

# Speech: Fox: Trends and Challenges in Rebalancing the World Economy

I am delighted to be here at the first ever China International Import Expo.

Since the end of the Second World War, falling tariffs and an ever more integrated rules based system – underpinned by the General Agreement on Tariffs and Trade and the World Trade Organisation – have brought great benefits both to developed and developing economies in terms of stability, predictability and openness – creating greater opportunities for exporters and lowering prices for consumers.

And as economies across the world have liberalised their trade, opportunities for employment and commerce have allowed millions of people to lift themselves out of poverty.

According to the World Bank, the period between 1981 and 2011 witnessed the single greatest decrease in material deprivation in history.

And since market reforms were initiated in China in 1978, it has been estimated that more than 800 million people have escaped from poverty – during the fastest sustained expansion by a major economy in history.

Today, living standards across the globe are at their highest level ever.

I believe it ranks as one of the greatest of humankind's achievements.

Free and open trade allows people to improve their own lives. The exchange of goods and services gives them access to global opportunities, sharing knowledge, skills and experience.

It spurs innovation, it rewards enterprise, and it fosters mutual security.

Trade liberalisation, globalisation and integration has gone hand in hand with a boom era of international trade. Since joining the WTO in 2001, China has become the world's largest exporter, and in turn has brought some 1.3 billion consumers into the global market place.

The UK and China have a shared commitment in continuing this remarkable progress – to further build on our trading ties and enable our people to continue to enjoy the prosperity enabled by our mutually beneficial economic relationship.

During Prime Minister Theresa May's visit to China in January – during which £9 billion of commercial deals were announced – she set out our vision for an ambitious future trading relationship.

And during my fourth visit to China this year, I was delighted with the agreements we were able to make in the agricultural space, notably [increasing access for British dairy products](#).

Our bilateral trade relationship is stronger than ever. China is now the UK's fifth largest trading partner, totalling over £65 billion in the year to June 2018.

And as the UK leaves the European Union in March, we will be able to fashion our own independent trade policy for the first time in more than four decades, and speak with our own voice at international bodies like the World Trade Organisation.

For our exit from the EU is not a retreat into isolationism. In fact, it is quite the opposite. What we will be is a truly 'Global Britain' – reaching out to our partners like China across the world to build prosperity, stability and security. And we will use this opportunity to further strengthen the 'Golden Era' of trade that the UK and China are now embarked on.

However, while our bilateral trading ties are growing stronger, a fundamental challenge has arisen in the future progress of the global economy.

For the first time in decades, the system of free, fair, rules based multilateral trade which underpins our mutual prosperity has come into question.

Since the financial crisis, G20 countries have been operating an increasing number of non-tariff barriers to trade. And recently, the imposition of unilateral and retaliatory tariff barriers has introduced new friction into the trading system.

In a 21st century globalised world, complex global value chains and trade in inputs stretch across multiple national borders – sometimes going back and forth across them several times.

The use of imported intermediate goods and services has become dramatically more important for global exports – with such trade doubling and the value added of imports as a share of exports rising from 10% in 1990 to around 20% in 2015.

The imposition of tariffs and non-tariff barriers in this globalised world threatens to fragment these supply chains – in turn increasing input costs. This drives up prices for consumers in the domestic market and decreases the competitiveness of exports which contain those imported components.

These barriers have the potential to dampen export orders and reduce manufacturing output, causing lost growth and higher inflation.

In short, as President Xi Jinping said at the World Economic Forum last year: "Pursuing protectionism is like locking oneself in a dark room... Wind and rain may be kept outside, but so is light and air."

The UK has a clear, unambiguous position – that free, fair and open trade is the best means of raising global prosperity.

We have long been, and remain, a strong supporter of an open, rules-based

multilateral trading system – with the World Trade Organisation at its centre.

Today, this system cannot – if it ever could be – taken for granted. Those of us who genuinely believe in free trade have a duty to China and the UK to support the multilateral trading system.

We want to work constructively with China to develop our trading relationship – pursuing new opportunities while openly discussing issues such as how to reform and strengthen WTO mechanisms.

And we look to engage productively with our partners – whether in China, the US, EU or the wider world – on reforming the WTO to ensure it is fit to address new challenges like improving transparency, regulation appertaining to state owned enterprises, protection of intellectual property and the need to eliminate illegal industrial subsidies and on sector-specific issues, such as through the Global Forum on Excess Steel Capacity.

We should also look at how the development dimension, including differential treatment, can be best pursued in rule-making efforts.

And we welcome the EU-China working group on WTO modernisation, set up at the end of June – which is looking at issues just like these.

As well as focusing on getting agreement across the WTO – a great achievement in itself across so many issues and countries – we must also focus on implementation, such as through strengthening the Trade Policy Review Mechanism, and enforcement, by ensuring the dispute settlement mechanism is fit for the future.

There is also much more to be done to foster the integration that will be vital to our future shared prosperity.

Fundamental changes in the global economy have occurred which simply didn't exist when the Uruguay round concluded.

The revolution in e-commerce is now a major component of world trade, from some of the world's largest corporations, like Alibaba and Amazon, to the thousands of small companies who have never before been able to trade internationally.

Services are now a larger part of the world economy than ever before – and more easily traded across borders thanks to the internet and digital telecommunications.

A recent WTO report estimates that, while services comprise two-thirds of global GDP and employment – and nearly half of world trade on a value-added basis, the barriers to trade in services are around as large as those in goods half a century ago.

This has to change. Opening up our markets to reflect these developments in the global economy would boost productivity, raise living standards and promote competitiveness.

And these reforms will only become more vital as the interdependence of the global economy increases.

So, now a few concluding thoughts.

Trade, and the rules-based international system that upholds its freedoms, underpins everything, from political stability and security, to economic prosperity and the livelihoods that have lifted a generation out of poverty.

And while we work to make sure that the benefits of trade extend to those who feel they have been left behind by the pace of global change, we must also take on the siren calls of protectionism head on.

If we stand back from our duty to uphold international norms and institutions – perhaps in the hope of short term gain – we will all be worse off in the long run.

It is a system which is not the property of any one country, any part of the world, or a particular political system. It is something that is important to all of us – and its importance is clearer today than ever.

I believe that UK-China cooperation – both in protecting the rules based international trading system and strengthening our ties – will be vital in securing the future world economy we all want to see.

The opportunities of trade are perhaps greater than for almost any other human activity.

The only thing that will limit us is our own ambition.

Let's work together to seize them.

[Dr Liam Fox at the China International Import Expo](#)