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Statement by Mr. Parkyn, Ms. Doss, and Mr. Yoo 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 and informative paper. We are concerned that the trade policy landscape is worsening on the back of multiple shocks, geoeconomic fragmentation and a weakened multilateral international trading system. Free trade remains critical for economic growth and development in most countries, raising living standards and reducing poverty especially in low-income countries. **We broadly agree with the findings and proposed IMF strategy on trade and trade policy and make the following comments for emphasis.**

We acknowledge that global trade has stagnated and is facing increasing risks in a rapidly changing economic and geopolitical environment. Greater participation by EMDEs in global value chains (GVCs) contributed to the expansion of global trade and facilitated investment and regional economic integration, making these countries the largest beneficiaries. We are concerned about the slower pace of growth in goods trade in the recent decade as this trend could hamper the rapid recovery of the global economy after the pandemic. China's development of substituting imported inputs was identified as a cause of the long-term decline in the growth of goods trade. *Can staff advise how much this has contributed to the decline in goods trade and staff's outlook of this trend?* Box 2 provides a useful analysis of the impact of the Covid-19 on global trade and an insightful lesson on the need to improve diversification to enhance the resilience of GVCs.

Open, free and transparent international trade is under serious threat. All developments on trade restrictions, non-tariff measures, and industrial subsidies are concerning. While we support the surge of regional trade agreements and WTO-based plurilateral initiatives, we reiterate the G20 leaders' call for the necessary reform of the WTO including restoring effective dispute settlement. The Fund should continue to highlight the benefits of an open, rules-based multilateral trade system.

We see climate change and digitalization as structural forces that will reshape global trade, however at the current juncture, more attention should be paid to potential geo-economic fragmentation. We agree that countries must leverage structural forces as new opportunities for growth while taking necessary support to those who are vulnerable to these changes. We are concerned about the increasing use of unilaterally imposed trade restrictions to achieve non-trade objectives. These measures are often intended to be protectionist and may severely damage mutual prosperity and stability as seen in the recent cases of export restrictions on foods. While we note that national security is a sovereign matter and the Fund is not a suitable forum for a discussion of security issues, measures to address national security concerns can have significant economic effects and promote fragmentation. The role of the Fund will be to help members understand and minimize the potential economic costs of such measures. We urge the Fund to carefully consider how they can best contribute to the understanding of economic costs. Policies to promote reshoring entail economic costs. We urge staff to consider how to assist in framing the policy questions regarding supply chains. We remain concerned over currency-based countervailing duties as they would pose a significant risk to the multilateral trade and international monetary systems, and also be counterproductive to the country adopting such measures. More coverage of the impact of geo-economic fragmentation on global trade would have been welcomed and we look forward to the Fund's further work on this topic.

We strongly support the proposed Fund strategy on trade, and in line with this strategy, call for reinforcing Fund activities and collaboration with the WTO and other international organizations. It is noticeable that the Fund has swiftly responded to immediate trade related issues such as some critical trade tensions and supply chain disruptions. However, we regret that the coverage of trade policy has declined, and multilateral surveillance has not been able to be successfully translated into bilateral policy advice. In this regard, we support the plan to scale up the Fund's internal trade policy expertise through reprioritization within the existing budget envelope and to provide analytical trade tools to country teams. It will be important that the Fund's overall work program is efficiently organized and prioritized, recognizing many competing priorities and cost pressures. *Could staff indicate the amount of additional resources that will be devoted to trade policy and what other work would be given a lower priority?* Fund work on trade should continue to be carried out through multilateral and bilateral surveillance, research and capacity development in collaboration with other international organizations.

The Fund's trade policy analysis should be nuanced and add value for the membership. The Fund's work should bring its macroeconomic, fiscal and financial perspectives to trade-related topics, in accordance with its mandate, expertise and comparative advantage. The Fund's advice should be granular and tailored to country-specific circumstances and development levels. Policy advice needs to be nuanced—recognizing social and environmental considerations, spillovers, transition paths and distributional consequences—to gain traction with policymakers. Policy advice should emphasize the complementary macro, structural and fiscal reforms that ensure trade openness supports sustainable and inclusive growth.