Global Trade, Policies, and Populism

World trade growth is exceptionally weak, weighing on productivity and wage growth, and furthering dampening demand. While multilateral trade deals remain elusive, protectionism is rising.

Figure 1. World Trade and GDP Growth

![Graph showing world trade and GDP growth from 1990 to 2015.]

Source: OECD November 2016 Economic Outlook database

Figure 2. New trade restrictions in G20 countries

![Bar chart showing new in-force measures from 2008 to 2016.]

Source: WTO-OECD-UNCTAD 2016 G20 Trade Policy Monitoring

Deeper regional trade agreements have become the norm, but even this modest market opening lacks widespread public support.

Figure 3. Regional Trade Agreements notified to the WTO

![Bar chart showing the number of signed agreements from 1995 to 2015.]

Source: Compiled from World Trade Organization RTAs Database
Yet, our economies are increasingly interconnected, with goods and services crossing borders multiple times. For example more than 20% of UK jobs are associated with trade.

Figure 4. Share of total employment embodied in foreign demand

![Bar chart showing the share of total employment embodied in foreign demand for various countries.](image)

Source: OECD, Trade in Value Added (TiVA) database

Trade facilitation measures would substantively reduce trade costs, benefitting MSMEs in particular and reforms are within reach.

Figure 5. Trade facilitation measures: Potential cost reduction in goods trade (2015)

![Bar chart showing the potential cost reduction in goods trade for low income countries and OECD.](image)

Source: OECD Trade Facilitation Indicators
Services trade restrictions can pose a heavy, unnecessary burden on firms, including manufacturers, impacting MSMEs disproportionately. All countries would benefit from reform.

Figure 6. STRI average, minimum and maximum scores by sector (2015)

Agriculture is a highly supported sector, but current policies are ineffective in increasing global production and welfare and can even hamper global food security and trade.

Figure 7. Impacts on the world economy of policies, reforms and drifts in agriculture

Source: Evolving Agricultural Policies and Markets: Implications for Multilateral Trade Reform (OECD, 2016)
Reducing unnecessary trade costs would provide a debt-free stimulus to increase output, while introducing trade restrictions would constrain output and put jobs at risk.

Figure 8. Medium-term impact of selected trade scenario simulations

Addressing anti-trade sentiments

While the benefits of trade may be clear to economists, the general public in many countries is deeply sceptical. Trade is in trouble today; in part it is a victim of often simplistic rhetoric by both anti-globalisation and free trade proponents. Trade can contribute to prosperity and inclusive growth, but it cannot deliver that outcome on its own. Neither can trade benefit everyone, automatically; trade is in part a victim of governments not putting in place domestic policies that prepare people for a world in which trade, investment, and innovation happen on a global scale.

Governments need to pursue a more progressive, more inclusive, more coherent package of trade, investment and domestic policies that would enable more firms, people and families to participate in and to benefit from the new and better income and job opportunities that more open markets can provide. This can be achieved through national action or international cooperation; but action is needed, not words.