

Free trade warning – IMF, WTO and World Bank say it must be defended

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Fears that Donald Trump's arrival in the White House is threatening a new era of protectionism have prompted a joint defence of trade from the International Monetary Fund, the [World Bank](#) and the World Trade Organisation.

Warning that the role of trade in the global economy was at a critical juncture, the three multilateral bodies said the opening up of markets had been good for growth but admitted that action was needed to help "left behind" individuals and communities.

[Their report said technological change rather than trade was mainly responsible for the job losses in certain sectors in the west](#) but accepted that the surge in protectionist sentiment in hard-hit communities was justified.

It noted that "adjustment to trade can bring a human and economic downside that is frequently concentrated, sometimes harsh, and has too often become prolonged. It need not be that way. With the right policies, countries can benefit from the great opportunities that trade brings and lift up those who have been left behind."

[Trump campaigned on an overtly protectionist manifesto](#), pledging to withdraw the US from a regional trade deal – the [Trans-Pacific Partnership](#) – and serving notice on Mexico and China that they could face swingeing tariffs.

The IMF, the World Bank and the [WTO](#) said in their joint report that the anti-trade mood had been evident long before last year's US presidential election but said this had followed a long period when trade had brought benefits to both developed and developing countries.

"The opening of trade over the past several decades has helped to drive global economic growth, lifting incomes across advanced, emerging and developing countries. However, a prolonged period of disappointing economic growth and inadequate attention to those left behind by forces such as trade, globalisation and technology has spurred increased scepticism over open trade in some quarters.

"Countering this by better communicating the benefits of trade, and better sharing these benefits with those affected by trade-related dislocations, are critical to restoring strong, inclusive global growth."

The IMF and the World Bank will hold their spring meetings in Washington next week, when both organisations are expected to stress the importance of combating protectionism and of ensuring the benefits of growth are more evenly distributed.

The WTO has been struggling since 2001 to complete the [Doha Round of trade liberalisation talks](#), a complex multilateral negotiation involving more than 160 countries.

The three organisations said they wanted to stress the "role of supporting domestic policies and prompt attention to those individuals and communities at risk of being left behind. Key policy initiatives such as training, temporary income support, job search assistance and targeted trade adjustment assistance are important. Approaches beyond labour market policies – such as education, housing and regional policy – are also needed."

While acknowledging that bilateral and regional trade deals had a role to play, the report said a strong global trading system based on the WTO was critical. "[Strong, well-enforced trade rules help to promote competition and to reassure citizens that international trade is evenhanded.](#)"

The IMF said in a separate report that workers were receiving a substantially smaller share of national income than in the 1980s, blaming technological change and globalisation for 75% of the decline.

In a chapter from its forthcoming World Economic Outlook, [the IMF said half of the four percentage point fall in](#)

labour's income share was due to rapid progress in information technology and the potential to automate routine tasks.

It added that technology was twice as important as globalisation in reducing labour's share of income but said the ability of firms to outsource production to lower-cost countries had eroded workers' bargaining power.

The IMF said rising inequality had accompanied the shift in national income away from labour and towards capital. Middle-income jobs had been hollowed out and the benefits of growth had gone increasingly to the owners of capital.

"As the global economy continues to struggle with subpar growth, an increasing recognition that the gains from growth often have not been broadly shared has strengthened a backlash against economic integration and bolstered support for inward-looking policies," the IMF said, adding that rising inequality created social tension and led to slower growth.