IEO Releases Evaluation of IMF Involvement in International Trade Policy Issues

The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) is releasing its report on IMF Involvement in International Trade Policy Issues. In presenting the report, Tom Bernes, Director of the IEO, stated: “this evaluation addresses many controversies generated by the IMF’s involvement in trade policy issues since the establishment of the WTO. After overextending its reach on trade policy advice, particularly in conditionality on its lending operations in the late 1990s, the IMF recently has retrenched to the point that it has failed to address some key trade policy issues with systemic and macroeconomic effects. The evaluation advises a rebalancing of the IMF’s treatment of trade policy issues.”

The evaluation points to several areas where the Fund needs to play a larger and more considered role: whether and how countries should liberalize trade in financial services (an issue underscored by the global financial crisis); the systemic implications of the proliferation of preferential trade agreements; and the global effects of trade policies (especially high agricultural tariffs and subsidies) of systemically important countries. In addition, interinstitutional cooperation on trade policy, while found to have been broadly satisfactory, would benefit from more formal processes for ensuring that gaps in institutional coverage of trade policy are plugged.

The report concludes with recommendations on how to deploy the IMF’s limited resources to effectively address trade issues with macroeconomic and systemic implications. The report, IMF management and staff responses, and the Summing Up of the Executive Board meeting, are available at http://www.ieo-imf.org.

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