



# UNFAVOURABLE TRADE WINDS

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## Challenges to the International Trade Order

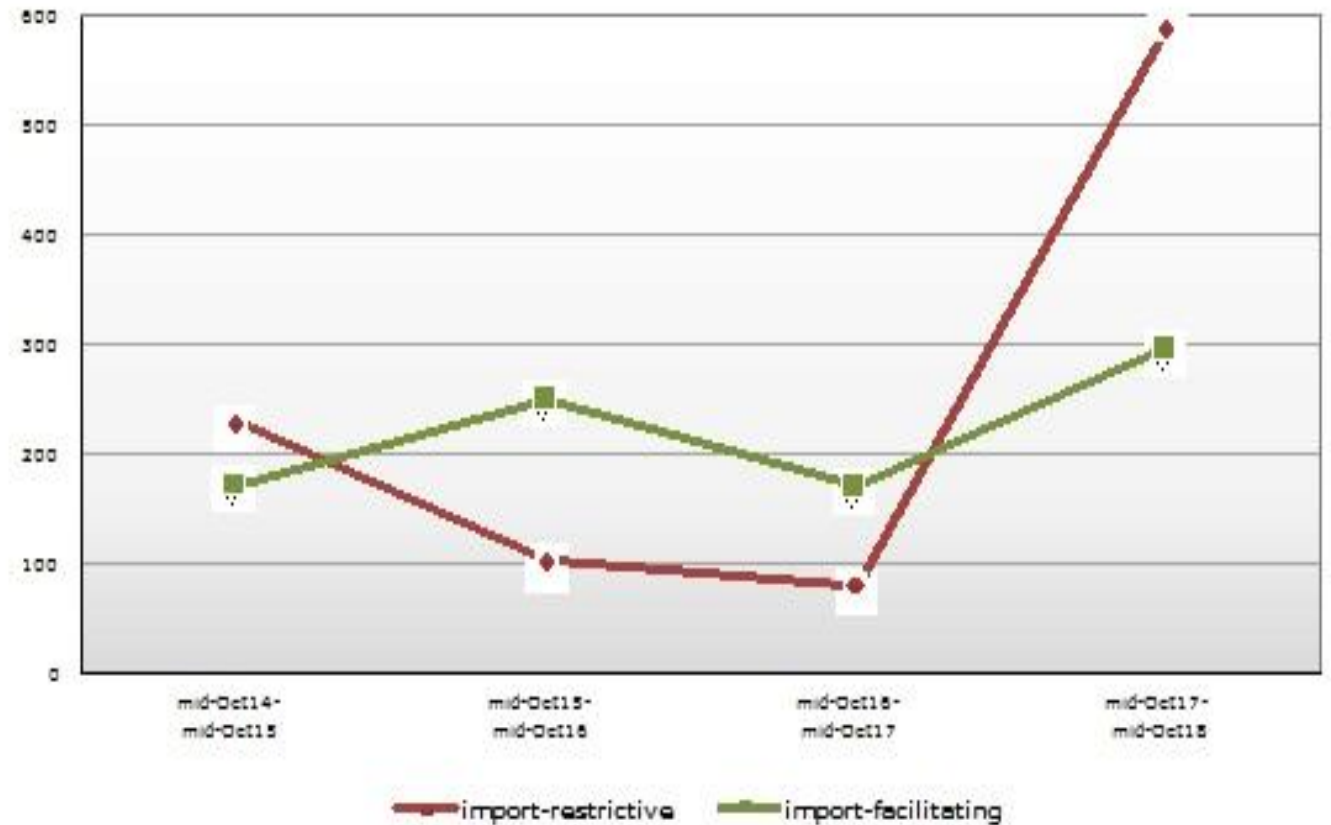
Hamid  
Mamdouh

# Protectionism Gaining Ground

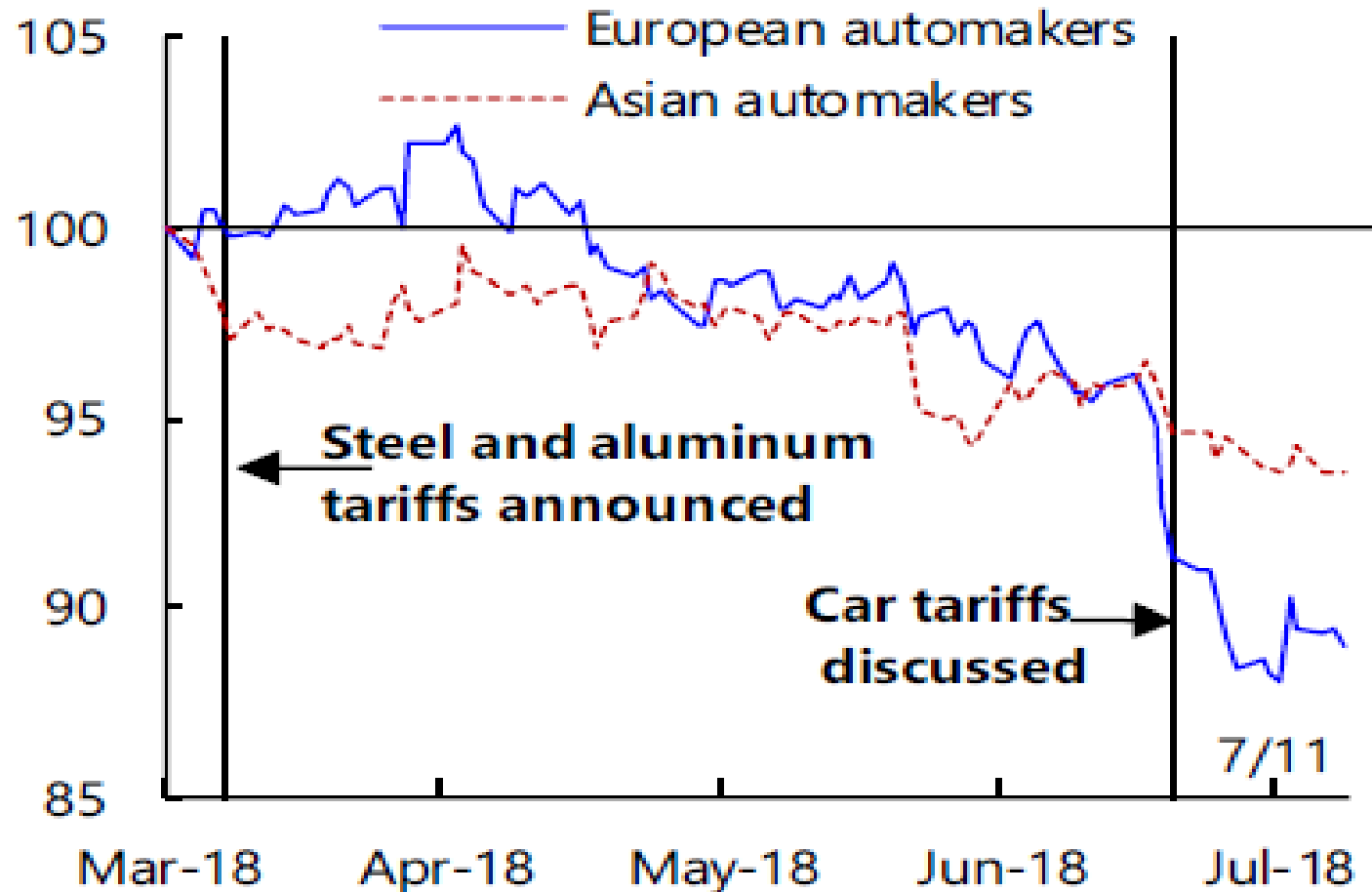
- A recent sharp rise in protectionist measures.
- The unilateral character of restrictive measures.
- Questionable legality.
- A relative slowdown in import facilitation.

Chart KF6 Trade coverage, current and previous reports

(USD billion)



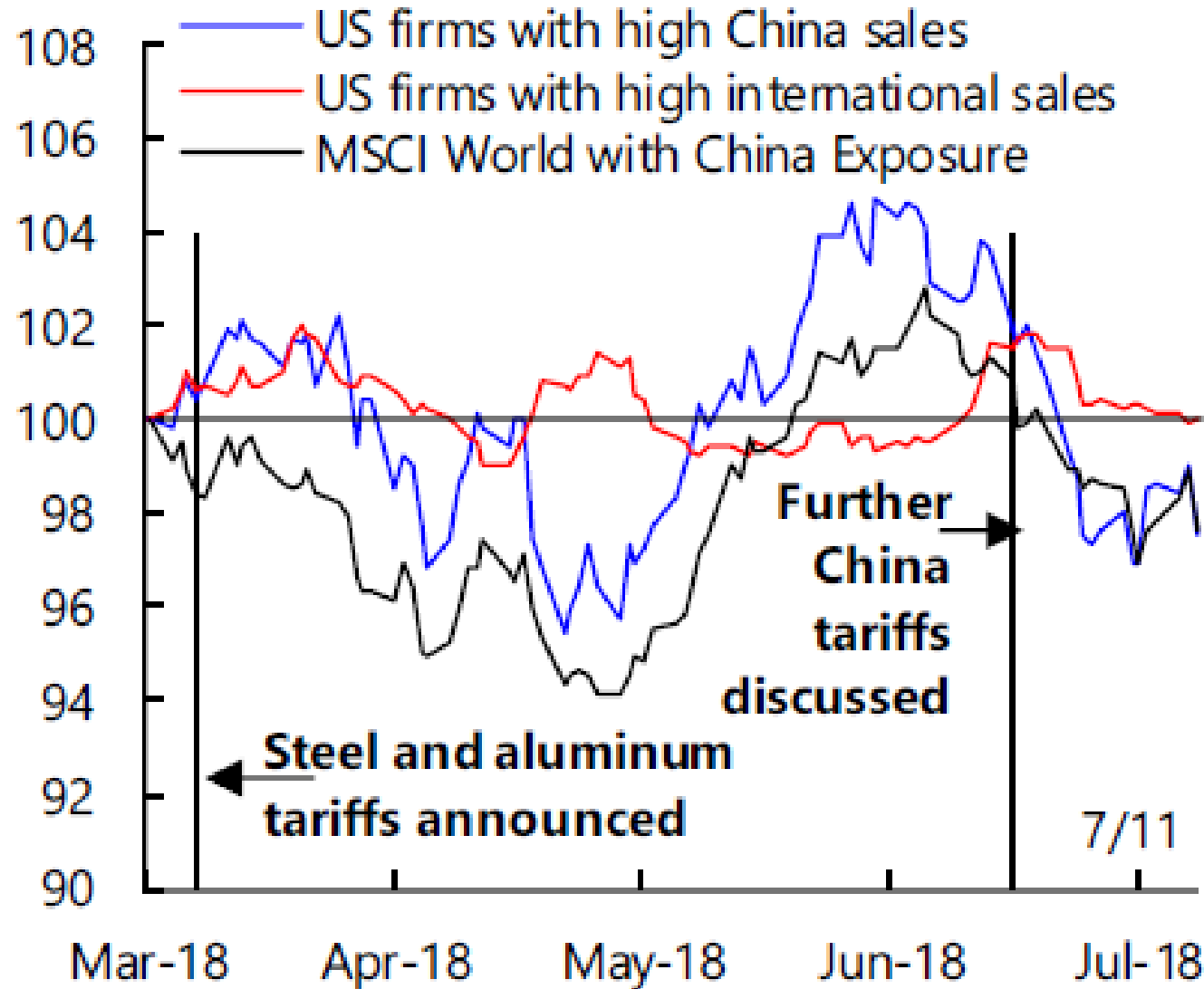
**Figure 1. Automaker stock price relative to benchmark**  
(March 2, 2018=100)



Sources: Bloomberg L.P.; and IMF staff calculations.

**Figure 2. Stock market index**

*(March 2, 2018=100)*

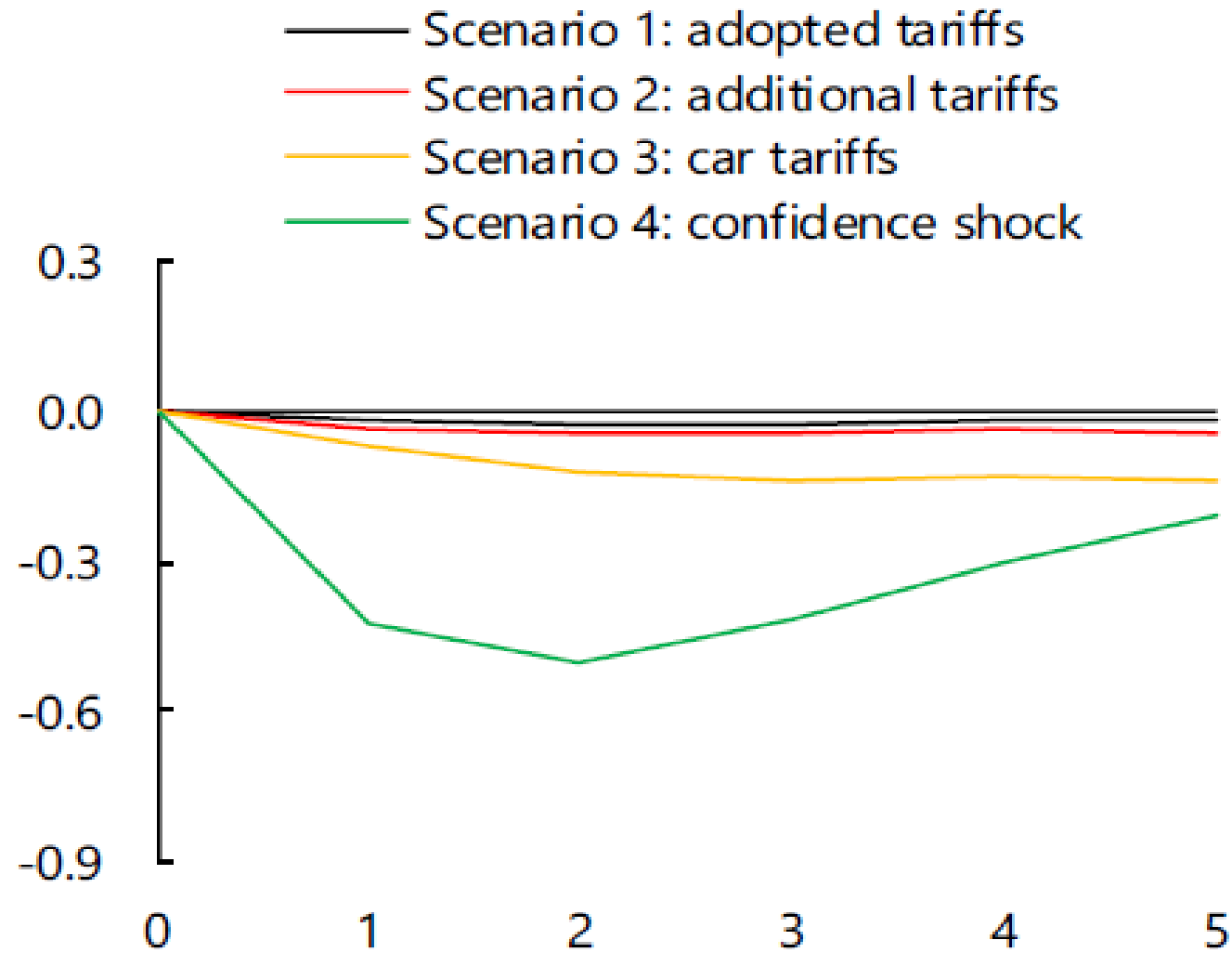


Sources: Bloomberg L.P.; and IMF staff calculations.

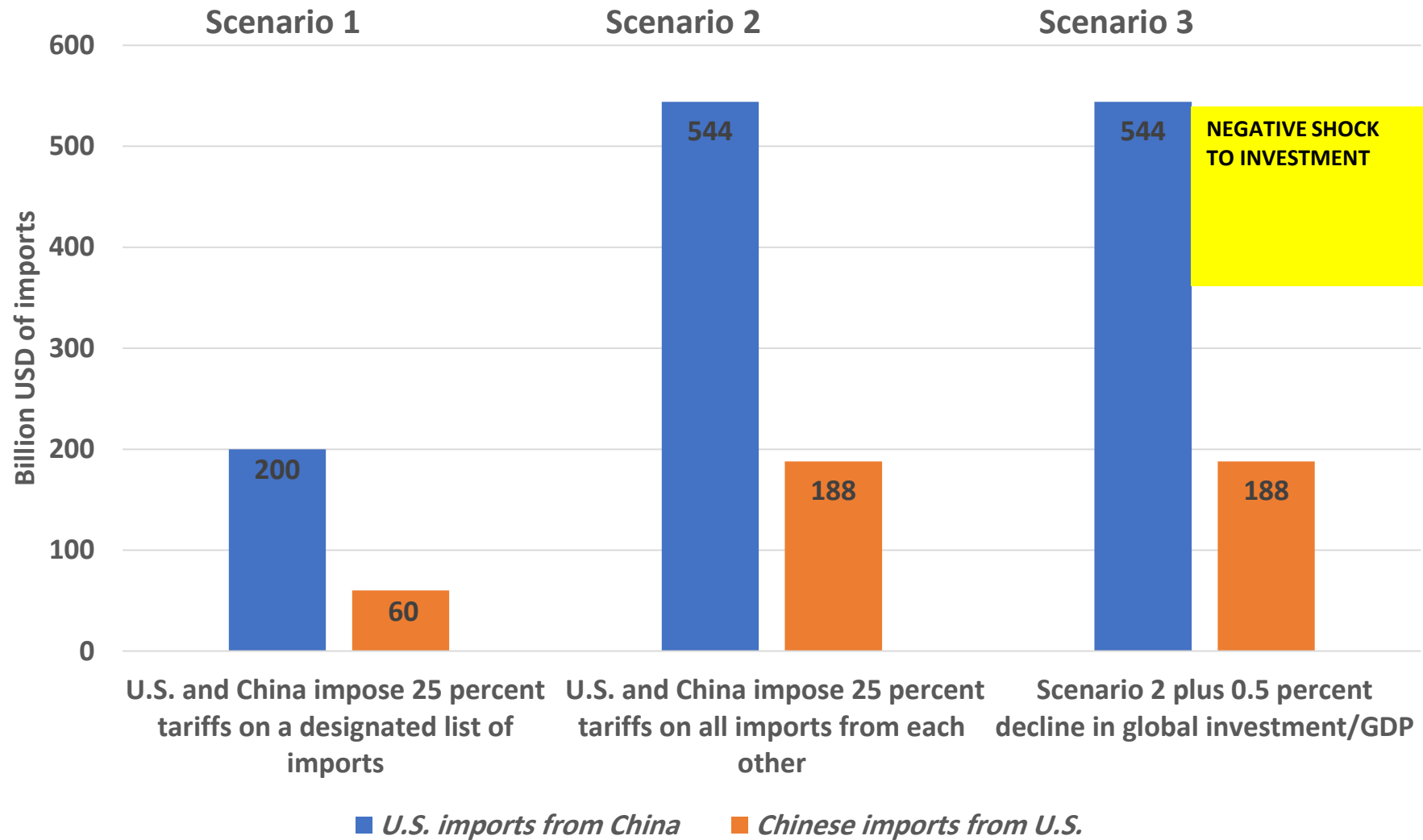
## Figure 4. Scenario analysis:

### Global GDP

*(percent difference from baseline)*

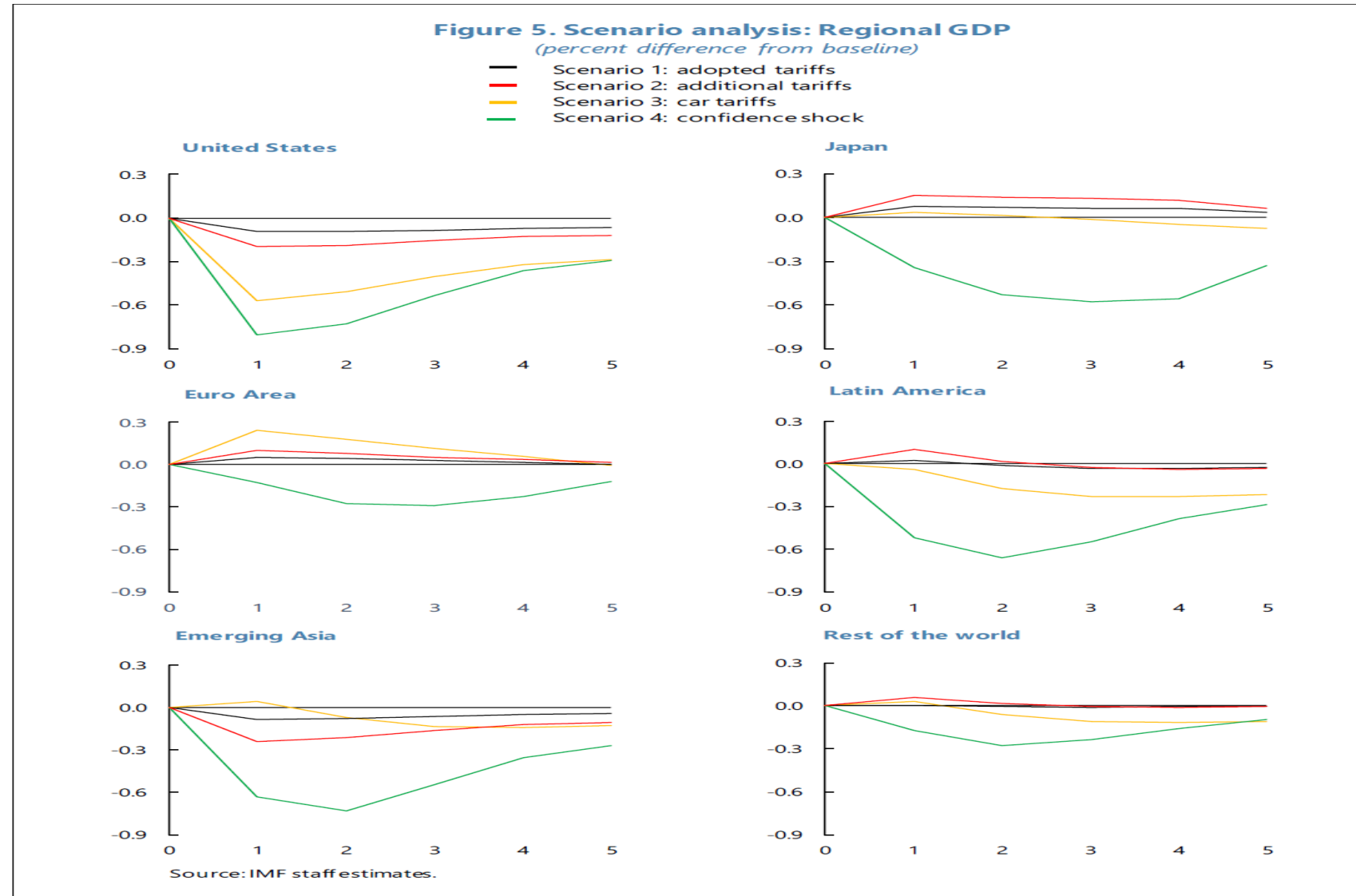


Source: IMF staff estimates.



Source: World Bank Group

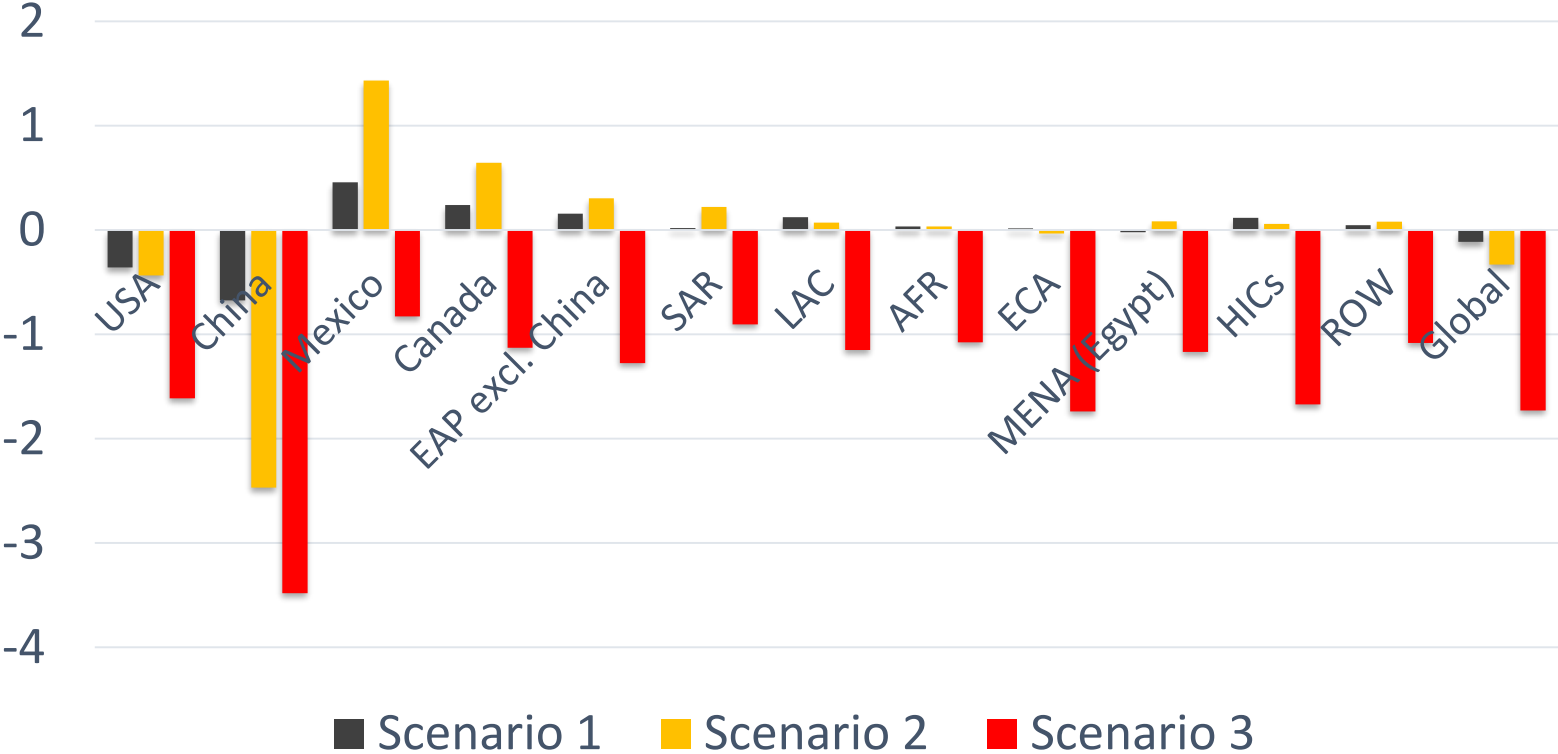
- The US is expected to incur a higher cost in a trade war.
- Followed by emerging Asia, Latin America and Japan.
- Europe and the rest of the world would suffer less.



Initially, trade disputes could benefit third country partners, but a decline in investors confidence would leave everyone worse off

Source: World Bank Group

### Impacts on income (percent)





# A DIAGNOSTIC VIEW

- Anti Globalization Backlash
- The Trade and Development Debate
- The Rise of Populism
- A Trade policy shift in the US
- The China Challenge
- The WTO Existential Challenges
- Failure of Vital WTO functions

# Anti Globalization Backlash

Has trade liberalization delivered its promised gains?  
What about Jobs? What about development?

- The definition of trade
- The value proposition of trade liberalization
- A clear trade policy vision
- Flanking policies
- Competitive regulatory reforms
- Good governance
- International cooperation, multilaterally and regionally

Has the recipe been complete?

# The Trade And Development Debate

- The role of trade in the process of development
- No common approach to development
- Multilateral trade rules for developing countries (S&D)
- What has been the experience so far?
- Diverse positions and approaches by developing countries

# The Rise of Populism

- Policy failures lead to public discontent
- Increasingly complex policy challenges and their solutions are difficult to communicate
- The right solutions are often costly and long term (beyond an election cycle)
- Populism rises on the back of popular frustration with status quo
- Political expediency leads to “short termism” and a politically transactional approach

# A Trade Policy Shift in the US

- US withdrew its leadership role in the WTO started years ago
- A populist tendency came on the back of popular frustration
- Short term gains for long term pains?
- Descent from trade rules with unilateral measures
- A threat to the multilateral trading system

# The China Challenge

- Rivalry with the superpower
- China's economic model and trade rules
- Alleged practices by SOEs
- Alleged non compliance with treaty obligations
- The need for negotiated solutions

# The WTO's Existential Challenges

- The “trilemma”:
  - Leadership deficit
  - Increasing complexity of trade policy issues
  - The “common purpose” is no longer common
- Failure in vital functions:
  - Negotiations
  - Dispute settlement
  - Monitoring compliance

# What next? Efforts to reform the WTO

- Unblocking the negotiating function
- Updating the rule book
- Revive the monitoring function
- Reform the dispute settlement system
- Redefine Special and Differential treatment for developing countries.



THANK YOU