

# Speech by Jim Yong Kim at the IMF-WTO-World Bank Group Event: Making Trade an Engine of Growth for All

October 7, 2016

## Transcript

Thank you, Christine, for your remarks. And thank you, Shawn, for the introduction.

This is the first time that the International Monetary Fund, World Bank Group, and World Trade Organization have organized a joint event at the Annual Meetings, an indication that these are no ordinary times.

We've heard many world leaders talk about the storm clouds of isolationism, and protectionism, gathering. These worrying trends are threatening to undermine the very foundations of the multilateralism that has supported global growth and reduced poverty for decades.

Advanced markets are experiencing low growth and in emerging markets, growth rates have fallen by almost 1 percentage point since 2013. This is not just about numbers – these economic developments are limiting opportunities for billions of people around the world, and making it harder to achieve our goal of ending extreme poverty by 2030. One of the drivers of this low growth pattern is the decrease in trade growth.

Global trade has slowed from an average yearly growth of 7 percent before the financial crisis to less than 3 percent today. Projections for 2016 indicate an even further slowdown.

All this comes at a time when we need more cooperation, greater economic integration and stronger partnerships than ever before for the world economy to continue to grow in a sustainable way.

So we are here today to send a clear message that trade **is essential to deliver growth and to eliminate poverty**. And we are here to say that trade can only thrive in an open system.

The facts on trade and growth speak for themselves:

Since 1990 and up to the crisis, the share of GDP made up by trade and the volume of world trade have increased significantly.

And since 2000, the share of developing countries in world trade has grown, from one third to one half.

The most successful cases of economic growth and poverty reduction rely heavily on trade.

Trade increases productivity, spreads innovation, opens up new employment opportunities and increases wages in sectors where a country can export competitively.

In Cambodia, poverty fell from 52 percent in 2004 to 24 percent in 2011. There were many drivers of this, but reforms that helped sell rice to international markets were a key driver of poverty reduction. Trade also led to new jobs in the garment sector, which today are a source of income and economic empowerment for women.

The trade slowdown we are observing today does matter for growth and poverty reduction. Sluggish world imports adversely affects individual countries' opportunities for their exports, and slower trade diminishes the scope for productivity growth through increasing specialization and diffusion of technologies.

What do we have to do to respond? We have to protect trade as an engine of growth.

**We must push for lower trade costs.** Our research shows that low-income countries have trade costs around three times higher than those faced by advanced economies.

**We must support trade negotiations at the multilateral level** – in close coordination with Roberto and our colleagues at the WTO. We have a program in support of implementation of the WTO Trade Facilitation

Agreement and we are working with the WTO to intensify our support on e-trade to help connect the poorest to international markets through technology.

**We must reduce protectionism.** Our data, monitoring, and strong voice in groups like the G20 help improve transparency and support those who want to resist the closure of markets.

**And, most importantly, we can work closely with our developing country clients to further integrate them into the global trade system.** At the Bank we are providing more than \$13 billion dollars to do exactly this, by supporting trade policy reforms, connecting countries to global value chains, and upgrading infrastructure – and we can do much more.

These efforts may be stymied by the growing backlash against openness and trade which in some advanced economies is linked to growing inequality and job dislocation.

This backlash needs to be taken seriously: not by increased isolation and protectionist policies, but through domestic policies that help these disaffected groups.

Policy options need to include safety nets for the short term. Greater investment in people's education and skills and productivity-enhancing policies are also critical.

Turning away from global openness is not the way to address domestic inequality – instead, turning toward domestic policy responses is the answer.

If we are to overcome today's global economic challenges and end extreme poverty in our lifetimes, we must preserve a system of open trade and allow the billions of people living in the world today to access and enjoy all the benefits an open, integrated global economy has to offer.

I will end with a quote from the first president of the World Bank, Eugene Meyer. President Meyer's words in 1946 are as valid today as they were back then: *"There is, I think, a significant lesson to be learned from the turbulent experiences of our times—a lesson as great and meaningful as it is plain and simple. It is that we live upon a planet which is inescapably integrated. The whole world is one community. All parts affect the common destiny of the whole. The well-being of men anywhere is dependent upon the well-being of men everywhere."*

Thank you.