BACKGROUND DOCUMENT

2 Cooperation Between the IMF and the WTO

A. Background

1. The creation of the WTO at the end of the Uruguay Round prompted the IMF to examine its role in trade policy issues and its relationship vis-à-vis this new institution. The Fund had developed an informal collaborative relationship with the secretariat of the General Agreement on Tariffs and Trade (GATT), focusing mainly on consultations about import restrictions that were adopted for balance of payments reasons. But the WTO's mandate extended beyond the agreement on trade in goods embodied in the GATT to agreements on trade in services and on intellectual property rights, as well as policies on dispute resolution and trade policy surveillance (Box 1).

2. Both institutions had a mandate for cooperation. Article X of the IMF's Articles of Agreement—which predated the WTO and, indeed, the GATT—called on the Fund to cooperate with "any general international organization and with public international organizations having specialized responsibilities in related fields." Article III:5 of the WTO Agreement was more specific, calling on the WTO to cooperate with the Fund (and the World Bank Group) "with a view to achieving greater coherence in global economic policymaking." The challenge was how to strengthen the collaboration that had existed between the Fund and the GATT, so as to avoid potential inconsistencies and conflicts.

3. After the creation of the WTO, the IMF refocused its existing infrastructure for liaising with the GATT to examine cooperation issues with the WTO. The Executive Board's Committee on Liaison with the Contracting Parties to the GATT (CGATT), which had been formed in 1950 to advise the Board on issues relating to the IMF's relationship with the GATT, was renamed the Committee on Liaison with the WTO (CWTO), and charged with helping to establish arrangements for the IMF's relationship with the WTO and advising the Board on issues relating to that relationship. The IMF's Office in Geneva, set up in 1965 to forge closer relations with the GATT and the United Nations Conference on Trade and Development (UNCTAD), was charged with liaising with the WTO (and other Geneva-based international organizations) in conjunction with the then Policy

Box 1. Scope of the WTO Agreement

The Agreement Establishing the World Trade Organization (or the WTO Agreement) mandated the WTO to "provide the common institutional framework for the conduct of trade relations among its members" in matters related to the following areas, included as annexes to the agreement:

- Trade in goods (Annex 1A: Multilateral Agreements on Trade in Goods)—incorporating the GATT 1994 plus agreements in 12 areas: (i) agriculture; (ii) sanitary and phytosanitary measures; (iii) textiles and clothing; (iv) technical barriers to trade; (v) trade-related investment measures (TRIMS); (vi) antidumping; (vii) customs valuation; (viii) preshipment inspection; (ix) rules of origin; (x) import licensing; (xi) subsidies and countervailing measures; and (xii) safeguards.
- Trade in services (Annex 1B: General Agreement on Trade in Services (GATS)).
- Intellectual property rights (Annex lC: Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)).
- Dispute settlement (Annex 2: Dispute Settlement Understanding).
- Trade policy review (Annex 3: Trade Policy Review Mechanism).
- Civil aircraft, government procurement, dairy, and bovine meat (Annex 4: Plurilateral Trade Agreements)—only for WTO members that have accepted those agreements.

Development and Review Department (PDR) and the Legal Department. The Board saw no need, at the time, to create new institutional structures within the Fund to liaise with the WTO (IMF, 1995a).

4. Both institutions defended their respective jurisdictions, but grey areas and areas of conflict emerged. The IMF's Geneva Office and Legal Department worked to preserve the clarity of the legal relationship that had existed under Article XV of GATT 1947, specifically with regard to exchange measures, on which it was expected that the WTO would defer to the IMF's findings and its jurisdiction.[1] Nonetheless the possibility remained—especially given the strengthened dispute settlement procedures of the WTO—that exchange measures consistent with the IMF's Articles could be subject to countermeasures under the WTO (IMF, 1994c).[2] More generally, there were issues of jurisdictional consistency that remained unresolved from GATT days, and had their roots in different approaches to distinguishing between trade and exchange measures. Whereas the IMF used a technical criterion to delineate between trade and exchange measures, the GATT had at times favored a different approach based on the effect on trade of the measure in question; this opened the door for exchange measures that had trade effects to fall under the WTO's jurisdiction as well (IMF, 1994c). IMF staff favored seeking an early resolution to these issues, but the Board was divided and left the matter for further discussion with the WTO (IMF, 1995a). A case involving China's accession to the WTO soon illustrated how conflicts of jurisdiction could arise and how problematic they could be (Box 2). The inclusion of certain capital transfers within the jurisdiction of the WTO was also potentially problematic: the General Agreement on Trade in Services (GATS) was "the first agreement of universal (as opposed to regional) application" that took a step toward liberalization of capital movements—a tendency that was not yet reflected in the IMF's Articles of Agreement (IMF, 1994c).[3]

Box 2. Conflict of Jurisdiction: The Draft Protocol on China's Accession to the WTO

At issue was the unprecedented inclusion (by the United States) in the draft protocol on China's accession to the WTO of obligations relating to the exchange system. Specifically, the draft protocol required that China bring its foreign exchange regime into conformity with the obligations of Article VIII of the IMF by an agreed date, and limited its rights to use foreign exchange restrictions in the future.

Fund staff objections, which were communicated to the Board in a statement in March 1995, were several (IMF, 1995b). For a start, the draft protocol contravened the ministerial declaration in the Uruguay Round Final Act that recognized explicitly the IMF's jurisdiction over exchange matters. Further, Article XV 9 of the GATT 1994 recognized the right of a WTO member that was also an IMF member to maintain exchange controls/restrictions in accordance with the IMF's Articles. By removing that right for China, the protocol would effectively create two classes of IMF members—an outcome inconsistent with the IMF's principle of uniformity of treatment of its members.

At the Board discussion of China's Article IV consultation in March 1995, the U.S. Executive Director exhorted the Fund to take a more activist stance in encouraging countries to accept Article VIII and to state its claims more strongly in the area of exchange restrictions lest it lose its jurisdiction by default (IMF, 1995c). The following year, the Managing Director sent the staff statement and a formal request to the WTO's Working Party on China's Accession to drop all references to exchange measures under IMF jurisdiction from the draft protocol. There was considerable tension regarding this matter at the WTO. Although the IMF was invited to attend the working party's meeting in March 1996, the Fund representative was told that his intervention at the meeting would be unhelpful; the IMF statement was not read at the meeting but submitted in written form and entered as part of the working party's formal report. The language of the draft protocol was not modified at that time.

China accepted Article VIII in December 1996. But the language of the accession protocol was not resolved for another five years, involving discussions among Fund staff, the U.S. administration, the Chinese authorities, and the WTO working party. China acceded to the WTO in December 2001.

[1] Their concern was with an interpretative note in Annex lA of the draft WTO Agreement. The note indicated that in the event of an inconsistency or conflict between the GATT 1994 text containing Article XV and one of the other 12 multilateral agreements on trade in goods, the latter would have precedence. Their intervention led to the insertion of a Declaration on the Relationship of the WTO with the IMF in the Uruguay Round Final Act reaffirming that the relationship established in the GATT agreement be carried into the WTO except as otherwise provided (IMF, 1994a).

[2] In contrast to the IMF staff's interpretation, it was "apparently the understanding in some GATT circles" that the Declaration on the Relationship of the WTO with the IMF would not suffice to protect a measure consistent with the Fund's Articles from a finding of violation under one of the other multilateral agreements on trade in goods (IMF, 1994c).

[3] Article VI of the IMF's Articles of Agreement allows IMF members to impose capital controls and allows the Fund to request a member to do so in certain situations. The GATS, on the other hand, proscribes the application of restrictions on any capital transactions inconsistently with WTO members' specific commitments regarding such transactions, except in case of the need to safeguard the balance of payments or "at the request of the Fund" (GATS Articles XI and XII).

B. Cooperation in Principle

5. Absent a legal solution to the problem of overlapping jurisdictions, both organizations agreed that enhanced cooperation was key. To start, PDR issued two guidance notes to staff on the topic (Table 1). The first (IMF, 1995e) covered aspects of collaboration with the WTO such as balance of payments consultations, consistency of policy advice and obligations, staff contacts, and exchange of documents, research, and information. The second (IMF, 1995f) dealt specifically with the consistency of IMF advice with WTO rules ("WTO consistency"), highlighting various WTO rules that Fund staff needed to be aware of in the course of program design, surveillance activities, and technical assistance. As explained in the latter note, the role of staff was to be familiar with the issues so that potentially inconsistent policy advice could be identified at an early stage and alternatives explored. PDR's Trade Policy Division and the Geneva Office would assist missions in identifying potential inconsistencies and consult informally with the WTO Secretariat if necessary. Once a potential inconsistency was identified, the mission was to advise the national authorities to clarify the issue directly with the WTO; it was not to enforce WTO rules or the country's obligations under the WTO.

6. Guidance to staff was clear about how far IMF trade policy advice and conditionality could go. The guidance provided that while the IMF could not recommend policies that would violate a country's WTO commitments, it was "perfectly valid" for Fund advice and program design to encompass unilateral trade liberalization that went beyond a country's WTO commitments so long as there was no "cross-conditionality" (i.e., as defined by the guidance, so long as the country was not required to make a binding commitment to the WTO on trade liberalization undertaken in the context of a Fund-supported program). For example, Fund staff could not, in the context of a comprehensive tax reform, ask a country to increase some tariffs above their WTO bindings. But staff could—and were encouraged to—ask a country to lower some (applied) tariffs below their WTO bindings in order to "improve economic efficiency,"

Table 1. IMF Guidelines on WTO Cooperation

	Date
Board discussions on trade	
The Relationship of the WTO with the Fund: Institutional and Legal Aspects of the WTO—Concluding Remarks	January 1995
The Fund-WTO Cooperation Agreement—Summing Up	July 1996
Fund Support for Trade-Related Balance of Payments Adjustments—Summing Up	April 2004
Review of Fund Work on Trade—Summing Up	March 2005
Doha Development Agenda and Aid for Trade—Summing Up	November 2005
Doha Development Agenda and Aid for Trade—Summing Up	September 2006
Aid for Trade: Harnessing Globalization for Economic Development—Summing Up	September 2007
PDR guidance memos to area departments	
Collaboration with the WTO	April 1995
Reference Note on WTO Consistency	November 1995
WTO Committee on Balance of Payments Restrictions	October 1996
Note on Import Surcharges	January 1999
Developments in World Textiles Markets: Implications for Fund Surveillance	August 2003
Operational Guidelines for Fund Support for Trade-Related Balance of Payments Adjustments	September 2004
Other guidelines	
Agreement between the IMF and the WTO	December 1996
Report of the Managing Director, President, and Director-General on Coherence	October 1998

Source: IMF.

as long as the country was not made to bind its tariffs in the WTO at the lower level (IMF, 1995f).

7. Explicit arrangements for IMF-WTO cooperation were set out in the Cooperation Agreement signed by the two institutions in December 1996 (IMF, 1996d). These included arrangements for staff from each institution to attend the meetings of the others' governing bodies and procedures for the exchange of documents and other information (Box 3). The agreement largely formalized the collaboration mechanisms that had existed between the Fund and the GATT, and most of its elements were uncontroversial.[4]

8. The most debated item had to do with the IMF's voice in WTO dispute settlement panels. The IMF had requested the ability to communicate its views at dispute settlement panels in the WTO in cases that the Board determined directly involved the Fund's mandate. The WTO was disinclined to allow IMF participation in the panels, arguing that the Fund needed to maintain an impartial role in the proceedings. In the end it was agreed that in cases where the IMF's jurisdiction was involved and where the measure in dispute was covered by the IMF's Articles, written submissions by the Fund would suffice to inform the panel and such submissions would be incorporated in the formal record of the panel proceedings. However, it remained unclear as to whether the panel was required to receive, and treat as authoritative, the IMF's information on the consistency of exchange measures with the IMF's Articles (IMF, 1996c).

9. The concept of coherence in global economic policymaking took longer to flesh out. The idea first emerged in the early stages of the Uruguay Round negotiations, when the focus was on exchange rate and trade policies; Ostry (1999) noted that "the term 'coherence' was essentially a euphemism for curbing extreme swings in exchange rates."[5] But in the

[4] The new elements included the transmittal to the WTO of the summings up of Article IV consultation discussions and of Article IV consultation reports of Fund members seeking accession to the WTO, and the issue of WTO observer status in selected Board meetings. The idea of participation by WTO staff in Article IV missions had been discussed early on but the Board agreed that it was not a priority (IMF, 1994b).

[5] The issue of greater policy coherence and closer interagency collaboration was discussed in the 1980s by the Uruguay Round negotiating group on the Functioning of the GATT System. Interest in

Box 3. Key Arrangements for IMF-WTO Cooperation Specified in the 1996 Cooperation Agreement

Balance of payments consultations

- The IMF will participate in consultations carried out by the WTO Committee on Balance of Payments Restrictions on measures taken by a WTO member to safeguard its balance of payments.

Representation

- The IMF will invite the WTO Secretariat to send an observer to Executive Board meetings on trade policy issues and matters of common interest. The WTO will invite the IMF to send an observer to meetings of its Ministerial Conference, General Council, and certain committees, working groups, and bodies.

Information and document exchange

- The IMF and the WTO will make available to each other in advance the agendas and relevant documents for the meetings to which they are invited. In addition, the IMF will make available to the WTO Secretariat the agendas of the Executive Board meetings at the time of their circulation in the Fund, and the WTO will make available to the Fund the agendas of the Dispute Settlement Body at the time of their circulation in the WTO.
- The IMF must inform the WTO of any decisions approving restrictions on the making of payments or transfers for current international transactions, decisions approving discriminatory currency arrangements or multiple currency practices, and decisions requesting a Fund member to exercise controls to prevent a large or sustained outflow of capital.
- The IMF and WTO must share their reports with each other (staff reports and related background staff papers on Article IV consultations and on use of Fund resources from the IMF; trade policy review reports, summary records and reports to/of various WTO councils, bodies, and committees from the WTO), subject to a confidentiality constraint.

Informal consultations

- IMF and WTO Secretariat staff must consult with each other on issues of possible inconsistency between measures under discussion with a common member and that member's obligations under the WTO Agreement or the IMF's Articles of Agreement.

Dispute settlement

- The IMF will inform in writing the relevant WTO body (including dispute settlement panels), considering exchange measures within the Fund's jurisdiction, as to whether such measures are consistent with the Articles of Agreement of the Fund.

Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policymaking that was attached to the Uruguay Round Final Act, the concept of coherence was widened to include "consistent and mutually supportive policies" among the international institutions with responsibilities in "structural, macroeconomic, trade, financial and development aspects of economic policymaking." In 1995, a High Level Working Group on Coherence (HLWGC), consisting of senior staff from the IMF, the World Bank, and the WTO, was formed to recommend ways of achieving coherence in economic policymaking. The working group's report—the Report of the Managing Director, President, and Director-General on Coherence (or the 1998 Coherence Report)—identified several issues that fell under this rubric, noting that the list would be flexible and subject to regular review by the HLWGC (IMF, 1998e) (Box 4). Exchange rate and debt issues were not on the list—the WTO Secretariat had sought to include them but Fund (and Bank) staff had argued forcefully against their inclusion and won.

10. Ideas on how to achieve coherence in global economic policymaking did not extend far beyond the mechanisms outlined in the Cooperation Agreement. The principle behind the IMF-WTO Cooperation Agreement and a similar agreement between the WTO and the World Bank was that regular communication and information sharing would ensure that the three institutions were formulating consistent and mutually supportive policies in their respective areas of responsibility. The 1998 Coherence Report highlighted that regular meetings would take place among the three institutions at the management, senior staff, and technical levels to discuss issues of common interest.

11. Criticism of the coherence objective came from both ends of the spectrum. Schott (1998) criticized the recommendations in the Cooperation Agreement and 1998 Coherence Report as insufficient. He suggested that the WTO open a small office in Washington to facilitate high-level contacts with the IMF and the World Bank and that the two institutions do more to induce countries to implement and sustain trade liberalization—the IMF by making its trade conditionality binding in the WTO, and the WTO by devising a system for providing credit in current or prospective negotiations for trade reforms to be undertaken in the context of Fund-supported programs. Civil society organizations, on the other hand, saw the IMF, the World Bank, and the WTO as "ganging up to force countries to comply with liberalization policies" (Bretton Woods Project, 1999; Rowden, 2001; Caliari, 2003).

Box 4. Coherence Issues Highlighted in the 1998 Coherence Report

Common policy issues

- Trade liberalization as the outcome of WTO-based negotiations versus unilateral trade reforms in the context of programs supported by the IMF (and the World Bank).
- Transitory adverse implications of trade liberalization on the balance of payments, fiscal accounts, and certain social indicators.

Operational issues

- Consultations on trade restrictions imposed for balance of payments reasons.
- Trade policy surveillance of the world economy and individual countries.
- Helping interested countries prepare for WTO accession.
- Preferential trade agreements.
- Building human and institutional capacity in developing countries to design and implement efficient reform policies and to facilitate their integration into the global economy.

Issues to be addressed at both policy and operational levels

- Trade prospects for developing countries.
- Efficiency versus revenue aspects of tariffs.
- Potential effects of agricultural trade liberalization on net food importers and least developed countries.

C. Cooperation in Practice

12. In practice, IMF-WTO cooperation has been shaped by important institutional and operational differences between the two institutions. Aside from their distinct albeit overlapping legal jurisdictions noted earlier, the two institutions differ in the nature of their obligations, their organizational structure, and their domestic governmental constituencies (Siegel, 2002). WTO rules stem from negotiations among WTO members and are enforced by the members; unlike the IMF, the WTO itself has no power to oversee/enforce the compliance of each member with its obligations.[6] And while the IMF has an Executive

the issue was motivated by persistent current account imbalances that had emerged, notably between the United States and Japan, and that tended to generate protectionist pressures (Ostry, 1999; Auboin, 2007).

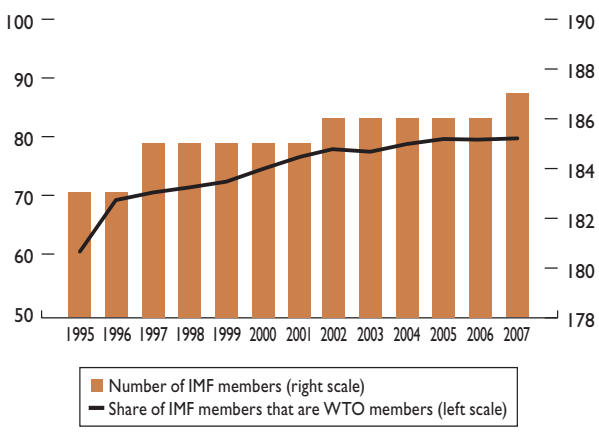
[6] WTO members' obligations to the institution are limited to such matters as participation in trade policy reviews and fulfillment of

Board, the WTO's decisions are made by the WTO membership as a whole—by ministers or by their ambassadors or delegates. In the IMF, staff and management play an important role by making recommendations to the Executive Board on the Fund's daily activities. In the WTO, delegations conduct much of the work on the trade obligations in their capacity as representatives of their countries; the staff of the WTO, who number only about a quarter those of the IMF, perform a secretariat role (Jackson, 2006).[7] The two institutions represent different domestic governmental constituencies—finance ministries in the IMF, and trade, commerce, or foreign ministries in the WTO. The two institutions also have different memberships—not all IMF members are WTO members and vice versa—though the difference narrowed during the evaluation period (Figure 1).

13. On the IMF side, all interactions with the WTO were channeled through a small group of staff. The Fund's representative to the WTO, based in the Office in Geneva (which was closed in 2008), was the primary point of contact. The representative worked closely with, and reported to, the Trade Policy Division in PDR. The Office in Geneva was responsible for day-to-day working relations with the WTO, including monitoring various WTO standing and negotiating bodies and reporting on their meetings. It reported to PDR's Trade Policy Division on a daily/weekly basis. Senior PDR staff members participated in the HLWGC, which met on an ad hoc basis through 2001. In 2003, Fund staff suggested new mechanisms for IMF-WTO cooperation to handle consultations at the institutional level, such as the establishment of a permanent body that would meet on demand, but management did not take up these suggestions.

14. The effectiveness of the Cooperation Agreement has not been reviewed regularly. The only review to take place was conducted by PDR and the Office in Geneva in 1998 (IMF, 1998c). The review, which was requested by the Executive Board at the time of approval of the agreement, concluded that IMF-WTO cooperation had proceeded smoothly—the cooperation mechanisms had been implemented as envisaged, there had been management and staff contacts at all levels, and no inconsistencies had been reported—with only modest budgetary implications for the Fund.

Figure 1. IMF and WTO Membership
(Percent)



Sources: IMF and WTO.

Balance of payments consultations

15. The most widely known form of IMF-WTO cooperation took place in the context of the WTO's Committee on Balance of Payments Restrictions (CBR). Under WTO rules, subject to specified conditions, a country facing balance of payments difficulties may apply import restrictions to "safeguard its external financial position" (GATT Article XII) and/or, if it is a low-income developing country, to "ensure a level of reserves adequate for the implementation of its program of economic development" (GATT Article XVIIIB). Similar rules apply to restrictions on trade in services (GATS Article XII). The rules require that import restrictions imposed for balance of payments purposes be reviewed by the CBR, in consultation with the IMF.[8]

16. The IMF's role was to provide the CBR with input with which to decide each case. This input consisted of an update of recent economic developments in the consulting country and, in countries engaged in full consultations, a statement focusing

administrative responsibilities.

[7] The responsibilities of the WTO Secretariat include providing administrative and technical support for WTO delegate bodies (councils, committees, working parties, and negotiating groups) for negotiations and the implementation of agreements; providing technical support for developing countries; undertaking trade policy analysis and reviews; assisting in the interpretation of WTO rules and precedents in the resolution of trade disputes; and dealing with accession negotiations for new members and providing advice to governments considering membership.

[8] Under Article XV:2 of GATT 1994, the CBR is required to "consult fully" with the IMF and to "accept the determination of the Fund as to what constitutes a serious decline in the contracting party's monetary reserves, a very low level of its monetary reserves or a reasonable rate of increase in its monetary reserves, and as to the financial aspects of other matters covered in consultation in such cases." GATS Article XII:5(e) contains similar language, requiring that the CBR's conclusions "be based on the assessment by the Fund of the balance-of-payments and the external financial situation of the consulting Member."

on the country's current and prospective balance of payments situation. The IMF statement was prepared by the relevant area department in consultation with PDR; approved by the Board, usually on a lapse-of-time basis; and delivered to the committee by the Fund's representative to the WTO. Fund staff preparing this statement were directed by three PDR guidance notes: the 1995 note on WTO consistency (IMF, 1995f), a 1996 note on WTO CBR consultations (IMF, 1996b), and a 1999 note on import surcharges (IMF, 1999a) (Table 1).

17. PDR guidance to staff was unequivocal about the IMF's position on trade restrictions used for balance of payments reasons. Staff were instructed to "discourage the use of trade restrictions as a tool for balance of payments management" in their trade policy advice (IMF, 1995f). Although WTO rules allowed for import surcharges under certain circumstances, and surcharges had had "a limited impact on the macroeconomy" in practice, "the Fund oppose[d] surcharges in the great majority of cases" because they created distortions, hindered structural change, and ran counter to the Fund's "goal of promoting open international trade" (IMF, 1999a). Furthermore, the GATT Articles allowing trade restrictions for balance of payments reasons had been drafted in the 1940s, when fixed exchange rates were the norm. Under flexible exchange rates, trade restrictions such as import surcharges were seen to be "redundant and inefficient in addressing the balance of payments situation" (IMF, 1999a).

18. But the guidance was less consistent with regard to how far the IMF statement could go. According to the 1996 guidance note on CBR consultations, the IMF statement had to: (i) identify, through "an evaluation of a country's reserve position and policies," whether there was a balance of payments need at the time the trade restrictions were introduced; (ii) address the question of whether the country still had a balance of payments problem, based on assessments of its reserve adequacy and "the gamut of macroeconomic and structural policies" as described in staff reports and summings up; and (iii) determine the macroeconomic policy combination that would be needed to restore a sustainable balance of payments and how long this would take (IMF, 1996b). The guidance note warned staff not to make a direct judgment on the trade restrictions in question ("This is the jurisdiction of the WTO...") but encouraged staff to comment on whether the trade restrictions were assisting the balance of payments adjustment and, if not, to "call for their early or phased removal, with some indication of a reasonable timetable for such action" (IMF, 1996b). The 1999 guidance note on import surcharges was more circumspect—the IMF statement, it noted, should present the available information on the level and evolution of reserves, as well as on potential risk factors, and avoid even a "direct judgment on the adequacy of a country's reserves," let alone a judgment of whether the surcharge was justified (IMF, 1999a).

19. In practice, the IMF statements almost always called for an early removal of the import restrictions. During 1995–2007, the CBR held 41 consultations with 16 countries (Table 2).[9] Of these, 28 involved a statement from the Fund. A spate of consultations with transition countries (Romania, Hungary, Bulgaria, and the Czech and Slovak republics) in the late 1990s mainly involved import surcharges imposed under GATT Article XII. Most of the other cases involved a handful of developing countries—notably India, Pakistan, Bangladesh, and Nigeria—invoking GATT Article XVIIIB. In more than 80 percent of the cases, irrespective of the assessment of the balance of payments situation, the IMF statement said the import restrictions were inappropriate and should be eliminated. Only in two cases—Pakistan and Bangladesh—did the IMF statements not comment on the restrictions under consideration. The CBR agreed with the IMF's view on the trade measure(s) in roughly half of the cases.[10] The most notable case of disagreement was India's, which could not be resolved by the CBR, escalated into a trade dispute, and called into question the IMF's role in the CBR consultations (Box 5).[11]

20. Fewer CBR consultations took place after 2000. The last new case considered by the CBR within the evaluation period was the Slovak Republic's introduction of a temporary import surcharge in 1999. By the beginning of 2001, that surcharge had been eliminated, as had the restrictions imposed by Romania and Pakistan, leaving only one country—Bangladesh—that still maintained trade restrictions for balance of payments reasons. Bangladesh's case was concluded in 2007.[12]

[9] During the transition from the GATT to the WTO in 1995, the WTO CBR held consultations jointly with the GATT CBR. There have been no consultations under GATS Article XII.

[10] In the other cases, the CBR either called for further consultations or judged the import restriction(s) to be in compliance with the relevant GATT provision. The CBR was bound by GATT Article XV to accept the IMF's view on the country's balance of payments situation, but not on the trade measure(s) in question. The 1999 guidance note on import surcharges noted that the CBR's decisions were "based on precedent and interpretation of the rules and the consensus of the Committee members, rather than economic efficiency" (IMF, 1999a).

[11] The only other case where the CBR was unable to reach a conclusion was Nigeria's (1996–98). Nigeria subsequently revised its timeframe for elimination of its import restrictions from five years to three; no dispute was filed.

[12] In the first new case in a decade, Ecuador in early 2009 invoked GATT Article XVIIIB to impose various import restrictions for one year. The IMF was invited to consult with the CBR in April 2009.

Table 2. WTO CBR Consultations, 1995–2007

Year	Number of Consultations		Countries (An * indicates continuation of earlier consultation(s); the number in parentheses denotes the number of consultations in that year)
	With no Fund statement	With Fund statement	
1995	3	6	South Africa*, Egypt*, Hungary, Slovak Republic*, Turkey*, Brazil, Sri Lanka*, Philippines*, India*
1996	0	5	Nigeria*(2), Tunisia*, Slovak Republic*, Hungary*
1997	3	8	India*(2), Nigeria*(2), Pakistan (2), Bangladesh*, Tunisia*, Czech Republic, Bulgaria, Slovak Republic
1998	1	1	Nigeria*, Bulgaria*
1999	1	2	Romania, Bangladesh*, Slovak Republic
2000	2	4	Bangladesh*(2), Pakistan*(2), Romania*, Slovak Republic*
2001	1	0	Bangladesh*
2002	2	0	Bangladesh*(2)
2003	0	0	
2004	0	1	Bangladesh*
2005	0	0	
2006	0	0	
2007	0	1	Bangladesh*
Total	13	28	

Source: WTO.

21. Was IMF-WTO cooperation responsible for the drop in the use of the balance of payments provision? As noted earlier, IMF staff had long had misgivings about the use of trade restrictions for balance of payments reasons, but went along with the WTO in deference to the latter's jurisdiction.[13] It is possible that IMF advice could have led some countries to decide against invoking the balance of payments provision during the evaluation period, although evidence on this would be difficult to uncover. For countries that did decide to invoke the balance of payments provision, however, there is no evidence that the IMF helped to hasten the removal of the restrictions.[14]

Document/information exchange and informal consultations

22. The exchange of documents and data between the IMF and the WTO proceeded smoothly during the evaluation period. The procedures for the exchange of documents, agendas, and databases and for the IMF to inform the WTO of exchange restrictions approved were as described in the 1998 PDR review of the Cooperation Agreement.

23. However, the extent to which both institutions internalized the information received was uneven. By end-2007, 111 countries that were members of both the IMF and the WTO had had at least one trade policy review (TPR), and more than three-quarters of these TPRs drew on the country's recent IMF Article IV or use of Fund resources (UFR) report(s). By contrast, fewer than three-fifths of these TPRs were cited in IMF reports.[15] According to WTO Secretariat staff, TPRs used IMF reports and data as definitive sources particularly on exchange rate

[13] Anjaria (1987) noted that GATT Article XVIIIB was frequently abused by developing countries. The IMF was not alone in its disapproval of trade restrictions for balance of payments reasons; trade economists such as Irwin (2000) have characterized the balance of payments exception as "bad trade policy" that should not have been built into international trade rules.

[14] Although IMF staff were told to discourage the use of trade restrictions for balance of payments reasons, in Fund-supported programs they were not to "directly link the use of Fund resources to (or call directly for) the disinvocation by the country of GATT Articles XII or XVIII:B or GATS Article XII," to avoid stepping into the WTO's jurisdiction (IMF, 1995f). When Pakistan abolished its import restrictions ahead of schedule, its delegate made clear to the CBR that the move was not part of the Fund-supported program in place at the time (WTO, 2000).

[15] But IMF staff regularly commented on draft TPR reports. Up to a few years ago, IMF staff commented on WTO Accession Working Party reports as well.

Box 5. India and the IMF's Role in CBR Consultations

India consulted in the WTO's CBR in 1995 and 1997 over its use of quantitative restrictions on a range of imports. At the consultations, the IMF representative stated that India's gross official reserves were comfortable and that India's external situation could be well managed using macroeconomic policy instruments alone, without recourse to quantitative restrictions. The Indian representative argued that account had to be taken of the large share of volatile capital inflows and short-term liabilities in India's balance of payments as well as the "developmental aspect" of removing the restrictions (WTO, 1997). A few (developing country) committee members agreed with India, but a larger number of (advanced country) members disagreed and seconded the IMF's view. The CBR failed to reach an agreement, leaving the matter open for dispute settlement.

Two weeks later, the United States filed a formal complaint at the WTO against India's quantitative restrictions. The dispute settlement panel requested, and received in July 1998, written input from the IMF on a number of questions regarding India's external position. The Fund explained that its assessment of reserve adequacy was based on the size of existing and potential claims on reserves—in the case of India, the sum of outstanding short-term liabilities (by remaining maturity) and potential outflows of portfolio investment (as proxied by the stock of portfolio investment after marking to market) (IMF, 1998b). The panel ruled against India in April 1999; the ruling was upheld by the Appellate Body in August 1999.

In the meantime, India pushed to include as an implementation issue in the Doha Round a complete review of GATT Article XVIII, including the way in which reserve adequacy was assessed for developing countries, the IMF's role in the CBR consultation process, and the nature of the Fund's input (WTO, 1999b). It argued that the Fund had overstepped its boundaries when it prescribed a timetable for the removal of India's trade restrictions during the 1997 consultations with the CBR (WTO, 2002c). To facilitate the WTO's discussions of this implementation issue, Fund staff assisted the WTO Secretariat in preparing two background notes on the determination of reserve adequacy (WTO, 1999a and 2002b), and also wrote a specially commissioned piece on the subject (IMF, 2003c). Despite numerous rounds of discussions at the WTO, no consensus could be reached on the appropriate role and analytical input of the Fund; the issue remains unresolved.

and macroeconomic issues, but it was not evident that IMF staff used TPRs to nearly the same extent in their coverage of trade policy issues. In a survey of Fund staff (grades A15–B4), one-quarter of the respondents reported never having read a TPR and only 15 percent reported always reading TPRs.

24. Informal consultations between IMF and WTO Secretariat staff were the preferred avenue for information exchange. The informal consultations typically were channeled through PDR's Trade Policy Division and/or the Office in Geneva. Some 17 such consultations took place in the first half of 1996 (on topics as varied as Guinea-Bissau's tariff bindings, Argentina's export rebates, and Bahrain's GATS commitments), though IMF staff members indicated that their frequency declined to approximately 10–12 a year after that.[16] On a handful of occasions, IMF staff members visited the WTO for informal consultations en route to/from their mission site.

25. Known cases of inconsistency were few, suggesting that IMF-WTO information exchange, while imperfect, was satisfactory overall. During the evaluation period, there were only two cases where IMF advice/conditionality was challenged in WTO disputes: Argentina's statistical tax on imports (1996–98) and Korea's corporate restructuring measures (2002–05) (Box 6). Even in the best of circumstances, inconsistencies were not unlikely, since the WTO Secretariat was not authorized to provide definitive interpretations of WTO rules; only the dispute settlement panels were. The panels occasionally sought, and received, information from the IMF to aid their deliberations, but, as illustrated in the two dispute cases in Box 6, they were not obliged to do so.[17] It should be noted that there is, in any case, no exception under the WTO's obligations for measures taken in the context of a Fund-supported program.

[16] There is no systematic record of informal consultations with the WTO Secretariat on consistency issues, though PDR made an effort to collect this information in 1995 and part of 1996.

[17] In 1998, the WTO panel requested information and the IMF's views on India's external position (Box 5). In 2004, the WTO panel requested information and the IMF's views on the Dominican Republic's "foreign exchange commission," in the context of a dispute brought by Honduras concerning measures imposed by the Dominican Republic on the importation and internal sale of cigarettes (IMF, 2004c). In 2007, the WTO panel requested information on Antigua and Barbuda's gambling services data, in the context of a dispute brought by Antigua and Barbuda against the United States concerning measures affecting the cross-border supply of gambling and betting services (IMF, 2007c).

Box 6. WTO Disputes Involving IMF Advice/Conditionality

In 1996, the United States brought a dispute against Argentina concerning, inter alia, the latter's imposition of a statistical services tax on selected imports. Argentina argued that the tax was part of a policy package agreed in an IMF-supported program and to challenge it was a case of "cross-conditionality." Indeed, the memorandum of economic policies for an extension of Argentina's IMF arrangement included the tax as one of the fiscal measures that the government had approved to achieve its programmed fiscal surplus (IMF, 1995d). However, this argument was rejected by the panel (and by the Appellate Body), and the case was decided in favor of the United States. The dispute panel(s) did not seek the IMF's view on the tax, even though both parties to the dispute supported such consultation. Although the final outcome of the case was "not objectionable" to the Fund, Fund staff considered the lack of consultation "regrettable" and, at the April 1998 meeting of the Dispute Settlement Body, stated for the record that the Fund was always ready to be consulted by dispute panels in such cases (IMF, 1998c).

In 2002, the European Union brought a dispute against the Republic of Korea concerning subsidies to the latter's shipbuilding industry, including, inter alia, corporate restructuring measures in the form of debt forgiveness, debt and interest relief, and debt-to-equity swaps provided through government-owned and government-controlled banks. Korea argued that these restructuring measures had been agreed with the Fund under a Stand-By Arrangement in 1997, and that they were taken on a strictly commercial basis and were not specific to a company or industrial sector. As in the earlier Argentina case, the dispute settlement panel did not seek the Fund's view on the measures. But Fund staff were invited to respond to a statement made by the Korean delegation at a meeting of the WTO Working Group on Trade, Debt, and Finance; the staff's statement supported Korea's position (IMF, 2003a). In 2005, the panel rejected the EU's claims that the debt restructurings of Korean shipyards involved subsidization.

Representation and research cooperation

26. Attendance by IMF and WTO staff at each other's meetings proceeded largely as planned. During 1997–2007, WTO Secretariat staff attended on average one to five IMF Executive Board meetings each year as observers. The meetings included certain *World Economic Outlook (WEO)* discussions and CWTO meetings and one country-specific meeting. The IMF was granted observer status in almost all WTO bodies (Figure 2).[18] Staff of the Geneva Office attended the working level meetings and reported back to PDR's Trade Policy Division; these reports were distilled into periodic updates for the Board (or the CWTO) on WTO activities of interest to the Fund.[19] IMF staff sometimes contributed substantively to WTO meetings either through oral statements or briefings or through analytical notes circulated in advance (see Table 3 for the main examples). Records of meetings of the HLWGC are sketchy; according to IMF and WTO Secretariat staff, those meetings stopped after 2001. The first—and only—joint IMF-World Bank-WTO seminar was held in Geneva in June 1999 on the topic of regionalism. Plans to hold such tripartite seminars at regular intervals did not materialize, although once every few years IMF staff presented seminars or participated in workshops at the WTO.[20]

27. Regular visible interaction took place at the management level. The WTO Director-General attended most IMF-World Bank Spring and Annual Meetings and used these opportunities to address the International Monetary and Financial Committee (IMFC) and/or the Development Committee and press for their support in advancing the WTO's agenda.[21] The IMF Managing Director or his First Deputy attended and addressed all but one of the WTO Ministerial Conferences; s/he also attended three WTO General Council meetings—one in

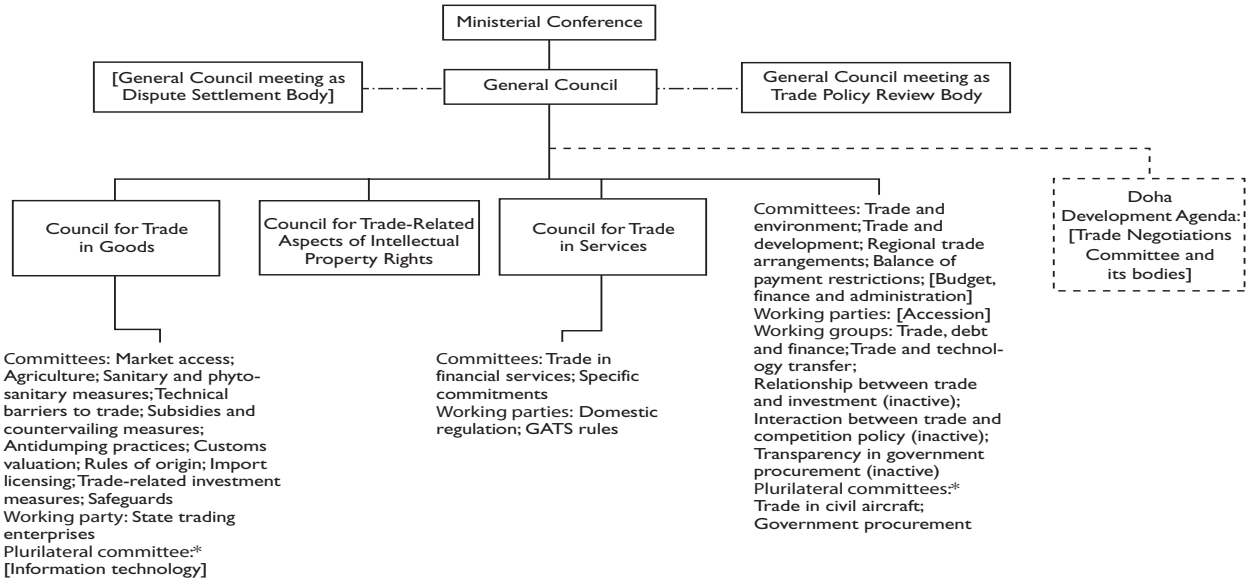
[18] The exceptions were the Trade Negotiations Committee (TNC), the Dispute Settlement Body (DSB), the Accession Working Parties, and the Committee on Budget, Finance and Administration. The IMF's request for observer status in the TNC and its subsidiary bodies was not granted because of a political impasse that was unrelated to the Fund, although IMF staff were invited on an ad hoc basis to meetings of the Negotiating Group on Trade Facilitation. IMF staff were also invited as observers to some accession working party meetings and to meetings of the DSB at which matters of jurisdictional relevance to the Fund were discussed (see Box 6). The IMF did not seek access to the Committee on Budget, Finance, and Administration.

[19] After mid-2005, PDR took over the job of updating the Board on WTO activities.

[20] For example: Fiscal Affairs Department (FAD) staff participated in a WTO workshop on technical assistance and capacity building in trade facilitation in May 2001 and a WTO seminar on technical assistance in customs valuation in November 2002; Research Department staff presented papers on the growth implications of WTO accession for developing countries and the effectiveness of trade conditions in Fund-supported programs at the WTO in May 2006. WTO staff participated in a Fund seminar on trade reforms and regional integration in Africa in December 1997.

[21] Senior WTO staff attended and addressed the IMFC deputies' meetings.

Figure 2. WTO Structure



Source: WTO.

Square brackets denote committees/working parties in which the IMF does not have observer status.

Plurilateral committees (denoted by *) inform the General Council or Goods Council of their activities although these agreements are not signed by all WTO members. The Trade Negotiations Committee is in charge of negotiations of new trade agreements. All other committees and councils are in charge of implementing existing trade agreements.

2003 and two in 2004—where coherence was the topic of discussion. There was also significant informal or less visible communication between IMF management and the WTO Director-General, the extent of such communication depending to some extent on the personal interests of, and relationships between, the individuals involved. For example, the First Deputy Managing Director and Economic Counselor made a special visit to the WTO in August 2002 to discuss possible new areas of cooperation (IMF, 2002a). Box 7 illustrates one instance of high-level IMF-WTO cooperation.

28. These contacts provided opportunities to explore other, ad hoc forms of cooperation but the partnership was asymmetric. Cooperation was typically initiated by a WTO request for IMF research/analysis or policy-related support. For example, in 2002, the WTO asked the IMF to (re)visit the issue of the revenue implications of trade liberalization and to provide an analytical perspective on some of the proposals made by developing country delegations for special and differential treatment in the WTO (IMF, 2002a). Overlaps in IMF and WTO efforts were rare; Box 8 illustrates one such instance. There were no instances of the IMF requesting WTO support. The asymmetry is not surprising, given the disparity in staff size between the IMF and the WTO Secretariat.

29. IMF staff provided research and analysis but this rarely served as the basis for WTO decisions. Table 3 lists some examples of IMF research/analysis provided to the WTO. By all accounts, the WTO Secretariat was highly appreciative of the IMF's work and valued the ability to call on the Fund for such support. But the IMF's research/analysis did not seem to have had much impact on final outcomes in the WTO. In most (but not all) cases, the Fund's input was used as a basis for discussion but few discussions led to any definite conclusions (Box 9).

Financial support

30. Until 2004, the IMF declined to create new lending facilities to support coherence objectives. The first such request came in 1995 when the WTO Director-General asked the IMF (and the World Bank) to consider providing special assistance for net food-importing developing countries (NFIDCs), whether by establishing a new facility to help them cope with a terms of trade deterioration caused by agricultural trade liberalization, or by giving them priority in access to existing facilities, or by soften-

Table 3. Main Examples of IMF Contributions to the Work of WTO Bodies

Committee on Agriculture (CAG)	
1996–2007	Each year as part of the annual monitoring exercise mandated by the WTO Ministerial Decision on the possible negative effects of the Uruguay Round reform program on least-developed countries (LDCs) and net food importing developing countries (NFIDCs), Fund staff presented a statement to the CAG discussing trends in world food prices and outlining Fund resources to meet the needs of its low-income members.
September 1996	Fund staff presented a statement at the CAG meeting on September 25–26, 1996, outlining how existing Fund facilities could help LDC/NFIDCs cope with higher food prices and how those facilities had been used by such countries during the recent rise in world food prices.
December 2001	The Fund's representative to the WTO participated in an interagency panel to explore ways and means for improving access by LDC/NFIDCs to multilateral programs and facilities and to consider the establishment of a revolving fund. The panel's report, released in June 2002, contained suggestions for modifying the Fund's Compensatory Financing Facility (CFF) and concluded that an ex post revolving fund would not be useful.
Working Group on Trade and Investment (WGTI)	
October 1997	Fund staff prepared a note, "Implications of the Relationship Between Trade and Investment," summarizing Fund publications on trade and investment and related issues. The note was discussed in the WGTI meeting on October 6–7, 1997, during which the Fund representative updated the WGTI on the proposed amendment of the IMF's Articles of Agreement to include capital account liberalization as one of the Fund's purposes.
November 1998	Fund staff prepared a note on the IMF's definition of foreign direct investment (FDI) in response to a WGTI request. The note was discussed in the WGTI meeting on November 25–26, 1998, where no agreement was reached as to whether the WGTI should adopt the Fund's definition of FDI.
General Council	
May 1999	Fund staff made a presentation at the General Council's informal meeting on coherence on May 27, 1999, about the results of the Interim Committee meeting of the previous month and work being undertaken in the Fund that could be of interest in the context of preparations for the Seattle Ministerial Conference.
June 1999	Fund staff assisted the WTO Secretariat in preparing a note on "The Treatment of 'Monetary Reserves' in WTO Balance-of-Payments Committee Consultations."
January 2001	The paper, "Revenue Implications of Trade Liberalization" by Fund staff (Ebrill, Stotsky, and Gropp, 1999) was discussed at the General Council's informal meeting on coherence on January 18, 2001.
January 2003	Fund staff prepared four notes in response to the WTO's request for the Fund's analytical perspective on some of the proposals made by developing countries for special and differential treatment. The notes were on: (i) "Trade Restrictions for Balance of Payments Purposes"; (ii) "Financing of Losses from Preference Erosion"; (iii) "Export Financing and Duty Drawbacks"; and (iv) "Liberalizing Trade and Safeguarding Public Revenues." Fund (FAD) staff gave an informal seminar on (iv) at the WTO for developing country delegations on January 23, 2003.
Working Group on Trade, Debt and Finance (WGTDF)	
April 2002	Fund staff briefed the WGTDF on the Fund's financing facilities, the IMF–World Bank Heavily Indebted Poor Countries (HIPC) Initiative, and Fund initiatives to strengthen the international financial architecture.
September 2002	Fund staff sent two chapters from the September 2002 *WEO* ("Essays in Trade and Finance" and "Trade and Financial Integration") to the WGTDF. In the WGTDF meeting on September 30, 2002, the joint IMF–World Bank paper on "Market Access for Developing Country Exports—Selected Issues" was highlighted during the discussion on trade and debt.
May 2004	Fund staff briefed the WGTDF on the main results of the Fund seminar on "Trade Finance in Financial Crises," held in Washington in May 2003.
October 2004	Fund staff prepared a paper on "Exchange Rate Volatility and Trade Flows—Some New Evidence," updating a 1983 study that the Fund had prepared for the GATT. The paper, which concluded that exchange rate volatility was "probably not a major policy concern" from the perspective of enhancing trade, was discussed in the WGTDF meeting on October 4, 2004. (Clark, Tamirisa, and Wei, 2004).
Committee on Trade in Financial Services (CTFS)	
July 2002	Fund staff briefed the CTFS on the Fund's Financial Sector Assessment Program (FSAP).
April 2003	Fund staff prepared a note on "Financial Sector Stability, Reform Sequencing and Capital Flows," including an annotated list of key IMF publications on capital account liberalization.
Committee on Balance-of-Payments Restrictions (CBR)	
October 2002	Fund staff gave a statement in the CBR meeting on October 2, 2002 summarizing the Fund's views on reserve adequacy and capital account vulnerabilities and the evolution of the indicators used by the Fund in assessing reserve adequacy.
Committee on Agriculture—Subcommittee on Cotton (SCC)	
April 2005	Fund staff informed the SCC about the Fund's cotton seminar, to take place in Cotonou on May 18, 2005. The seminar would assess the macroeconomic consequences of cotton price developments and consider steps toward achieving the Millennium Development Goals in the African region.
July 2005	Fund staff reported on the Fund's cotton seminar held in Cotonou on May 18, 2005.
WTO Secretariat—Development and Economic Research	
December 2005	Fund staff sent the WTO's Chief Economist two notes providing an analytical perspective on Doha Round issues in the run-up to the 2005 WTO Ministerial Conference: "Will the Doha Round Lead to Preference Erosion?" and "Does Import Protection Discourage Exports?"

Sources: IMF and WTO.

Box 7. IMF-WTO Cooperation to Forestall Protectionism in the Wake of the Asian Financial Crises

The financial crises that began in Asia in 1997 were a major test of coherence in global economic policymaking. While the immediate focus and primary concern of the IMF was to restore financial and macroeconomic stability in the affected countries, it soon became clear that a lasting solution had to involve the global system: with exports from East Asia expected to rise significantly partly as a result of currency devaluations, there was concern that protectionist pressures in importing and export-competing countries could lead to a downward spiral of worldwide recession.

The IMF and the WTO were mindful of this risk. The heads of the two institutions and the World Bank issued joint statements in October 1998 and November 1999 emphasizing the importance of policy coordination and the need to keep markets open (IMF, 1998f and 1999d). The IMF made a special effort to press home those points in its Article IV surveillance of the United States, where the steel industry was lobbying for protection (IMF, 1998d and 1999b).

The WTO regarded the cooperation as successful in forestalling a rise in protectionism. The 1999 WTO *Annual Report* noted that there was "no evidence of a return to protectionist measures" in 1998 and 1999 and that some crisis-hit countries even further liberalized their trade regimes (a number of them in the context of Fund-supported programs) (WTO, 1999c). The IMF's 1999 *World Economic Outlook* was somewhat more guarded, noting that there were some protectionist reactions in Asia, Latin America, and the transition economies (e.g., selective tariff increases) and in large importing countries (e.g., antidumping actions), although the reactions were relatively limited and did not cause major disruptions to global trade flows (IMF, 1999c).

Box 8. IMF-WTO Cooperation on Trade Finance in Financial Crises

During the Asian financial crises, many countries found that trade financing dried up along with other forms of short-term capital flows, disrupting trade and hindering the recovery of economic growth and the balance of payments. The WTO Director-General raised the issue with the heads of the IMF and the World Bank in October 1998 (WTO, 1998a), and the HLWGC discussed it in November 1998 when the three institutions agreed to "monitor the situation closely" (WTO, 1998b).

In October 2002, WTO staff made a direct appeal to the IMF for help in putting together a response on this issue for WTO members ahead of the 2003 Ministerial Conference (IMF, 2003b). Meanwhile, PDR—the Official Financing Division, not the Trade Policy Division—made preparations for a seminar on the topic to be held at IMF headquarters in May 2003, with participants from the private and public sector, academia, and research institutions, but not the WTO. The IMF Managing Director announced the seminar at the WTO General Council meeting on coherence two days before it took place (Köhler, 2003).

The IMF seminar identified various solutions involving the private sector, the government, regional development banks, and official bilateral credit agencies, but only a supporting role for the Fund, limited to seeking out and/or coordinating efforts to address trade finance declines. (IMF, 2003f). The seminar served as a basis for discussions in the WTO's Working Group on Trade, Debt and Finance (WGTDF). In January 2004, the WTO invited the same group of participants from the IMF seminar to its own seminar in Geneva to examine how the WTO could contribute to the solutions that emerged from the earlier seminar (WTO, 2004).

Although the problem of trade finance in financial crises fell squarely within the "coherence" rubric, IMF-WTO cooperation in this case was hardly ideal. Neither institution was instrumental in ameliorating the problem at the time—perhaps because other players stepped in quickly in various ways. And when it came to putting together the lessons from the experience and formulating a framework for the future, both institutions seemed to be working in parallel, leading to a duplication of efforts by PDR and the WGTDF.

ing their program conditionality.[22] The IMF maintained that its existing facilities—notably the Compensatory Financing Facility (CFF) and, to a lesser extent, the Enhanced Structural Adjustment Facility

[22] The 1995 WTO ministerial decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries noted that those countries could be "eligible to draw on the resources of international financial institutions under existing facilities, or such facilities as may be established, in the context of adjustment programmes, in order to address such financing difficulties" (http://www.wto.org/english/docs_e/legal_e/35-dag_e.htm).

Box 9. Five Examples of IMF-WTO Research Cooperation

In 2002, IMF (Research Department and FAD) staff prepared four notes in response to a request by the WTO for help in analyzing proposals made by developing countries on its "special and differential treatment" provisions. The notes were circulated to WTO members in early 2003 (IMF, 2003c).

The note on "Trade Restrictions for Balance of Payments Purposes" addressed the proposal by India for a complete review of GATT Article XVIII including the implications of capital account mobility on the assessment of reserve adequacy and justification for import restrictions (see Box 5). The note summarized IMF (and other) work underlying the shift from current to capital account considerations in the assessment of reserve adequacy since the late 1990s. It argued that trade restrictions were not the first-best policy for achieving a targeted reserve growth rate during normal times or for dealing with reserve losses during a current or capital account crisis. There is no evidence that this note was used by the CBR or Trade Negotiations Committee in their subsequent deliberations on the proposal (which remains in abeyance).

The note on "Financing of Losses from Preference Erosion" addressed the proposal by least developed countries (LDCs) that they be compensated for the loss of export preferences resulting from a reduction of most-favored-nation (MFN) tariff rates under the Doha Round. The note estimated that a 40 percent cut in MFN tariffs by the so-called Quad (Canada, the European Union, Japan, and the United States) would lead to losses from preference erosion of less than 2 percent of exports for LDCs as a group and more than 5 percent of exports for only five LDCs. In light of this and the fact that the losses were anticipated, permanent, and spread out over time, the note argued that financing could be done in the context of existing IMF facilities. As it represented one of the few serious attempts to quantify the problem of preference erosion, the note attracted much attention within and outside the WTO.

The note on "Export Financing and Duty Drawbacks" addressed proposals by developing countries that: (i) they be allowed to provide export financing at the London interbank offered rate or on terms offered by developed-country credit agencies; and (ii) they be allowed to provide uniform duty drawbacks to all exporters and that duty drawbacks be extended to all inputs, including capital goods. On (i), the note argued analytically and empirically that the proposals would amount to export subsidization, which was not the first-best policy to overcome distortions in domestic capital markets. On (ii), the note argued that the attractiveness of the proposals in practice would depend on the strength of the country's tax administration, for example, countries with relatively strong tax administrations (including a value-added tax crediting mechanism) should not favor the uniform drawback scheme and could be allowed to extend duty drawbacks to capital goods. There is no evidence that this note was discussed in the WTO.

The note on "Liberalizing Trade and Safeguarding Public Revenues" did not address a specific proposal but spoke to concerns expressed by many developing countries regarding the revenue impact of trade liberalization. The note largely reinforced the conclusions of an earlier IMF paper (Ebrill, Stotsky, and Gropp, 1999) that was circulated and discussed in the WTO General Council and the Trade Negotiations Committee. It stressed that the impact of trade policy reform on fiscal revenue need not be significant (if tariff cuts were directed at bound rates and peak rates) and in any case could be ameliorated via accompanying measures such as a reduction in exemptions and special regimes, modernization of customs administration, and measures to strengthen the domestic tax system. The note formed the basis for an informal seminar by IMF staff for developing country delegations at the WTO in January 2003.

In 2004, after repeated requests by the WTO, IMF (Research Department) staff prepared a paper on "Exchange Rate Volatility and Trade Flows—Some New Evidence" (Clark, Tamirisa, and Wei, 2004). The paper, which updated a 1983 IMF study for the GATT (IMF, 1983), addressed concerns expressed by several WTO members that exchange rate volatility could undo the effects of price-based trade restrictions and generate pressure for additional protection (or reduce their incentive for further trade liberalization). The paper covered a broader group of countries than the 1983 study (which focused exclusively on advanced countries) and used different volatility measures and up-to-date estimation techniques. But the main conclusion was similar to that of the 1983 study, that is, that the negative correlation between exchange rate volatility and trade was empirically small and not robust. The paper was (briefly) discussed at a meeting of the WTO's Working Group on Trade, Debt and Finance in October 2004.

(ESAF), which was the forerunner of the Poverty Reduction and Growth Facility (PRGF)—were sufficient to help NFIDCs cope with higher food prices (WTO, 1995).[23] NFIDCs demurred, noting that the CFF had been of limited use to them, partly because of its limited product coverage (cereals only), conditionality (if drawn in conjunction with an upper-credit-tranche-type arrangement), and nonconcessional terms. The IMF Board reviewed the CFF in 2004 in conjunction with its review of instruments and financing options for low-income countries. The Board acknowledged that the CFF, because of its nonconcessional nature, was not an attractive option for low-income countries facing temporary shocks, and recommended subsuming its function in the PRGF, but put off the decision to eliminate the CFF for another three years (IMF, 2004a). The CFF was eliminated in 2009.

31. The IMF stayed its ground as requests grew for financial support to offset developing countries' expected loss of preferences associated with trade liberalization under the Doha Round. In a research note prepared for the WTO, IMF staff estimated that the upper-bound aggregate and individual country-level impact of preference erosion as a result of most-favored-nation (MFN) tariff reductions by the Quad (Canada, the European Union, Japan, and the United States) would probably be "very small" (IMF, 2003c; see Box 9). Given the special characteristics of the problem—losses from preference erosion were a permanent shock, they could be anticipated, and their actual impact was spread out over time—and that only a handful of developing countries were expected to be seriously affected, the paper argued convincingly that any financing could be channeled through existing IMF medium-term adjustment facilities.

32. Then, in a turnabout in 2004, the IMF created the Trade Integration Mechanism (TIM), its most visible coherence initiative. The TIM was designed to assist countries facing balance of payments shortfalls that resulted from trade liberalization measures undertaken by other countries. (Examples included preference erosion due to MFN tariff reductions, adverse changes in food terms of trade caused by the elimination of agricultural subsidies, and loss of export markets caused by the expiration of quotas under the WTO Agreement on Textiles and Clothing (ATC).)[24] The TIM is not a lending facility; it cannot be accessed on a stand-alone basis but only in the context of a Stand-By Arrangement (SBA) in the upper credit tranches, or arrangements under the Extended Fund Facility (EFF) or the PRGF.[25] TIM financing is determined under the access policies applicable to the underlying facility, with the possibility of an augmentation of up to 10 percent of quota per arrangement if the actual balance of payments impact turns out to be worse than expected (IMF, 2004b). In announcing the TIM at the WTO, the First Deputy Managing Director emphasized that very few countries were expected to use it, likening it to an "insurance policy" that would provide "reassurance" to governments and policymakers and "make it easier for them to embrace the Doha Development Agenda" (Krueger, 2004).

33. Critics were unimpressed. Civil society commentators saw the creation of the TIM as a superficial attempt to rescue the Doha Round and urged developing countries to think carefully about it before making any changes in their trade positions. The main criticisms of the TIM were that: (i) it did not provide additional resources; (ii) it was not concessional (unless activated in the context of a PRGF) or free of conditionality; (iii) it did not provide easy and fast access to financing—IMF staff had first to forecast the impact of the trade measure(s) on the affected country's balance of payments; (iv) it only covered (partially) balance of payments shortfalls and not the broad spectrum of trade-related adjustment costs; and (v) it was likely to be scrapped in a few years or subjected to more stringent requirements, as the CFF had been before it (Caliari and Williams, 2004).[26]

34. Demand for the TIM was low. Only three countries—Bangladesh, Madagascar, and the Dominican Republic—had taken advantage of the TIM by the end of the evaluation period, all citing adverse impacts of the termination of the WTO ATC in January 2005 (Box 10). A 2003 PDR guidance note had identified 16 countries as "highly vulnerable" to the phase-out of textile and clothing quotas (IMF, 2003e).[27] A 2005 PDR memo to management identified a further five countries as likely to suffer a significant macroeconomic impact from the reform of the EU sugar sector (IMF, 2005c). Fund missions explored the TIM option with several IMF mem-

[23] The CFF was established in 1963 to assist countries experiencing either a sudden shortfall in export earnings or an increase in the cost of cereal imports, often caused by fluctuating world commodity prices. The CFF has not been used since 1999 (IMF, 2004a).

[24] Although the creation of the TIM stemmed from concerns raised by developing countries in the WTO's Doha Round negotiations, any Fund member—whether or not a member of the WTO—is eligible for TIM assistance.

[25] Designed to help countries address short-term balance of payments problems, SBAs typically last one to two years. The EFF is designed to help countries address longer-term balance of payments problems requiring fundamental economic reforms; EFF arrangements typically last three years. Both arrangements are nonconcessional and subject to surcharges at high access levels.

[26] See also Mekay (2004) and Bretton Woods Project (2004).

[27] The economies were Bangladesh, Cambodia, Cape Verde, Egypt, Macedonia, Macao SAR, Maldives, Mauritius, Mongolia, Morocco, Nepal, Pakistan, Romania, Sri Lanka, Tunisia, and Turkey.

bers including Albania, Fiji, Lesotho, Mauritius, and countries in the Caribbean region but there were no takers; few of those countries had a Fund-supported arrangement at the time and the others were not keen to begin one. Fund staff saw two reasons for the low demand for the TIM: the trade liberalization proposed under the Doha Round had not yet taken place, and several countries that might have accessed the TIM after the ATC expired did not experience balance of payments problems, given other mitigating factors. Staff dismissed the idea that conditionality may have made the TIM unattractive, arguing that the conditionality in the three programs that included recourse to the TIM was unlikely to have been very different without the TIM (IMF, 2006a). However, at least a few countries were clearly put off by the need to request a full-blown Fund-supported program just to obtain TIM insurance. Mauritius, for example, eschewed this option in favor of assistance under the Aid for Trade initiative (IMF, 2006a); Fiji, Lesotho, and countries in the Caribbean region also declined TIM assistance as they did not have a Fund program in place (IMF, 2004d, 2005e, 2007b).

35. The TIM did not seem to help much to advance the Doha Round. Although it was hailed by some (including the WTO) as a concrete and timely response to the difficulties faced by the Round after the collapse of the WTO's Cancun summit, its contribution was marginal—and the Doha Round is not much closer to a conclusion.

36. The IMF also introduced other policies to assist low-income countries; though not undertaken as part of Fund-WTO cooperation, these were considered to contribute to the coherence objective. Two

Box 10. Implementing the TIM

The first step in implementing the TIM was identifying those countries that were likely to need it. A 2003 PDR guidance note had identified 16 countries as "highly vulnerable" to the phase-out of textiles and clothing (T&C) quotas. However, the list was based on simulations using 1997 data, and missed many countries whose T&C sectors did not take off until the late 1990s. For the 16 "highly vulnerable" countries, staff were instructed to monitor and evaluate the impact of quota removal (IMF, 2003e). In practice, this was done (through a dedicated selected issues paper and/or a separate T&C export line in the balance of payments table) for fewer than half of those countries and the identification process ended up being somewhat random.

Once a country was identified as a serious TIM candidate, Fund staff were required to prepare three balance of payments projections: (i) showing how the balance of payments would have evolved in the absence of the trade event; (ii) incorporating the trade shock(s) and assuming no policy adjustment; and (iii) incorporating an adjustment effort. The so-called baseline impact—the difference between (i) and (ii)—formed the basis of a policy discussion with the authorities. The revised trade performance—the difference between (i) and (iii)—was factored into the access levels granted under the arrangement via its impact on the overall balance of payments and the associated financing gap.

In July 2004, Bangladesh became the first country to avail itself of the TIM to cope with balance of payments pressures stemming from the phase-out of T&C quotas under the Agreement on Textiles and Clothing (ATC). Bangladesh had had a PRGF arrangement in place for a year when it requested an additional SDR 53.3 million (about US$78 million) of financing in accordance with the TIM, bringing its total PRGF amount to SDR 400.3 million (about US$583 million). To calculate the baseline impact, the Fund team drew on a thorough in-house study using the Global Trade Analysis Project (GTAP) model to simulate the effects of the ATC quota phase out (Mlachila and Yang, 2004).

In January 2005, the Dominican Republic requested activation of the TIM in parallel with a Stand-By Arrangement totaling SDR 437.8 million (about US$665 million). As in the case of Bangladesh, the TIM was needed to mitigate the possible adverse effects of the phase-out of T&C quotas under the ATC. Fund staff prepared the TIM balance of payments table that was required to be attached to the authorities' memorandum of economic and financial policies, but did not explain the basis for their projections and were not asked about them during the Board discussion. The policy adjustment endorsed by the staff (and a majority in the Board) involved the implementation of the Dominican Republic-Central America Free Trade Agreement.

In July 2006, Madagascar requested activation of the TIM in parallel with a three-year PRGF arrangement with the Fund totaling SDR 55.0 million (about US$81 million). The TIM was requested to address the balance of payments impact of the termination of the ATC in early 2005 and the expected termination in 2007 of the third party provision under the U.S. African Growth and Opportunity Act (AGOA). The TIM balance of payments table that was attached to the request contained judgmental forecasts; an earlier selected issues paper had discussed the difficulty of quantifying the impact of the T&C shock and provided a qualitative assessment of the impact of the ATC and AGOA III termination based on interviews with and a survey of T&C exporters (Khemani, 2005).

such initiatives introduced in 2005 were the Exogenous Shocks Facility (ESF) and the Multilateral Debt Relief Initiative (MDRI). The ESF was established to provide concessional financing to low-income members facing sudden adverse events such as terms of trade shocks, natural disasters, or sudden declines in demand for their exports.[28] The ESF carries the same interest rate and repayment terms as the PRGF and is open to low-income IMF members without a PRGF arrangement. Under the MDRI, the IMF agreed to cancel its debt claims on a group of low-income countries. Financial resources from the IMF's MDRI were counted as part of the WTO's Cotton Development Assistance, and the ESF was considered as part of the IMF's Aid for Trade strategy (see below) (WTO, 2006a; and OECD, 2007). The ESF was not used until 2008, after it was modified to increase and speed up access and to streamline its requirements.

Technical assistance

37. The IMF joined the WTO and other multilateral agencies in the Integrated Framework for Trade-Related Technical Assistance for Least Developed Countries (IF), though its role was relatively limited.[29] The IF was designed to facilitate the coordination of trade-related technical assistance and to promote an integrated approach to help least-developed countries (LDCs)—as designated by the United Nations (UN)—to enhance their trade opportunities. IMF staff played a catalytic role in the early years of the IF (when the initiative was encountering various difficulties and showing little tangible progress) by offering concrete suggestions for improvement; many of those suggestions were endorsed in a subsequent independent review of the IF (IMF, 2000a). The new approach defined the IF management structure, the sources of its financing, and the role of each agency, with the WTO managing the IF, the World Bank leading the "mainstreaming" process (i.e., the process of integrating trade policies into country-led poverty reduction strategies), and the UNDP administering the IF Trust Fund. The IMF's role was largely limited to supporting the World Bank in the mainstreaming process, through contributions on macroeconomic and exchange rate developments to Bank-led diagnostic trade integration studies (DTISs).[30] Almost all of the Fund's technical assistance that was applied in the IF context was for customs administration and tariff reform. By the end of the evaluation period, FAD had fielded customs administration missions to about three-quarters of the IF countries.

38. The IMF's role in the Aid for Trade initiative, too, was peripheral. The IMF and the World Bank jointly developed the original proposal and organized a consultation process with the WTO and other stakeholders in 2005 (IMF, 2005b).[31] Aid for Trade comprises technical assistance; capacity building; institutional reform; investments in trade-related infrastructure; and assistance to offset adjustment costs, such as fiscal support to help countries make the transition from tariffs to other sources of revenue (IMF, 2005d). Aid for Trade is open to all developing countries, unlike the IF, which is open only to UN-designated LDCs. The IMF Board endorsed the Fund and Bank staffs' proposals to operationalize Aid for Trade, including enhancing and redesigning the IF and exploring new financial mechanisms as appropriate, but it noted that the Fund's involvement should be limited to "selective interventions within its mandate and core areas of competence, including the macroeconomic implications of changes in trade policies and in the global trade environment, and tax and customs reform advice" (IMF, 2005f and 2006b). The Board saw no need for the Fund to offer financial support beyond what was available under existing Fund facilities.

39. IMF (FAD) staff nevertheless played an important supporting role in the WTO's trade facilitation negotiations. These negotiations sought to codify key customs practices in a binding agreement; negotiation modalities required WTO members to "undertake a collaborative effort" with the IMF, World Bank, UNCTAD, the Organization for Economic Cooperation and Development (OECD), and the World Customs Organization, "to make technical assistance and capacity building more effective and operational and to ensure better coherence."[32] One FAD staff member was closely (but not directly)

[28] Shocks due to known erosions in trade preferences (which the TIM was designed to address) were to be considered on a case-by-case basis but were unlikely to qualify for the ESF. Shocks to NFIDCs from deterioration in food terms of trade would qualify for the ESF.

[29] The other institutions were the World Bank, the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Program (UNDP), and the International Trade Centre. The IF was inaugurated by the six agencies at the WTO's high-level meeting on integrated initiatives for least developed countries' trade development in October 1997.

[30] Staff from area departments and PDR's Trade Policy Division commented on draft country DTISs and technical reviews. Staff from PDR's Trade Policy Division and/or the Office in Geneva represented the IMF in the IF's interagency steering committee and management board.

[31] The proposal was developed in response to a call by G-7 finance ministers at their meeting of February 5, 2005 for additional assistance to countries to ease adjustment to trade liberalization and to increase their capacity to take advantage of more open markets. The call was echoed by the Development Committee and the IMFC at their 2005 Spring and Annual Meetings and by the G-8 in Gleneagles in July 2005.

[32] Annex D of the Decision Adopted by the General Council on August 1, 2004 (http://www.wto.org/english/tratop_e/dda_e/draft_text_gc_dg_31july04_e.htm#annexd).

involved in the trade facilitation negotiations, explaining technical details and providing practical information to negotiators so that they could formulate their positions. The same FAD staff member also played a prominent role in joint work on a needs assessment tool and process for LDCs to assess what they needed to do to comply with the technical measures that were likely to be in the trade facilitation agreement, and even facilitated in one such assessment (for Bangladesh in October 2007).

40. Overall during the evaluation period, the IMF (Board, management, and staff) struck the right balance in its involvement in trade-related technical assistance and capacity building. The Board's decision to limit the IMF's involvement to its areas of core competence was reasonable. Fund staff stayed within the boundaries prescribed by the Board: they made useful, practical contributions in their areas of expertise (e.g., customs administration) and did not get involved in work outside their areas of core competency, despite the WTO's appeals for deeper involvement in the IF and Aid for Trade.[33]

D. Overlap in IMF-WTO Cooperation

41. The IMF and the WTO have fundamentally different—and possibly inconsistent—approaches to trade liberalization. The WTO's approach involves reciprocal liberalization in a multilateral setting; the IMF's approach involves unilateral liberalization. The WTO's approach provides more leeway for developing countries, especially LDCs (for example, by allowing them to phase in trade policy reforms more gradually and to make use of exceptions for development purposes); the IMF's approach is to apply economic principles uniformly across its membership.

42. Some developing countries have complained that the IMF's trade policy advice/conditionality disregarded the policy space they are entitled to under WTO rules. Several such complaints were heard at the WTO during the evaluation period. For example, in 1999, India argued that the IMF's trade policy advice and statements to the CBR did not make special considerations for developing countries as required under WTO rules (Box 5). In 2001, Mongolia appealed (unsuccessfully) to the WTO to intervene after the Fund—in the conditionality associated with the 1997 ESAF-supported arrangement—refused to allow the Mongolian government to impose a 30 percent export duty on raw cashmere that had been approved as part of Mongolia's WTO accession commitments (Tsogtbaatar, 2005; IMF, 1997a). In 2002, a representative of the African Group at the WTO noted that Malawi was unable to "use its tariff flexibility negotiated under the WTO because its applied rates had been lowered more rapidly and bound [sic] under the IMF and the World Bank lending conditionalities" despite the fact that Malawi was an LDC "entitled to certain exceptions and transitional periods within the WTO" (WTO, 2002a).

43. IMF staff have taken the view that because the IMF's trade policy advice/conditionality is designed to improve economic efficiency it can—and indeed, often should—encompass reforms that go beyond a country's WTO commitments. This notion is heavily emphasized in guidance notes to staff, with the caveat that countries should not be required to make binding commitments to the WTO on the trade liberalization undertaken in the context of a Fund-supported program. Table 4 shows that during 1996–2007, tariff conditionality featured in the Fund-supported programs of more than a quarter of the IMF member countries that were also members of the WTO. Tariff conditionality typically took the form of a requirement to lower the maximum or average tariff rate to a particular figure. Although Fund staff have been careful in their programs to avoid cross-conditionality in the strict legal sense, countries have on occasion committed to bind in the WTO trade reforms (other than tariff reductions) undertaken as part of a Fund-supported program.[34]

44. The relationship between multilateral trade liberalization and unilateral trade reform was the first item on the coherence agenda. During the Uruguay Round, many developing countries maintained that their bargaining power in trade negotiations had been weakened by unilateral trade reforms that they had undertaken in the context of Fund-supported programs without reciprocal concessions from their trading partners. They were loath to undertake any further trade liberalization unless a system was devised whereby they could receive credit in future trade negotiations for previous "autonomous" (unilateral) trade liberalization.[35] Fund staff rejected

[33] The limited role of the IMF (vis-à-vis the other IF agencies, for example) is evident from the agency profiles and data on Aid for Trade commitments that are reported in the joint OECD-WTO review of Aid for Trade (OECD, 2007).

[34] The most frequently cited examples are Korea and Indonesia during the Asian financial crises. Indonesia's 1997 program included commitments by the government to implement ahead of schedule the ruling of the WTO dispute panel in a case involving its automobile industry; to phase out its local content program for motor vehicles in line with its WTO commitment; and to lift restrictions on branching of foreign banks and on foreign investment in listed banks as part of its WTO GATS negotiations (IMF, 1998a). Korea's 1997 program included a commitment to make binding under the WTO liberalization of financial services as agreed with the OECD (IMF, 1997b). See Background Document 5 for more on these two cases.

[35] In the Uruguay Round negotiations, credit for tariff bindings was given, and other autonomous liberalization measures were recognized, through a bilateral request-and-offer approach, but no

Table 4. Tariff Conditionality in IMF-Supported Programs, 1996–2007

	Number of Countries	Number of Countries with Fund-Supported Programs During 1996–2007[1]	Number of Countries Subject to IMF Tariff Conditionality During 1996–2007[2]	Proportion of Countries Subject to IMF Tariff Conditionality During 1996–2007 (Percent)	Proportion of Program Countries Subject to IMF Tariff Conditionality During 1996–2007 (Percent)
WTO members[3]	146	77	40	27	52
High-income countries[4]	30	1	0	0	0
Middle-income countries[4]	57	26	15	26	58
Low-income countries[4]	59	50	25	42	50
Of which: LDCs[5]	32	27	13	41	48
WTO accession countries[6]	28	14	10	50	71
Middle-income countries	13	5	3	23	60
Low-income countries	5	9	7	47	78
WTO nonmembers[7]	10	0	0	0	0

Sources: IMF, WTO, and IEO.
[1] Includes only programs that started between January 1, 1996 and December 31, 2007.
[2] Includes only tariff measures specified as prior actions, performance criteria, or structural benchmarks.
[3] IMF members that were also WTO members as of December 31, 2007.
[4] Based on *WEO* classification. Low-income countries are PRGF-eligible countries.
[5] Based on UN designation. (See http://www.wto.org/english/thewto_e/whatis_e/tif_e/org7_e.htm.)
[6] IMF members that were WTO observers (in the process of accession to the WTO) as of December 31, 2007.
[7] IMF members that were nonmembers of the WTO as of December 31, 2007.

this argument on the grounds that IMF conditionality related to applied rather than bound tariffs; they argued that since WTO negotiations covered the latter, cuts on the former imposed by a Fund-supported program should not affect the country's negotiating advantage at the WTO (IMF, 2003d).

45. The IMF's position on unilateral trade liberalization is by and large based in economic theory. It is well understood in theory that under perfect competition the optimum tariff for a small economy is zero, and that hence such an economy would have nothing to lose and everything to gain by unilateral tariff liberalization. A theoretical first-best case for trade policy (such as an import tariff or export tax) can be made for a large economy that can affect its terms of trade with such a policy, or under imperfect competition, but these arguments are normally considered to have insufficient general applicability to warrant departing from free trade. Bhagwati (2007) puts it plainly: "The truth of the matter is that free trade is alive and well among economists, their analytical arguments in favor of it, developed with great sophistication in the postwar theory of commercial policy, having hardly been dented by any original arguments by the few economists...arrayed against it."

46. But the political economy aspects of trade policymaking are important too. Indeed, the accepted riposte to the theoretical first-best case for trade policy—the optimum tariff argument—is a political economy argument: namely, the possibility of retaliation (Bhagwati, 2007). The academic literature has shown that the (perceived) optimum tariff may be positive even for a small economy once political economy considerations come into play (such as differential weights attached to the welfare of different groups in the economy).[36] In a world with positive optimum tariffs—whether based on market power or political economy factors—Bagwell and Staiger (2002) show that the WTO's system of reciprocity and enforcement rules is an efficient route to trade liberalization. While IMF staff should not be expected to factor political economy considerations into their trade policy advice, they should be aware that country authorities (and the multilateral trading system) do take such considerations into account. It is entirely appropriate for IMF staff to remind country authorities of the economic arguments behind trade policy in the surveillance context. But it is less appropriate for the IMF to use its leverage to push the eco-

common multilateral approach or formula was found. In 2003, the WTO adopted modalities for the treatment of autonomous liberalization in the area of trade in services (WTO, 2003), but no framework has been agreed for trade in goods.

[36] See Rodrik (1996) for a survey of political economy models.

nomic arguments ahead of all other trade policymaking considerations in a program context.

47. By requiring unilateral trade liberalization through program conditionality, the Fund may have complicated the process of multilateral trade liberalization. To Fund staff, only actual tariffs mattered, not tariff bindings. But tariff bindings were not irrelevant—they determined the parameters for trade policy within the multilateral framework. Program conditionality to lower a country's actual tariffs—but not its bound tariffs—increased the country's so-called binding overhang (i.e., the gap between bound and applied tariffs). Table 5 shows average bound and applied tariff rates in 2007 for IMF members that are also WTO members: while the rates are not directly comparable because of less than full binding coverage in most cases, they suggest that binding overhang can be substantial in developing countries, particularly LDCs. The Fund cannot compel or impel all countries to maintain low applied tariffs at all times. Baldwin (2008) likens tariff bindings that greatly exceed applied tariffs to options whose value to the WTO member increases with volatile (domestic and global) economic conditions. During bad times, a member may choose to raise its tariffs up to their bindings without breaching its WTO commitments—as was done, for example, by some Asian and Latin American countries in the late 1990s. The WTO's TPRs usually draw attention to large and/or increasing gaps between a member's bound and applied tariff rates, because these gaps create uncertainty in trade policymaking. Hence the Fund's practice of using program conditionality to lower but not bind tariffs has not much advanced the WTO's goal of creating a freer *and predictable* multilateral trading system.

E. Gaps in IMF-WTO Cooperation

48. Gaps remain in cooperation between the two institutions. Three issues that can have, and have had, macroeconomic implications are worth highlighting: exchange rate manipulation, trade in financial services, and preferential trade agreements (PTAs).

Table 5. IMF-WTO Members: Average Tariffs and Tariff Bindings, 2007

	Binding Coverage[1] (Percent)	Average Bound Tariff [2]	Average MFN Applied Tariff [2]
All products			
IMF-WTO members[3]	82.5	35.0	9.2
High-income countries[4]	95.9	7.9	5.2
Middle-income countries[4]	92.5	30.0	8.7
Low-income countries[4]	66.0	53.5	11.8
Of which: LDCs[5]	58.0	61.6	13.0
Nonagricultural products			
IMF-WTO members	79.8	26.1	8.2
High-income countries	95.2	4.9	3.4
Middle-income countries	91.4	26.0	7.6
Low-income countries	60.8	36.9	11.2
Of which: LDCs	51.6	42.7	12.7
Agricultural products			
IMF-WTO members	100.0	51.7	16.2
High-income countries	100.0	26.4	17.6
Middle-income countries	100.0	46.1	16.3
Low-income countries	100.0	70.0	15.5
Of which: LDCs	100.0	76.0	15.1

Source: World Tariff Profiles, 2008 (http//:www.wto.org/english/res_e/reser_e/tariff_profiles_e.htm).
[1] Share of Harmonized System (HS) six-digit subheadings containing at least one bound tariff line.
[2] Simple average of the ad valorem or ad valorem-equivalent HS six-digit duty averages.
[3] IMF members that were also WTO members as of December 31, 2007.
[4] Based on *WEO* classification. Low-income countries are PRGF-eligible countries.
[5] Based on UN designation (see http://www.wto.org/english/thewto_e/whatis_e/tif_e/org7_e.htm).

Exchange rate manipulation

49. The two institutions did not come to grips with the potential jurisdictional overlap between trade and exchange rate measures. As noted earlier, the IMF considers exchange rate measures to fall solely within its jurisdiction but there is a possibility that exchange rate measures with significant trade effects may fall within the WTO's jurisdiction as well. The question of exchange rate misalignment and trade was too sensitive for inclusion in the coherence agenda.[37] Instead, the WTO couched the issue in more neutral terms of exchange rate volatility and trade and commissioned the Fund to prepare a study on this topic. The IMF study (Clark, Tamirisa, and Wei, 2004), however, concluded that exchange rate volatility was "probably not a major policy concern" for trade flows (Box 9). The issue resurfaced during the Asian financial crises of the late 1990s, when large currency devaluations by some crisis-hit countries (in certain cases under IMF programs) generated pressure for trade policy responses in some of their main trading partners (Box 8). It came up again more recently in the context of U.S. allegations that China was undervaluing its currency in order to gain an export advantage.

50. The potential jurisdictional overlap has been viewed by outsiders as a serious flaw in IMF-WTO cooperation. In September 2004, an alliance of American manufacturing companies and labor unions petitioned the U.S. government to take legal action against China at the WTO for keeping the value of its currency fixed against the dollar.[38] Schwartz (2005) noted that although it was the IMF's responsibility to forestall currency manipulation, "the petitioners asserted that they had turned to the WTO for a remedy because the IMF was not doing its job." The Bush administration rejected the petition but the issue received the support of many politicians. According to Hufbauer, Wong, and Sheth (2006), "[s]ome 20 out of 25 China bills introduced between 2003 and 2005 alleged an unfair Chinese trade advantage from the undervalued renminbi." In June 2007, a group of U.S. legislators introduced the Currency Exchange Rate Oversight Reform Act to establish a stronger approach to identifying currency manipulation and imposing consequences including requesting the Fund to engage the offending country in special consultations over its misaligned currency and, in serious cases, requesting dispute settlement consultations in the WTO. Brainard (2007) suggested that the proposed legislation was necessary because "the WTO and especially the IMF [had not been] up to the task of grappling with China's undervalued yuan."

51. In June 2007, the IMF adopted a new Surveillance Decision, which, inter alia, aimed to clarify the concept of exchange rate manipulation. According to the 2007 Surveillance Decision, an IMF member country would be considered to be "acting inconsistently with Article IV, Section 1(iii)"—that is, "manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members"—if the Fund determines that: (i) the country is engaging in policies targeted at, and actually affecting, the level of its exchange rate; and (ii) the country is doing so "for the purpose of securing fundamental exchange rate misalignment in the form of an undervalued exchange rate" in order "to increase net exports" (IMF, 2007a). To date, the Fund has not declared any member to be in violation of Article IV, Section 1(iii).

52. The new Surveillance Decision has not satisfied the critics. Sanford (2008) argued that IMF-WTO cooperation could be strengthened to resolve their "disparate treatment of currency manipulation," whereby the Fund has no capacity to enforce its prohibition of exchange rate manipulation while the WTO has the capacity to adjudicate trade disputes but it is unclear whether currency disputes fall within its jurisdiction. Along the same lines but more concretely, Mattoo and Subramanian (2008) argued that the IMF has not been effective in addressing currency manipulation "[f]or reasons of inadequate leverage and eroding legitimacy" and that the two institutions should thus cooperate "with the IMF providing the essential technical expertise in the WTO enforcement process" under "new rules in the WTO to discipline cases of significant undervaluation that are clearly attributable to government action."

53. The possibility of a case of exchange rate manipulation being adjudicated by *both* the Fund and the WTO could be problematic. It is beyond the scope of this evaluation to assess the IMF's 2007 Surveillance Decision. However, it is worth noting that one cannot rule out the possibility of a WTO member bringing a dispute or countervailing case to the WTO regarding exchange rate manipulation, or the WTO panel arriving at a different judgment than the Fund. As noted earlier, there is no guarantee that an exchange rate measure sanctioned by the IMF will be immune from challenge at the WTO; no legal precedent has been set to date.

[37] Auboin (2007) notes that such wording would have "created acrimony" amongst WTO members. A 1989 meeting of the Director-General of GATT and the heads of the Bretton Woods institutions concluded there was not enough evidence to link exchange rate misalignment and protectionism and that in any case such problems were the "least amenable to improvement through action by the international agencies themselves" (Sampson, 1998).

[38] See www.chinacurrencycoalition.org/petition.html.

54. Neither institution has openly discussed how such a scenario could play out. Understandably, neither is anxious to take on this thorny issue but their silence has been interpreted as a lack of cooperation. In fact, at the technical level, IMF and WTO Secretariat staff have discussed the issue on several occasions. They are clear about how they would work together if an exchange rate manipulation case were brought before the WTO, though they are less clear about what would happen if a WTO panel reached a different decision than the Fund. The closest public statement on this issue was by WTO Director-General Lamy when he said in an October 2007 speech that it was up to the IMF, not the WTO, to decide whether China or any other country was following an appropriate currency policy.[39]

Trade in financial services

55. Trade in financial services is an obvious area of potential IMF-WTO overlap, but during the evaluation period little collaboration took place between the two institutions to clarify the main issues. In 2005, the IMF Board noted "the possible overlap between services trade negotiations and traditional areas of Fund advice relating, for example, to financial sector liberalization and financial vulnerabilities" but simply encouraged the staff to "increase the coverage of trade in services" (IMF, 2005a).

56. There is significant debate concerning regulation versus liberalization of trade in financial services. The GATS contains a number of provisions allowing countries to regulate financial services in the general interest, particularly in the case of balance of payments difficulties or for prudential reasons.[40] The interpretation of "prudential reasons" has turned out to be quite contentious, with the debate centering on the tension between the need for appropriate prudential measures and restrictions on market access for foreign providers of financial services. While most advanced economies are pushing at the WTO for greater and faster financial services liberalization, many developing countries, drawing from the lessons of the Asian financial crises, prefer a slower pace of liberalization commensurate with their development of financial supervisory capabilities.

57. Fund staff could have lent their expertise to this debate much as FAD staff assisted the WTO's trade facilitation group in customs administration issues. By the end of the evaluation period, no financial services negotiations had taken place at the WTO since the first round of negotiations ended in December 1997, and the WTO's Committee on Trade in Financial Services (CTFS), which was established as a negotiating group for the financial services agreement, had lain dormant for ten years. But even if no opportunity arose to assist in negotiations, the Fund could have found a way to share its financial sector expertise more effectively with WTO members needing informational support. The two presentations made by Fund staff at the CTFS (Table 3)—one describing the main features of the Financial Sector Assessment Program (FSAP) and the other analyzing the link between financial sector reform and capital account liberalization—were too general in content to be of much help to the delegations.

Preferential trade agreements

58. The question of how the IMF and the WTO should respond to PTAs was recognized early on as an important item on the coherence agenda. PTAs—mostly in the form of free trade agreements and partial scope agreements—have grown exponentially in number since the early 1990s and are now a prominent feature of the global trading system. According to the WTO, more than 200 are currently in force and their number is expected to double by 2010. Many PTAs go well beyond merchandise trade liberalization to areas such as trade in financial and other services, investment flows, and other disciplines. Though the WTO has formal jurisdiction over them, PTAs are typically negotiated and implemented outside the active involvement of any of the major international organizations.[41] The 1998 Coherence Report called for a coherent approach by the Fund, the World Bank, and the WTO "to ensure that these arrangements contribute to a liberal and more integrated trading system and facilitate the process of multilateral liberalization" (IMF, 1998e).

[39] "Leave currency surveillance to IMF—WTO head," *Reuters*, October 22, 2007.

[40] Article XII of the GATS allows a WTO member to "adopt or maintain restrictions on trade in services on which it has undertaken specific commitments, including on payments or transfers for transactions related to such commitments" in the event of serious balance of payments and external financial difficulties (or threat thereof), provided, among other things, that such restrictions do not violate the Fund's Articles of Agreement (http://www.wto.org/english/docs_e/legal_e/26-gats_01_e.htm). Paragraph 2 of the GATS Annex on Financial Services states that a WTO member "shall not be prevented from taking measures for prudential reasons, including for the protection of investors, depositors, policy holders or persons to whom a fiduciary duty is owed by a financial service supplier, or to ensure the integrity and stability of the financial system" (http://www.wto.org/english/tratop_e/serv_e/10-anfin_e.htm).

[41] WTO members are required to notify the WTO when entering into a PTA such as a customs union or free trade area. The WTO's Committee on Regional Trade Agreements (CRTA) is responsible for examining individual agreements. However, the committee's work has been hampered by a lack of agreement among WTO members on how to interpret the criteria for assessing the consistency of such agreements with WTO rules (WTO, 2006b). As a result, only a handful of agreements have been considered by the CRTA to date.

59. The economics of PTAs is complex. While PTAs can be trade liberalizing, they are discriminatory and some observers therefore fear that their proliferation could lead to trade diversion and jeopardize progress toward global free trade. Nonetheless, given that PTAs are here to stay, the focus of multilateral institutions like the WTO should be, and increasingly has been, on how to design them to make them building blocks rather than stumbling blocks for multilateral trade liberalization. In December 2006, the WTO established (on a provisional basis) a transparency mechanism that provides for timely notification of any PTA to the WTO and for a factual presentation by the WTO Secretariat describing the features of the PTA. The plan is for the WTO to release a complete list of PTAs that have been agreed, along with data on trade flows under them. This will enable researchers to look systematically at the characteristics and design of PTAs and perhaps identify best practices for designing PTA architecture.

60. The IMF has not been involved in this important discussion. The only contribution by the Fund was a descriptive paper presented at a joint IMF-WTO-World Bank seminar on regionalism in June 1999. Since then, the WTO has organized three high-level seminars on PTAs—in April 2002, November 2003, and most recently on "Multilateralizing Regionalism" in September 2007—with substantive participation from the World Bank, OECD, regional development banks, think tanks, and academia, but not the IMF. In reviewing the Fund's work on trade in 2005, the Board "emphasized that regional trade agreements, if appropriately structured, can provide immediate economic benefits and can be complementary and compatible with multilateral liberalization" (IMF, 2005a). Yet during the evaluation period Fund staff made minimal contributions to the active and ongoing discussions at the WTO and elsewhere on how to structure PTAs to ensure their compatibility with multilateral liberalization.

F. Summary and Conclusions

61. IMF-WTO cooperation during the evaluation period was mostly low-key, sometimes close, and often lopsided. The Cooperation Agreement was implemented as envisaged and close cordial working relationships were cultivated between Fund staff (the Office in Geneva and PDR's Trade Policy Division) and staff in the WTO Secretariat. Fund management maintained regular contact with the WTO Director-General. The intensity of IMF-WTO interaction varied, from high during the WTO's formative years (1995–96) and following the Doha and Cancun ministerial meetings (2001–04) to low in the more recent past. Statutory cooperation (CBR consultations on trade restrictions for balance of payments purposes) dwindled after 2000. Ad hoc cooperation mainly took the form of WTO requests for IMF analysis/research (which the Fund always satisfied) and financial support (which the Fund mostly tried to resist).

62. Conspicuous joint initiatives were largely absent. Due to limitations of capacity, the IMF remained a minor partner in the IF and Aid for Trade initiatives. The IMF's only attempt at an exclusively trade-related initiative—the TIM—received a limited response.

63. Due to organizational and other differences between the two institutions, there was negligible duplication of work. In the early days of the WTO there were concerns that its trade policy surveillance would duplicate some of the Fund's Article IV work, but those concerns were not borne out. Unlike IMF surveillance documents, WTO TPRs are prepared on a much longer cycle, up to once every six or more years for developing countries. The macroeconomic information in TPRs was drawn from Fund documents, though Fund staff did not much use TPRs as a resource.

64. Cooperation was sufficient to prevent any major inconsistencies or disputes between the two organizations. Inconsistencies (i.e., Fund advice or conditionality that violates a country's WTO commitments) are difficult to detect unless they are brought for dispute settlement at the WTO. Only two such cases occurred during the evaluation period, and the verdicts in both cases were favorable to the Fund though the dispute panels did not consult the Fund in either case.

65. Since the mid-2000s the IMF has steadily cut down on resources and time spent on WTO cooperation. The staff complement of the Geneva Office was reduced from five (a director, a senior economist, and three administrative assistants) to two (a senior economist and an administrative assistant) in 2002, and the office was closed in 2008. Also in 2008, PDR's Trade Policy Division was subsumed into a new division (of about the same staff size) with responsibility for trade, institutions, and policy review. The Research Department's trade unit (later the trade and investment division) was eliminated in 2007. The CWTO stopped meeting after 2004 and was not reconstituted in 2006. In 2008, it was replaced by the Committee on Liaison with the World Bank and Other International Organizations, which has the broader mandate to liaise with international organizations including the WTO. As of the time of writing, the new committee has not met.

66. This move is questionable given the gaps that remain in cooperation between the two institutions. The two institutions have yet to satisfactorily address how they will cooperate on important issues that affect their work and/or mandates. PTAs are a prime

example of an issue with far-reaching implications for the work of both the WTO and the IMF, yet during the evaluation period the two institutions did not collaborate to develop a coherent approach to PTAs. The situation is similar regarding the liberalization of trade in financial services—where comparative advantage suggests that the IMF could play a bigger role in the debate—and regarding the question of exchange rate manipulation—where it remains untested and hence unclear whether the WTO dispute settlement mechanism would defer to the Fund.

67. The two institutions need to reconcile the fundamental differences in their approaches to trade liberalization. The IMF's position on unilateral trade liberalization has a sound economic basis. This makes the IMF a valuable voice in advising countries on trade policy in the surveillance context because it brings an objective macroeconomic perspective that the WTO cannot provide. But problems arise when the IMF imposes unilateral trade liberalization on a country in a program context. Doing so does not help multilateral trade liberalization much (because the IMF does not affect tariff bindings) and it could even hurt (if the country refuses to make further concessions in multilateral negotiations). To resolve this, the IMF should either work with the WTO to make its trade conditionality bind and to develop a framework for granting negotiating credit for such liberalization (like the one for the GATS) or—a simpler solution—the Fund should eschew trade conditionality altogether.

References

Anjaria, Shailendra J., 1987, "Balance of Payments and Related Issues in the Uruguay Round of Trade Negotiations," *World Bank Economic Review*, Vol. 1, No. 4, pp. 669–88.

Auboin, Marc, 2007, "Fulfilling the Marrakesh Mandate on Coherence: Ten Years of Cooperation Between the WTO, IMF, and World Bank," WTO Discussion Paper No. 13 (Geneva: World Trade Organization).

Bagwell, Kyle, and Robert W. Staiger, 2002, *The Economics of the World Trading System* (Cambridge, Massachusetts: MIT Press).

Baldwin, Richard, 2008, "The Bindings That Tie Trade Together." Available via the Internet: http://www.economist.com/blogs/freeexchange/2008/10/the_bindings_that_tie_trade_to.cfm.

Bhagwati, Jagdish, 2007, "The Consensus for Free Trade Among Economists—Has It Frayed?" Lecture at the WTO on October 8, 2007 (Geneva). Available via the Internet: http://www.wto.org/english/news_e/news07_e/bhagwati_oct07_e.htm.

Brainard, Lael, 2007, "Global Views: Currency Exchange Rate Oversight Reform Act of 2007" (Washington: Brookings Institution). Available via the Internet: http://www.brookings.edu/opinions/2007/0614globaleconomics_brainard.aspx.

Bretton Woods Project, 1999, "IMF/WB/WTO: Unholy Trinity?" December 15. Available via the Internet: http://www.brettonwoodsproject.org/art-15607.

———, 2004, "IMF Trade Integration Mechanism: Sweetening a Sour Deal," May 24. Available via the Internet: http://www.brettonwoodsproject.org/art-51257.

Caliari, Aldo, 2003, *Some Selected Issues in the Coherence Agenda of the WTO and the Bretton Woods Institutions* (Washington: Center of Concern).

———, and Mariama Williams, 2004, "Capacity of International Financial Institutions to Support Trade Liberalisation in Low-Income and Vulnerable Countries," Civil Society Briefing Paper prepared for the 2004 Commonwealth Finance Ministers' Meeting (London: Commonwealth Foundation).

Clark, Peter, Natalia Tamirisa, and Shang-jin Wei, 2004, "Exchange Rate Volatility and Trade Flows—Some New Evidence," SM/04/117 (Washington: International Monetary Fund).

Ebrill, Liam, Janet Stotsky, and Reint Gropp, 1999, *Revenue Implications of Trade Liberalization*, IMF Occasional Paper No. 180 (Washington: International Monetary Fund).

Hufbauer, Gary Clyde, Yee Wong, and Ketki Sheth, 2006, "U.S.-China Trade Disputes: Rising Tide, Rising Stakes," Policy Analyses in International Economics 78 (Washington: Peterson Institute for International Economics).

International Monetary Fund (IMF), 1983, "Exchange Rate Volatility and World Trade," SM/83/203, Revision 1 (Washington: International Monetary Fund).

———, 1994a, "Relationship Between the Fund and the WTO," EB/CGATT/94/1 and Supplement 1 (Washington: International Monetary Fund).

———, 1994b, "The Acting Chairman's Summing Up at the Conclusion of the Discussion on the Comprehensive Trade Paper," BUFF/94/82 (Washington: International Monetary Fund).

———, 1994c, "The Relationship of the World Trade Organization with the Fund—Legal Aspects," SM/94/303 (Washington: International Monetary Fund).

———, 1995a, "Concluding Remarks by the Chairman—The Relationship of the World Trade Organization with the Fund: Institutional and Legal Aspects of the WTO," BUFF/95/4 (Washington: International Monetary Fund).

———, 1995b, "Statement by the Staff Representative on Fund/WTO Jurisdictional Matters at the Discussion of the Article IV Consultation with the People's Republic of China," BUFF/95/23 (Washington: International Monetary Fund).

———, 1995c, "Minutes of Executive Board Meeting 95/27," EBM/95/27 (Washington: International Monetary Fund).

———, 1995d, "Argentina—Request for Extended Arrangement: Letter of Intent," EBS/95/51 (Washington: International Monetary Fund).

———, 1995e, "Guidelines/Framework for Fund Staff—Collaboration with the World Trade Organization" (unpublished; Washington: International Monetary Fund).

———, 1995f, "Reference Note on WTO-Consistency" (unpublished; Washington: International Monetary Fund).

———, 1996a, "Summing Up by the Acting Chairman—Fund/WTO Cooperation Agreement," SUR/96/77 (Washington: International Monetary Fund).

———, 1996b, "WTO Committee on Balance of Payments Restrictions" (unpublished; Washington: International Monetary Fund).
———, 1996c, "Approval of Agreement Between the International Monetary Fund and the World Trade Organization," EBD/96/149 (Washington: International Monetary Fund).
———, 1996d, "Agreement Between the International Monetary Fund and the World Trade Organization" (Washington: International Monetary Fund).
———, 1997a, "Mongolia—Staff Report for the 1997 Article IV Consultation and Request for Arrangements Under the Enhanced Structural Adjustment Facility," EBS/97/135 (Washington: International Monetary Fund).
———, 1997b, "Korea—Letter of Intent," FO/Dis/97/101 (Washington: International Monetary Fund).
———, 1998a, "Indonesia—First Review Under the Stand-By Arrangement—Revised Memorandum of Economic and Financial Policies," EBS/98/8 (Washington: International Monetary Fund).
———, 1998b, "India—Request for Information from the World Trade Organization Dispute Settlement Panel on India," EBD/98/76 (Washington: International Monetary Fund).
———, 1998c, "Review of the Cooperation Agreement between the Fund and the World Trade Organization," EBD/98/78 (Washington: International Monetary Fund).
———, 1998d, "IMF Concludes Article IV Consultation with United States," PIN/98/54 (Washington: International Monetary Fund).
———, 1998e, "Report of the Managing Director, President, and Director-General on Coherence," EBD/98/109 (Washington: International Monetary Fund).
———, 1998f, "Joint Statement by the Heads of the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO)," NB/98/37 (Washington: International Monetary Fund).
———, 1999a, "Note on Import Surcharges" (unpublished; Washington: International Monetary Fund).
———, 1999b, "IMF Concludes Article IV Consultation with United States," PIN/99/70 (Washington: International Monetary Fund).
———, 1999c, "Trends and Outlooks in the World Trading System," Chapter V in *World Economic Outlook*, October (Washington: International Monetary Fund).
———, 1999d, "Joint Statement by the Heads of the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO)," NB/99/78 (Washington: International Monetary Fund).
———, 2000a, "Review of the Integrated Framework for Technical Assistance for Trade Development of Least Developed Countries," SM/00/145 (Washington: International Monetary Fund).
———, 2002a, "Statement by the Staff Representative from the WTO on Cooperation with the IMF," EB/CWTO/02/3 (Washington: International Monetary Fund).
———, 2003a, "Statement of IMF Staff on Corporate Restructuring Under the IMF-Supported Program with Korea," EB/CWT0/03/1 (Washington: International Monetary Fund).
———, 2003b, "CWTO Meeting 02/2," EB/CWTO/Mtg/02/2 (Washington: International Monetary Fund).
———, 2003c, "WTO Notes and Cover Letter from Ms. Krueger," EB/CWT0/03/2 (Washington: International Monetary Fund).
———, 2003d, "CWTO Meeting 03/1," EB/CWTO/Mtg/03/1 (Washington: International Monetary Fund).
———, 2003e, "Developments in World Textiles Markets: Implications for Fund Surveillance" (unpublished; Washington: International Monetary Fund).
———, 2003f, "Trade Finance in Financial Crises: Assessment of Key Issues," SM/03/395 (Washington: International Monetary Fund).
———, 2004a, "IMF Concludes Review of the Compensatory Financing Facility," PIN/04/35 (Washington: International Monetary Fund).
———, 2004b, "IMF Executive Board Approves Trade Integration Mechanism," PR/04/73 (Washington: International Monetary Fund).
———, 2004c, "Dominican Republic—Request by WTO Dispute Settlement Panel," EBD/04/68 (Washington: International Monetary Fund).
———, 2004d, "Minutes of Executive Board Meeting 04/79-1," EBD/04/79 (Washington: International Monetary Fund).
———, 2005a, "The Acting Chair's Summing Up—Review of Fund Work on Trade," BUFF/05/45 (Washington: International Monetary Fund).
———, 2005b, "Aid for Trade: Competitiveness and Adjustment: Joint Note by the Staffs of the IMF and the World Bank," DC/05/6 (Washington: International Monetary Fund).
———, 2005c, "EU Sugar Sector Reforms—Impact on Developing Countries" (unpublished; Washington: International Monetary Fund).
———, 2005d, "Trade Progress Report—Doha Development Agenda and Aid for Trade", SM/05/327 (Washington: International Monetary Fund).
———, 2005e, "Minutes of Executive Board Meeting 05/81-2," EBD/05/81 (Washington: International Monetary Fund).
———, 2005f, "IMF Executive Board Discusses Doha Development Agenda and Aid for Trade," PIN/05/169 (Washington: International Monetary Fund).
———, 2006a, "Minutes of Executive Board Meeting 06/77-1," EBM/06/77-1 (Washington: International Monetary Fund).
———, 2006b, "IMF Executive Board Discusses Doha Development Agenda and Aid for Trade," PIN/06/105 (Washington: International Monetary Fund).
———, 2007a, "IMF Executive Board Adopts New Decision on Bilateral Surveillance Over Members' Policies," PIN/07/69 (Washington: International Monetary Fund).
———, 2007b, "Minutes of Executive Board Seminar 07/3," SEM/Mtg/07/3 (Washington: International Monetary Fund).
———, 2007c, "Antigua and Barbuda—World Trade Organization Request for Information on Data on Gambling Services," EBD/07/135 (Washington: International Monetary Fund).
Irwin, Douglas, 2000, "Do We Need the WTO?" *Cato Journal*, Vol. 19 (Winter), pp. 351–57.
Jackson, John H., 2006, *Sovereignty, the WTO and Changing*

Fundamentals of International Law (Cambridge, United Kingdom: Cambridge University Press).

Khemani, Ritha, 2005, "Competitiveness and Export Performance in Madagascar," Chapter IV in "Republic of Madagascar—Selected Issues and Statistical Appendix," SM/05/178 (Washington: International Monetary Fund).

Köhler, Horst, 2003, "Cooperation in Trade and International Financial Integration," speech delivered at the WTO General Council Meeting on Coherence, Geneva, May 13.

Krueger, Anne O., 2004, "Address to the World Trade Organization General Council," speech delivered at the WTO General Council Meeting, Geneva, May 18.

Mattoo, Aaditya, and Arvind Subramanian, 2008, "Currency Undervaluation and Sovereign Wealth Funds: A New Role for the World Trade Organization," Working Paper 08-2 (Washington: Peterson Institute for International Economics).

Mekay, Emad, 2004, "IMF to the Rescue of Global Trade," Inter-Press Service, April 14. Available via the Internet: http://ipsnews.net/interna.terna.asp?idnews=23316.

Mlachila, Montford, and Yongzheng Yang, 2004, "The End of Textiles Quotas: A Case Study of the Impact on Bangladesh," IMF Working Paper 04/108 (Washington: International Monetary Fund).

Ostry, Sylvia, 1999, "Coherence in Global Policymaking: Is This Possible?" *Canadian Business Economics*, Vol. 7 (October), pp. 20–25.

Organization for Economic Cooperation and Development (OECD), 2007, *Aid for Trade at a Glance 2007* (Paris: Organization for Economic Cooperation and Development).

Rodrik, Dani, 1996, "The Political Economy of Trade Policy," in *Handbook of International Economics 3*, ed. by Gene M. Grossman and Kenneth Rogoff (Amsterdam: North-Holland).

Rowden, Rick, 2001, "IMF-WB-WTO Synthesis Report," RESULTS Educational Fund Working Paper (Washington: RESULTS Educational Fund).

Sampson, Gary P., 1998, "Greater Coherence in Global Economic Policymaking: A WTO Perspective," in *The WTO as an International Organization*, ed. by Anne O. Krueger (Chicago: University of Chicago Press).

Sanford, Jonathan E., 2008, "Currency Manipulation: The IMF and WTO," CRS Report for Congress RS22658 (Washington: Congressional Research Service).

Schott, Jeffrey J., ed., 1998, *Launching New Global Trade Talks: An Action Agenda,* Institute for International Economics Special Report 12 (Washington: Institute for International Economics).

Schwartz, Anna J. 2005, "Dealing with Exchange Rate Protectionism," *Cato Journal*, Vol. 25 (Winter), pp. 67–106.

Siegel, Deborah, 2002, "Legal Aspects of the IMF/WTO Relationship: The Fund's Articles of Agreement and the WTO Agreements," *American Journal of International Law*, Vol. 96 (July), pp. 561–620.

Tsogtbataar, Damedin, 2005, "Mongolia's WTO Accession: Expectations and Realities of WTO Membership," in *Managing the Challenges of WTO Participation—45 Case Studies* (Geneva: WTO and Cambridge University Press).

World Trade Organization (WTO), 1995, "Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries: The Director-General's Consultations with the International Monetary Fund and the World Bank—Note by the Secretariat," G/AG/W/12 and G/AG/W/12 Add.1 (Geneva: World Trade Organization).

———, 1997, "Committee on Balance-of-Payments Restrictions—Report on the Consultations with India," WT/BOP/R/32 (Geneva: World Trade Organization).

———, 1998a, "Minutes of Meeting Held in the Centre William Rappard on 14, 16 and 23 October 1998," WT/GC/M/31 (Geneva: World Trade Organization).

———, 1998b, "Minutes of Meeting Held in the Centre William Rappard on 9–11 and 18 November 1998," WT/GC/M/32 (Geneva: World Trade Organization).

———, 1999a, "The Treatment of 'Monetary Reserves' in WTO Balance-of-Payments Committee Consultations—Note by the Secretariat," WT/TF/COH/S/2 (Geneva: World Trade Organization).

———, 1999b, "Preparations for the 1999 Ministerial Conference: Proposals Regarding the Balance-of-Payments Provisions of the General Agreement on Tariffs and Trade 1994 in Terms of Paragraph 9(a)(i) of the Geneva Ministerial Declaration—Communication from India," WT/GC/W/364 (Geneva: World Trade Organization).

———, 1999c, "WTO Secretariat Releases 1999 Annual Report," WTO Press Release 149 (Geneva: World Trade Organization).

———, 2000, "Committee on Balance-of-Payments Restrictions—Report on the Consultations with Pakistan," WT/BOP/R/56 (Geneva: World Trade Organization).

———, 2002a, "Trade Policy Review: Malawi—Minutes of Meeting," WT/TPR/M/96 (Geneva: World Trade Organization).

———, 2002b, "Reserve Adequacy—Note by the Secretariat," WT/BOP/W/21 (Geneva: World Trade Organization).

———, 2002c, "Committee on Balance-of-Payments Restrictions—Note on the Meeting of 2 October," WT/BOP/R/65 (Geneva: World Trade Organization).

———, 2003, "Modalities for the Treatment of Autonomous Liberalization," TN/S/6 (Geneva: World Trade Organization).

———, 2004, "Expert Group Meeting on Trade Financing—Note by the Secretariat," WT/GC/W/527 (Geneva: World Trade Organization).

———, 2006a, "Implementation of the Development Assistance Aspects of the Cotton-Related Decisions in the 2004 July Package—Secretariat Progress Report," TN/AG/SCC/W/5 (Geneva: World Trade Organization).

———, 2006b, "Lamy Welcomes WTO Agreement on Regional Trade Agreements" (Geneva: World Trade Organization). Available via the Internet: http://www.wto.org/english/news_e/news06_e/rta_july06_e.htm.