of total trade due to the lower data quality of trade in services.¹

We stress the need for the Fund to deliver trade policy advice in bilateral surveillance. The review shows that implementation of the Board-endorsed recommendation of the 2009 IEO evaluation to better translate multilateral surveillance into bilateral surveillance, has been limited so far. We regret that the coverage of trade policy in bilateral surveillance has significantly declined over time, while the relevance and complexity of trade policy issues have increased. We therefore support an expansion of the SPR core trade team through reprioritization efforts while cautioning against limiting work on other external issues, such as capital flows, because of this reprioritization. FDI challenges in terms of different paces of countries' monetary tightening also deserve continued staff attention. We emphasize the need for strengthening the tools and skills of fungible economists in area departments to ensure a scalable approach and sufficient focus on trade policies across the Fund. *Besides strengthening country teams' capacity to provide trade policy advice, are there any internal mechanisms to ensure country teams sufficiently cover trade policies in bilateral surveillance?*

Multilateral trade surveillance could benefit from enhanced cooperation with relevant IOs. We encourage staff to leverage the expertise of other IOs to achieve an efficient division of labor on trade topics and exploit synergies. In that sense, close collaboration with the WTO, OECD, and WB is warranted while relying on relevant research from academics, ministries, and central banks.

¹ Baldwin, R (2022): "Globoitics and macroeconomics: globalisation and automation in the service sector", ECB Forum on Central Banking, June 2022.