

The IMF's Evolving Role in Trade Policy: How Was the Process Guided?

20. Executive Board guidance on trade policy since the mid-1990s pushed staff both to broaden the range of issues they covered and to be more selective.⁵ Discussing the 1994 Comprehensive Trade Paper (an IMF staff review of trade policy issues that was conducted every few years until 1994), Directors asked for more analysis of several issues: macroeconomic effects of trade policies; spillovers, especially from PTAs; and effects of the Uruguay Round, especially on net food importers and countries facing preference erosion. In later years, the Board also asked for staff attention to countries' positions in the Doha Round, market access for developing country exports, and trade in services. But staff interviewed for the evaluation saw the Board's decision to abandon the Comprehensive Trade Paper as a sign of reduced interest in trade issues. This perception was reinforced by the streamlining of structural conditionality in 2000 and of trade policy surveillance in 2002. Also, as criteria for streamlining trade advice emerged only gradually through 2005, staff were often unclear when to address issues.

21. Even allowing that mixed signals were inevitable in the changing global trade environment, Board guidance to staff was vague. What many staff members described to the evaluation team as "cyclicality" in the Board's interests made staff wary in addressing trade policy issues. Also, while the IMF's objectives for traditional trade barriers were clear, for new trade policies—especially PTAs and trade in financial services—they were not. For both, the Board asked for IMF engagement (though for trade in financial ser-

vices this request was not made explicitly until 2002) but left loose ends as to when, against what criteria, and with what objectives. *Vis-à-vis* PTAs, this may have reflected concerns that staff were too exacting in pushing high standards for minimizing possible distortions from PTAs. Thus, an effort to define an institutional perspective on key PTA issues in a 2006 Board seminar met with limited success, and the staff paper for that seminar was not released to the public.

22. PDR's Trade Policy Division made a reasonable effort to filter what it saw as Board guidance to operational staff. In its comments on mission briefs and staff reports, the division rather systematically pressed missions to cover trade policies in countries with the most restrictive stances.⁶ For advanced countries, where tariff and nontariff barriers tended to be low, PDR pressed for strong positions on issues such as subsidies and countervailing duties. Often a Trade Policy Division staff member participated on surveillance missions. Even after the Comprehensive Trade Paper was abandoned, PDR put several thoughtful papers on IMF work on trade policy to the Board. Management interest in trade policy was more cyclical, peaking across the spectrum of issues during 2001–03, when the Managing Director and First Deputy Managing Director were strongly committed to an active IMF role in trade issues. Recently, management has taken less interest, at times discouraging staff from covering trade policy issues in developing and advanced countries.

⁵ Background Document 3 reviews guidance to staff on trade policy in surveillance and UFR.

⁶ A background paper by Yang and Yoon "What Determines IMF Involvement in Trade Policy Issues?" (see www.ieo-imf.org) examines the determinants of trade policy coverage in surveillance and UFR missions and the role of PDR in the review process.