

What Is the Nature of the IMF's Mandate to Cover Trade Policy?

5. The IMF's mandate on trade policy issues is broad, but not precise.² The root of the mandate lies in Article I(ii) which specifies that a purpose of the IMF is

...to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.

The generality of this statement has opened the door to controversy.

6. Within the IMF, a fairly broad interpretation of the purpose and responsibility of the IMF vis-à-vis international trade policy has evolved. Joseph Gold (Legal Counsel during 1946–79) held that, while the IMF has no regulatory authority over trade practices, its “soft” responsibility encompasses policies that encourage or ease the expansion of international trade. In surveillance, the IMF sees this responsibility as requiring attention to trade policies in both a passive mode (considering restrictive trade policies as an indication of the inappropriateness of a country's exchange rate and a vulnerability to macroeconomic shocks) and an active mode (advising on trade

policies that promote growth and stability). In lending, the IMF has interpreted the call in Article I(v) to “correct maladjustments in...balance of payments without resorting to measures destructive of national or international prosperity” as justifying conditionality on trade reform as well as a continuous performance criterion prohibiting new import restrictions for balance of payments purposes.

7. Some critics see this interpretation of the Articles as too broad. They contrast the IMF's concrete purposes to promote exchange rate stability, oversee the multilateral payments system, and provide temporary balance of payments support with the vague reference to promoting international prosperity. They tend to see a role for the IMF in advising or agreeing on conditionality on trade policies only where immediate balance of payments issues are at stake. They reject the notion that the general language in the Articles gives the IMF free rein to involve itself in, and especially establish conditionality on, policies as far afield from the IMF's core expertise as trade policy.

8. With due respect for this debate, the evaluation focuses on the IMF's record of involvement in trade policy, not the legal legitimacy of its involvement. In the IEO's view, the sections of the Articles that are interpreted as giving the IMF responsibilities on trade policies to fulfill its purpose of facilitating international trade do not provide precise direction. But, they are general enough to underpin a wide spectrum of engagement.

² Background Document 1 briefly addresses the IMF's mandate vis-à-vis trade policy and provides some detail on critics and their points.