Perspektiven für den globalen Handel

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Current situation and future scenarios

Trade, growth and development

Policy implications
Current situation and future scenarios
Ratio: merchandise trade volume growth to real GDP growth, world, 1981-2017

Source: WTO (2017), % change and ratio.
Trade has NOT lost its mojo:
Long-run elasticities

Source: IMF WEO, Duval et al. (2014) and OECD-WTO TiVA Database
Intermediate goods and parts and components shares in world trade

Source: UN Comtrade database for trade, Federal Reserve for US dollar effective exchange rates.
Projected GDP and exports 2012-26

More is at stake for some countries than others

Source: Fontagné, Fouré and Keck (2017)
Example: China, possible changes in revealed comparative advantage

Source: Fontagné, Fouré and Keck (2017)
Protectionism in the past

World merchandise exports, 1900-1950
(Indices, 1953 = 100)

And nowadays?

Example of export measures

Figure 2. Rice Prices and Recent Policy Responses
$/Ton; January 2004 – April 2008

Rice Export Price, 2004-2008, Thai 100B

Philippines fourth tender > $1,100/ton (April 17, 2008)

Philippines buying > $700/ton

Vietnam tightens export restrictions

India imposes export restrictions

Source: USDA, FAO

‘Rising Food Prices in East Asia: Challenges and Policy Options’
Trade, growth and development
Trade and GDP growth

• GDP growth has moved hand in hand with integration in the world economy.
• Although this relationship does not show causation, we know trade increases growth through various channels.

• Kernel density of real GDP at PPP weighted by population shows evidence of convergence.

Source: WTO (2014)
Trade and poverty

A highly correlated decline in poverty

Chart 1: Number of the Poor in the Developing World
(Number of people with incomes below US$1.90 a day (2011 Purchasing Power Parity))

Hypothetical loss from closing off trade: Bottom and top deciles

Source: Faligelbaum and Khandelwal (2016, Table V). Country classification is from WEO.
Benefits of trade

In sum, recent study (2017) by the IMF, World Bank and WTO presented to G20 Leaders shows:

• Trade increases productivity, e.g.:
  – In Argentina, firms increased investment in innovation by 20-30% following tariff reductions by Brazil.

• Trade lowers prices for both firms and consumers, particularly the poorer, e.g.:
  – In Germany, real incomes of the poorest 10% would be 56% lower without trade (21% for the richest).

• Trade can contribute to greater social inclusion, e.g.:
  – In the United States and Germany, trade increased the relative incomes of women, in both import-competing and exporting sectors.
Public perceptions

- Attitudes to trade highly favourable, but considerable heterogeneity across countries.

Source: PEW Foundation (2014).
Trade and adjustment

Trade triggers a re-allocation of resources that is essential to realize gains, but:

• May reduce relative demand and wages for low-skilled workers.
• May lead to job losses in certain sectors, even when overall more jobs are created.
• May cause large and long-lasting adjustment costs, e.g. when geographical or sectoral mobility is low and skills do not match new demands.

Mobility and labour market frictions amplify adjustment costs and are larger than expected, e.g.:

• Even in advanced economies, adjustment costs can reduce the gains from trade by up to 30%.
• Adjustment costs are lower when growth is strong and labour markets function smoothly.
• Evidence reviewed highlights need for appropriate adjustment policies, rather than closing markets.

Trade “shocks” are likely to be permanent with unevenly distributed impact across sectors, regions and groups of workers.

Policy implications
Average Tariffs, MFN Applied and Bound Rates, and Tariff Peaks

Average weighted bound duty by country group


Non-tariff measures and policy substitution

Coverage ration of NTMs

Evolution of average applied tariffs and specific trade concerns


Source: Beverelli, Boffa and Keck (forthcoming).
OECD Services Trade Restrictiveness Index Scores by Sector

Source: OECD (2016).
Trade facilitation: Projected exports 2015-30

An open, stable global trading system benefits from a strong WTO at its center. Important areas are, for instance:

- Implementation of Trade Facilitation Agreement, ITA II, removal of agricultural export subsidies, LDC issues, etc.
- Further opening in traditional areas, including agriculture.
- Services another area with high growth potential from further trade opening.
- Increasing cooperation on a variety of trade-related policies in light of globally integrated production structures and high growth potential, e.g. coherence between trade and investment; electronic commerce; SMEs.

⇒ Building on recent successes to revive the WTO’s negotiating function, including through more flexible approaches to attain multilateral outcomes.
Further trade integration and value of the global trading system

Together with domestic policies, further trade integration and strengthening of the rules-based trading system will contribute to inclusive global growth.

- G20 Leaders at Hamburg Summit agreed “to exchange experiences on the mitigation of the adjustment costs of trade and investment liberalisation and technological change, and on appropriate domestic policies”.

Open markets abroad complement and facilitate adjustment at home.

- Importance of avoiding increases in trade restrictions and distortions and rolling back existing ones.
- Strong, well-enforced trade rules help to reassure citizens that trade is even-handed.
- Role of the WTO dispute settlement system.
- The value of transparency through regular dialogue.