Background Document

3 Guiding the IMF's Involvement in International Trade Policy

A. Introduction

1. The IMF stepped up its trade policy advice in the wake of the balance of payments crises of the 1970s and 1980s. The crises demonstrated the flaws in the inward-oriented industrial development strategies, based on import substitution, that many developing countries had pursued. Through surveillance and conditionality, the IMF stepped up its role in guiding changes in trade policy that would help countries to achieve a greater outward orientation and to reduce their reliance on compressing domestic demand to restore a sustainable balance of payments position. Trade liberalization gained pace in the 1990s as many developing countries, including most previously centrally planned economies, embarked on tariff and nontariff reforms, often in the context of IMF-supported programs. During 1987–93, structural trade policy conditionality ranked third behind financial sector/exchange system and fiscal structural conditionality across a broad spectrum of IMF arrangements (IMF, 2001b).[1]

2. By the mid-1990s, IMF advice on trade policies of developing countries was very active, and Executive Directors were urging greater attention to spillover effects of advanced countries' policies as well. In discussing the 1994 Comprehensive Trade Paper (IMF, 1994a), Directors generally agreed that staff coverage of trade policy was "broadly appropriate," but several of them saw scope for increased study and analysis in two areas: (i) the macroeconomic implications of trade policies, including the impact of protectionist actions both on the domestic economy and on trading partners (subsidies and discriminatory taxation in industrial countries were especially highlighted); and (ii) the spillover effects of regional trade integration on regional partners and third countries, given the trend toward preferential trade agreements (PTAs), primarily by industrial countries. Directors reiterated that the design of effective trade reforms in IMF-supported programs should give due consideration to the revenue impact and to complementary macroeconomic policies, particularly the appropriate exchange rate policy. They emphasized the importance of close collaboration with the World Bank in the design of trade liberalization. Directors requested that the implications of the Uruguay Round for individual countries, especially net food importers and countries facing erosion of trade preferences, be monitored to ascertain any needs for transitional adjustment and financing (IMF, 1994b, 1994c).

3. This paper evaluates whether guidance on the IMF's role in trade policy issues during 1996–2007 was timely, clear, well focused, and comprehensive. This guidance was set by the IMF Executive Board and management with input from the then Policy Development and Review (PDR) and Legal Departments. General guidance was primarily contained in: Board summings up of periodic reviews of bilateral surveillance and conditionality and associated PDR operational guidance notes; summings up of periodic reviews of the IMF's work on trade and joint IMF-World Bank policy papers; and trade-specific PDR guidance notes (Annex Table 1). Within this broad framework of guidance, views on specific trade policy issues were established in Board meetings on bilateral surveillance, the use of Fund resources, and trade-related policy papers.

4. This paper is structured as follows. The next section discusses guidance on the objectives and coverage of trade policy issues in IMF activities. The following three sections assess guidance on specific trade policy issues: tariff and nontariff reforms, trade in services, and PTAs. The section after that briefly reviews the guidance on assessing the effects of changes in trade policy, in particular on fiscal revenue, the balance of payments, growth and poverty; it also discusses guidance on complementary policies for effective trade reforms. The final section concludes.

[1] Structural conditionality comprises performance criteria, structural benchmarks, and prior actions.

B. Objectives and Coverage of IMF Involvement in Trade Policy Issues

5. The Executive Board laid out general objectives, especially early in the evaluation period, for the Fund's advice on trade policy through surveillance or conditionality. In 1997, in discussing a staff paper on trade liberalization in IMF-supported programs, Directors observed that "trade liberalization, as a complement to appropriate macroeconomic and other structural policies, should play an increasingly important role in the context of Fund-supported medium-term adjustment programs designed to foster sustainable high quality growth." They pointed also to a "need to promote trade liberalization in non-program countries in the course of the Fund's surveillance activities." An important goal of trade reforms was to promote "transparency and good governance by reducing incentives for lobbying for protection and opportunities for rent-seeking, and by eliminating administrative discretion" (IMF, 1997). In 2002, the Board reaffirmed the IMF's objective in trade policy in the statement that the IMF "has an important role to play in promoting and actively supporting trade liberalization among its members" (IMF, 2002e). The Board has not explicitly changed this underlying objective, although the effort to streamline structural conditionality has implied taking a less activist approach to trade reform than previously.[2]

6. Despite the absence of an explicit change in objective, the Board progressively broadened the scope of its requests for IMF involvement in trade policy issues. Guidance to staff in the initial years of the evaluation period focused on the traditional trade policy issues of tariff and nontariff barriers to trade in goods. Thereafter, the Board began to emphasize the systemic impact of developed country trade policies and an explicit extension of the IMF's advice to trade in services. Toward the end of the evaluation period, the Board requested a further broadening of the IMF's involvement in trade policy issues to cover countries' views on multilateral trade negotiations, for countries that were key players.[3]

7. As the scope of IMF involvement in trade policy issues widened, Directors called for greater selectivity of coverage in surveillance. Thus, the 2002 Surveillance Guidance Note (IMF, 2002c) advised that coverage of trade policy was essential in (i) "countries where serious trade distortions hamper macroeconomic prospects," and (ii) "countries whose trade policies have systemic (global or regional) implications." In 2004, Directors again requested greater selectivity of coverage in trade policy issues, to focus on "issues that have an important influence on stability and growth prospects" (IMF, 2004d). Consequently, the 2005 Surveillance Guidance Note (IMF, 2005e) further clarified and elaborated on the selectivity criteria. It noted that the level of coverage should range "from substantial to none, depending on the staff's judgment on the relevance of trade developments for macroeconomic prospects." The 2005 note added to the existing two criteria a third one, specifying that coverage is expected for "countries where the balance of payments or fiscal accounts are vulnerable to trade developments."

8. A parallel process occurred for conditionality on trade policy. The effort to streamline Fund conditionality established a greater burden of proof of need for trade policy conditionality. In 2000, at the start of the streamlining initiative, the Executive Board called for a more parsimonious application of structural conditionality in IMF-supported programs. Accordingly, the current conditionality guidelines (IMF, 2002f) advise that "conditions will normally consist of macroeconomic variables and structural measures that are within the Fund's core areas of responsibility."[4] Conditions outside the Fund's core areas of responsibility require a "more detailed explanation of their critical importance."

9. It took substantial time to clarify criteria for selecting which trade policy issues to cover, however, and the discussion made more progress with regard to surveillance than conditionality. Soon after the streamlining effort began, several Directors observed that the distinction between core and noncore areas of the IMF's responsibility could be blurred and confusing (IMF, 2000a). In the context of surveillance, in 2000 the Board moved away from a core/noncore distinction of the IMF's areas of responsibility to a "hierarchy of concerns" (IMF, 2000b). PDR—responding to continued uncertainty among staff about when to cover trade policy issues—prepared a 2005 Board paper (IMF, 2005a) that outlined "key considerations" for the selection of trade policy topics (Table 1). These operational considerations signaled priorities for staff in choosing trade policy issues in surveillance and provided focus to Directors' views. Directors agreed that there was "additional scope for more selectivity in the coverage of trade issues" and

[2] The initiative to streamline structural conditionality began in September 2000 with the Managing Director's interim guidance note on the topic (IMF, 2000f).

[3] In 2005, staff were asked to report on the authorities' views on major initiatives in the World Trade Organization if the country had a central role in these initiatives (IMF, 2005e).

[4] The guidelines note that conditions should be applied parsimoniously and should be "(i) of critical importance for achieving the goals of the member's program or for monitoring the implementation of the program, or (ii) necessary for the implementation of specific provisions of the Articles or policies adopted under them." The prohibition on import restrictions for balance of payments reasons, a continuous performance criterion in lending arrangements, falls within this latter category.

Table 1. Coverage of Trade Issues in Article IV Reports—Operational Considerations

Trade Issues	When to Cover in Staff Report?
Reform of trade regime	
Merchandise trade	Decision to report based on degree of restrictiveness/distortion of trade regime and importance of policy changes during reporting period; staff could use benchmark levels, e.g., of average tariff rates or an index of the trade policy stance, to determine a "presumption" of coverage.
Services trade	In principle as for merchandise trade reform; special attention to financial services trade, and to trade negotiations at the regional and global level that might affect the regulatory framework for services.
Fiscal aspects and customs administration	Criteria as for other fiscal revenue sources; cover if significant enough to require adjustment in other revenues or in public expenditure.
Spillover effects	Cover where measurable impact on world prices or exports of other countries; prima facie evidence includes prominence in trade disputes or negotiations.
Multilateral agenda	
WTO negotiations	Report on initiatives in which country plays a central role, either as a proponent or defensively; report on overall strategy if country is a leading player in the multilateral negotiations.
Macro vulnerabilities	Presumption that should be covered if country meets certain criteria related to vulnerability to preference erosion, food terms of trade changes, or the expiry of textiles quotas.[1]
Regional trade initiatives	No easy benchmarks, but presumption that should report where trade creation/diversion is significant, the agreement entails regulatory changes in areas of importance from a growth/stability perspective, or there are significant changes in institutions (e.g., the ability of a country to set tariffs or collect customs duties).

Source: IMF (2005a), Table 4.

[1] The criteria actually used include cut-off points of, respectively: (i) an estimated 2 percent or larger decline in export unit values associated with a 40 percent erosion of preferences; (ii) a larger than 20 percent ratio of net food imports over total exports; (iii) a composite measure of vulnerability based on the concentration of textiles exports, quota utilization and capacity for adjustment. See also IMF (2004a).

endorsed these considerations as "helpful in guiding individual country teams in decisions on the selection of topics" (IMF, 2005d).[5] This discussion did not explicitly distinguish core from noncore responsibilities. Indeed, by the time of the 2007 Surveillance Decision the use of the terms "core" and "noncore" had been discontinued in surveillance except in a colloquial sense.

10. In conditionality discussions, however, the core/noncore distinction persisted. The conditionality guidelines still in force at end-2007 (IMF, 2002f) note that the IMF's core areas of responsibility comprise "macroeconomic stabilization; monetary, fiscal, and exchange rate policies, including the underlying institutional arrangements and closely related structural measures; and financial system issues related to the functioning of both domestic and international financial markets." Given the many interactions between trade policies and each of these core issues, it has remained quite unclear when trade policy should be considered core. Together with the general streamlining of structural conditionality, this has left a considerable lack of clarity about when trade policy issues should be covered.

11. An update of the conditionality guidelines would be useful, particularly in light of the mixed experience with trade policy conditionality (its technical merits, extent of explicit assessment of macroeconomic effects, compatibility with countries' positions in the World Trade Organization (WTO), and effectiveness). Moreover, with several countries having significantly liberalized their traditional trade policy restrictions, consideration of guidelines for deeper trade reforms to tackle behind-the-border restrictions is needed.

12. Cyclicality in signals from both the Board and management about their expectations for the IMF's role in trade policy was another source of confusion to staff. In interviews for this evaluation, senior staff noted that in some instances the Board and management had encouraged and subsequently discouraged a trade agenda. As an example of the waning of Board interest in trade policy issues, staff pointed to the discontinuation of the Comprehensive Trade Paper following the last such paper in 1994. This paper (IMF, 1994a) provided a "periodic major

[5] The extent of dissemination of these operational considerations outside of PDR is unclear as they are not included in the current guidelines on surveillance (IMF, 2005e).

review of international trade policy issues and their implications for the work of the Fund." Though staff interpreted the discontinuation of the paper as an expression of diminished interest in trade issues, several instances subsequently arose in which Directors appeared to want staff to be involved, for example in trade conditionality in some of the large late 1990s emerging market programs and in market access for developing country exports. Interest in the Doha Round negotiations went through a similar cycle, with spikes in 2003 and 2005 and limited-to-no interest at other times. A strong emphasis on trade policy issues was signaled in 2003, with the formation of the Trade Unit in the Research Department (renamed the Trade and Investment Division in 2005), but this group was disbanded in 2006.

C. Tariff and Nontariff Barriers

13. Much of the IMF's advice on trade policy has focused on traditional forms of tariff and nontariff barriers to trade. At least until 2000, most of this advice was directed at trade liberalization in developing countries in the context of IMF lending arrangements. The approach to trade policy in that context carried over to surveillance of trade policies in developing countries that did not have IMF lending arrangements. In about 2000, responding to requests from many sources for greater emphasis on spillover effects, the IMF stepped up its surveillance of trade policy issues in advanced countries. This section reviews guidance for both of these activities.

Tariff and nontariff policies in highly protected countries

14. Guidance on tariff and nontariff reforms in the more highly protected countries focused on the appropriate scope, sequencing, and pace of trade reforms. Directors addressed these issues in detail in their 1997 discussion of trade liberalization in Fund-supported programs. The 1999 guidelines by PDR for designing and implementing trade policy reforms (IMF, 1999c) restate and elaborate on this guidance; they have not been substantively updated since then.

- *Scope*. The 1999 guidelines contain a comprehensive list of trade policies that discriminate between domestic and foreign goods and that should be addressed in a trade reform program: tariffs, nontariff barriers (NTBs), export restrictions, tax exemptions, trade-related subsidies, and behind-the-border trade barriers such as nontransparent customs administrative procedures. The guidelines provide focused guidance on key aspects of a trade reform program such as the tariffication of quantitative restrictions and steps to attain low and uniform tariff levels.[6] They recommend changing domestic policies and structures that "foster anticompetitive practices which could negate the benefits of trade liberalization" and ensuring that the advice given is consistent with a member's WTO commitments.[7]
- *Sequencing*. The guidelines call for early elimination of the most distortionary aspects of a trade regime such as quantitative restrictions and other NTBs, export restrictions, and exemptions prior to embarking on a tariff reform program. However, they advise that tariff reforms need not wait for the full elimination of NTBs. This sequencing of trade reforms (together with an early elimination of trade-related subsidies) should address fiscal concerns, particularly because the tariffication of NTBs is likely to increase revenues.
- *Pace*. The guidelines advise that the speed of trade reform should be adapted to specific country circumstances, including the "initial degree of trade restrictiveness, the country's administrative capacity and likely short-term adjustment costs." They recommend a "phased reduction" for most countries, with a front-loading of trade liberalization measures, and a "pre-announced timetable for implementing further reforms." The experience of successful reformers that completed trade liberalization in around seven years is noted as instructive.

15. At the time the 1999 guidelines were prepared, Directors differed on the extent to which fiscal concerns should affect the pace of trade liberalization. Discussing the revenue implications of trade liberalization, some Directors cautioned against downplaying the revenue losses from trade liberalization and the difficulties in developing alternative revenue sources (IMF, 1999b). They noted that these considerations necessitated a "more pragmatic approach" to trade liberalization. However, most Directors felt that trade reform should not be "unduly delayed," since often the revenue impact of trade reforms had not been "overly burdensome." The 1999 PDR guidelines combine both positions and advise that "fiscal considerations necessitate a more pragmatic approach

[6] The guidelines advise that "specific tariffs should be converted to ad valorem rates," that "other duties and charges should be amalgamated into the tariff structure at the outset of the tariff reform program," and that "ideally the program should aim to unify the tariff structure at rates of between 5 and 10 percent" (IMF, 1999c).

[7] The guidelines state that trade policy advice should be guided by efficiency considerations and as such, trade reforms may need to proceed at a faster and deeper pace than required under WTO obligations. However, IMF staff should be careful to ensure "WTO consistency" of any recommended policies; a reference note on "WTO consistency" (IMF, 1995) should guide such concerns.

to trade reform.... At the same time [they] should not unduly delay trade reform" (IMF 1999c).[8]

16. After several developing (especially transition) countries had resorted to import surcharges during the 1990s to correct fiscal and balance of payments problems, PDR issued a note broadly opposing such a response. The note (IMF, 1999a) outlined a case against "the great majority of" import surcharges since, even as second-best policies, these were a "poor way of addressing macroeconomic imbalances." It encouraged staff to oppose the introduction of import surcharges and, in the event these were imposed, to recommend that they be "uniform across all imports, on a temporary basis and subject to a preannounced timetable for elimination."

17. For the most part, these pieces of guidance provided a clear, comprehensive, and focused framework for the design and implementation of effective trade reforms. The guidance encompassed the major issues for trade liberalization (pace, scope, and sequencing) and identified priorities. It appropriately focused on eliminating the most restrictive trade barriers, with some (though limited) attention to behind-the-border policies, especially customs administration. The generality of the framework provided for customizing trade reforms to country-specific circumstances and avoided a one-size-fits-all approach.

18. This guidance remains relevant. The global wave of trade reform in the 1990s largely focused on first-generation trade reforms—eliminating quantitative restrictions and rationalizing tariff structures. But while many countries have reduced tariff and nontariff restrictions quite significantly, many others are still tackling these issues. The guidance, with its general and best-practices framework that accommodates various stages of a country's trade reform, therefore remains relevant.

Surveillance of advanced country tariff and nontariff barriers

19. In the early 2000s, the Executive Board began to place greater emphasis on surveillance of trade policies of advanced countries and their systemic implications. During 2001–05, Directors consistently emphasized bilateral and multilateral surveillance of the global or regional impact of advanced country trade policies, in addition to coverage of the domestic implications of trade restrictions. By 2002, Directors elevated (and in 2004 reaffirmed) the systemic impact of advanced country policies to among the issues at "the apex of the IMF's hierarchy of concerns" in surveillance (IMF, 2002b, 2004d).[9] And in 2005, Directors asked that coverage of the spillover effects of trade policy be extended to "larger middle-income countries" (IMF, 2005d).

20. Particular emphasis was placed on surveillance of the systemic implications of trade-distorting subsidies. In 2002, Directors noted the importance of surveillance of domestic trade-distorting subsidies, not only where these significantly hindered macroeconomic prospects but also where they hampered developing country growth and poverty reduction. In 2005, a few Directors requested assessments of debt sustainability for those developing country agricultural exporters that absorbed most of the impact of advanced country agricultural subsidies. Because "Fund policy advice is in the direction of reduction of subsidies," inconsistencies with WTO obligations were unlikely (IMF, 1995).

21. The Board's attention to market access in advanced countries complemented the Doha Development Agenda, which raised the status of these issues. In 2002, Directors noted that eliminating advanced country trade barriers (market access restrictions) will "improve [developing country] prospects for durable growth and poverty reduction and ensure their successful integration in the globalized economy." They stressed that the IMF should systematically raise "awareness of the benefits of free trade and of the costs imposed by market access restrictions in the Fund's bilateral and multilateral surveillance activities" (IMF, 2002e).

22. Another motivating factor behind the increased emphasis on advanced country trade policies was the importance of symmetry in IMF surveillance. During various Board discussions, several developing country Directors pressed for evenhandedness in the coverage of trade policy issues in and pressures for trade liberalization on developing and developed countries (IMF, 2002a, 2003c, 2005c).

23. That said, Directors from both advanced and developing countries have, over time, attached differing priorities to market access issues, sometimes at the expense of clarity in the guidance the Board provided. Based on minutes of various Executive Board meetings, developed/developing country viewpoints have differed on three aspects related to spillover effects of trade policies:

- Several developing country Directors stressed that multilateral surveillance and IMF research should focus on the systemic costs of trade barriers in industrial countries (IMF, 2000a, 2002a, 2004e, 2005c), while several advanced

[8] The advice to design trade reforms with due regard to the revenue impact was also emphasized in 2001 (IMF, 2001d).

[9] Though spillover effects of policies of systemically important countries were highlighted in guidance prior to 2001, the specific and consistent emphasis on surveillance of *trade* policy spillovers was stepped up in 2001.

country Directors pushed for extending the IMF's focus to market access in large developing countries (IMF, 2001e, 2002a, 2002d, 2005c).

- In 2005, some developing country Directors pressed for a more proactive role for the IMF in restraining trade-distorting measures in industrial countries. They encouraged staff to provide specific recommendations for trade policy reforms in Article IV reports and to give these issues more emphasis in the policy dialogue with country authorities. A few advanced country Directors, however, were wary of a heightened role for the IMF in this area and cautioned against impinging on the work of the WTO (IMF, 2005c).
- Some developing country Directors stressed that market access was an integral component of strategies to promote the supply response and growth prospects of developing countries (IMF, 2001e, 2002d). Some advanced country Directors, however, placed particular emphasis on supportive domestic reforms to engender supply responses and growth in developing countries (IMF, 2002d). This difference in emphasis was forcefully illustrated in the 2005 Article IV consultation for Mali (IMF, 2005h).

24. Only in 2005 did the Executive Board lay out clear guidelines for when surveillance should cover trade policies because of their spillover effects. Prior to 2005, various Directors had pointed to several circumstances when trade restrictions that impede developing country exports should be covered. In 2005, the Board specified that trade policy spillover effects of large industrial and middle-income countries should be covered "where [there is a] measurable impact on world prices or exports of other countries; prima facie evidence includes prominence in trade disputes or negotiations" (IMF, 2005a).

D. Trade in Services

25. Trade in services entered the IMF policy agenda rather recently. In several respects this is not surprising. Trade in services moved on to the global trade policy agenda only with the establishment of the WTO and creation of the General Agreement on Trade in Services in 1995. Moreover, trade in services is a complex subject to analyze given its heterogeneity and the paucity of information on barriers to trade in services. Nevertheless, trade in financial services in particular lies at the heart of the IMF's mandate on financial stability. Keeping up with the pace of events in this area should have been a priority for the IMF.

26. Explicit Board attention to trade in services issues started only in 2002. PDR's operational guidance note following the 2002 biennial surveillance review briefly noted that coverage of "policies on services … is essential in countries where serious trade distortions hamper macroeconomic prospects" (IMF, 2002c).[10] In 2005, Directors "noted the growing importance of trade in services, and the possible overlap between [WTO] services trade negotiations and traditional areas of Fund advice relating, for example, to financial sector liberalization and financial vulnerabilities. They encouraged the staff to increase the coverage of trade in services, as more information [became] available" and noted that collaboration with the World Bank, Organization for Economic Cooperation and Development, and WTO would be necessary (IMF, 2005d).

27. Despite the encouragement to increase surveillance of services trade, little effort was made to identify criteria for selecting the aspects that surveillance should cover. The operational guidance (IMF, 2005e) states in general terms that "[s]taff is encouraged to pay increased attention to the impact of trade restrictions in services (including financial services)". Further operational guidelines similarly focus on financial services (Table 1 above). Without specific criteria for when or which nonfinancial services fall within the IMF's interest, conflicting views by some Directors during Board discussions were a source of confusion to staff. Specifically, in 2006, a few Directors eschewed staff work in the Article IV consultation with Korea on trade in educational services, arguing that this was a topic beyond the IMF's core competency (IMF, 2006h). On the other hand, a few Directors requested discussion and analysis of trade in wholesale and retail services in the euro area and cross-border labor mobility (IMF, 2006f).

28. Guidance on key issues such as the appropriate pace, scope, and sequencing of services trade liberalization was also scant, particularly for financial services. Guidance in connection with the Financial Sector Assessment Program (IMF, 2004c) notes the importance of institutional preconditions, such as adequate banking supervision and prudential regulation, as well as attention to the impact of competition on domestic financial institutions. But, in contrast to guidelines on reform of trade in goods, guidelines for advice on the pace and scope of financial services liberalization and coordination with financial account liberalization were not well developed.

[10] The precedent for the explicit mention of trade policies on services in the operational guidance note is unclear.

E. Preferential Trade Agreements

29. The Board has mostly taken a cautious line on PTAs that has, by holding strictly to the ideal, stymied IMF involvement in this potentially systemically important issue. In 1994 in the wake of the completion of the Uruguay Round, Directors noted that the "first-best policy [is that] of most-favored-nation liberalization and the goal of global free trade." Though they felt that PTAs had not hindered multilateralism, they cautioned that "unfettered regionalism was not without risk." They saw the role of the IMF as emphasizing that PTAs be developed as "building blocks" rather than "stumbling blocks" to multilateral trade liberalization (IMF, 1994d). The 1999 PDR guidelines (IMF, 1999c) elaborated on the Board's guidance, outlining Board recommendations on best practices for design and implementation of PTAs: at a minimum, PTAs should be consistent with obligations under GATT Article XXIV;[11] include transparent and liberal rules of origin and access provisions for new members; and be accompanied by multilateral liberalization. But the guidelines went beyond the Board's guidance: they advised that PTAs should not merely meet WTO-consistency requirements but should also be "all-encompassing, applying to virtually all trade between partners without exempting any sectors," and have a transitional phase "preferably significantly less than the maximum ten years set out in the WTO."

30. Criteria for determining when PTAs should be addressed in surveillance were not clarified until 2005. In 1994, the Board noted that "Article IV consultations might benefit from more analysis of the implications of regional trading arrangements for members and nonmembers alike" (IMF, 1994d). Not until 2005 were operational considerations brought to bear, resulting in the advice that PTAs should be covered "where trade creation/diversion is significant, the agreement entails regulatory changes in areas of importance from a growth/stability perspective, or there are significant changes in institutions (e.g., the ability of a country to set tariffs or collect customs duties)" (Table 1). The 2005 Surveillance Guidance Note (IMF, 2005e) advises staff to report on official views on PTAs "if the member has a central role in these initiatives." It does not specifically advise on priorities for coverage of the implications of PTAs for nonmembers.

31. The Board has not explicitly addressed the potentially important implications of the evolving scope of PTAs for the IMF's work. PTAs, once mainly covering merchandise trade only, now frequently include provisions on investment and services (including financial services). This creates the risk that financial services liberalization may occur faster under PTAs than regulators deem prudent. Provisions for capital restrictions among PTA partners may limit the use of capital controls in times of financial stress and may be inconsistent with IMF obligations for nondiscrimination (Siegel, 2004). These types of issues indicate the need for guidance on PTA-related issues that overlap with the work and mandate of the IMF.

32. Neither has the Board provided clear guidance on how the IMF's advice on trade policy should handle the logistical complexities of PTAs. The proliferation of PTAs implies a loss of national autonomy in aspects of trade policy formulation, and important aspects of the question of how IMF surveillance or indeed conditionality should interface with PTA commitments have not been addressed. In 1997 and 2005, the Board advised staff to complement bilateral surveillance of PTAs with "discussions at the regional level on the occasion of staff visits to countries where regional trade organizations are located" (IMF, 1997, 1999c, 2005d).[12] In 1998 and 2005, frameworks were outlined for surveillance over the common trade polices of countries that were members of the euro area, Central African Economic and Monetary Community, Eastern Caribbean Currency Union, and West African Economic and Monetary Union (IMF, 1998a, 2005i). But for other countries, the question of the modalities of surveillance over PTAs was left open. Also, the guidance did not address how to handle conditionality when trade policy measures are outside a country's full control.

33. These complications overlaid substantial cyclicality in Board views on PTAs. In 1994 and 1999, the Board adopted a largely cautionary stance on PTAs, but in several subsequent Article IV consultations, Directors were more positive and commended countries' PTA initiatives as providing benefits and complementing multilateralism (IMF, 2000e, 2001c, 2005b, 2006a, 2006b, 2006c, 2006d, 2006h, 2006k). Indeed, in the 2005 Board review of Fund work on trade, several Directors explicitly disagreed with staff concerns that the proliferation of PTAs posed a systemic risk and observed that staff were

[11] Namely, the formation of a PTA must not result in trade barriers toward nonmembers higher than those prior to the formation of the PTA, trade barriers should be eliminated or reduced on substantially all trade among members, and there should be a schedule for implementation within a reasonable period.

[12] Also, the 2005 Surveillance Guidance Note (IMF 2005e) states that the "Trade Policy Division of PDR is available to advise … when Article IV missions to countries that are host to important regional trade institutions are expected to meet with these institutions."

overly negative about PTAs (IMF, 2005c).[13] In the summing up, Directors recognized that multilateralism was the preferred course, but emphasized that "appropriately structured" PTAs "could provide immediate economic benefits and could be complementary and compatible with multilateral liberalization" (IMF, 2005d). But the following year, after the suspension of WTO trade negotiations in mid-2006, Directors viewed the systemic impact of PTAs less favorably. During the 2006 euro area Article IV consultation, several Directors expressed concern that the proliferation of PTAs threatened multilateralism, and a few Directors urged restraint on PTAs by major trading blocs (IMF, 2006f). This sentiment was also reflected in the summing up of a discussion on trade policy developments in late 2006, which noted that though well designed PTAs can benefit members, "excessive proliferation of PTAs can undermine the non-discrimination principle on which the multilateral trading system is based" (IMF, 2006g).

34. An informal Board seminar paper sought unsuccessfully to clarify the IMF's message on PTAs. The paper (IMF, 2006i) took a strong position on PTAs, acknowledging that countries that engaged in PTAs experienced both costs and benefits but noting that excluded countries typically suffer adverse economic consequences. It proposed that Article IV reports would "benefit from a more qualified approach to PTAs, contrasting the potential gains to a participant with possible costs to third countries." The paper underscored the systemic implications of PTAs, and advised that bilateral discussions should highlight the importance of designing PTAs to complement multilateralism, including committing to a complementary reduction of trade barriers on a most-favored-nation (MFN) basis. It noted that the IMF should "call on members to reflect individually and collectively on ways to protect the multilateral trade system from the effects of a proliferation of such agreements." The Board did not endorse the positions espoused in this paper, and the paper was not published. In interviews, senior IMF staff indicated that they felt the opinions in the paper were politically sensitive, particularly the proposal on committing to complement PTAs with MFN-based liberalization.

F. Assessing Domestic Effects of Trade Policy

35. The Executive Board consistently emphasized the role of the IMF in helping countries to assess the macroeconomic effects of trade policies. The emphasis here has been on the potential adjustment costs of trade reforms, specifically for the balance of payments and fiscal revenue; the impact of trade liberalization on growth and poverty; and complementary policies for maximizing benefits from trade reforms. Even as the Board urged staff to be more selective in covering trade policies, Directors noted that the "Fund will continue to have a major role to play in helping members address the potential adjustment costs and any associated financing needs arising from more open international trade" (IMF, 2005g).

Balance of payments impact of trade policy

36. Directors noted that the balance of payments impact of trade liberalization was an important consideration for IMF financing. In 1999 and 2004, Directors reaffirmed that the IMF should support members' trade reform efforts by providing resources for short-term balance of payments adjustment needs (IMF, 1999b, 2004b). However, operational guidance on how to evaluate the balance of payments impact of a country's own trade reforms has been scant. The guidance on financial programming (IMF Institute, 2008) provides a framework for assessing the balance of payments that centers on estimating exports and imports as a function of price competitiveness and income.[14] It notes that changes in the trade policy regime can affect trade and foreign direct investment flows, and should be considered as an additional determining factor, but does not explicitly discuss how to do so.

37. Directors have highlighted that in surveillance and in determining financing needs, the Fund should consider the balance of payments impact of trade policy actions taken by other countries (external trade policies). In 2002 and 2005, Directors noted that IMF surveillance should assess macrovulnerabilities "stemming from shifts in trade flows or changes in the rules of the world trading system." They specifically highlighted the impact on "low-income countries most susceptible to terms of trade shocks or the erosion of trade preferences" (IMF, 2002e, 2005d). In 2003, the Board urged staff to discuss in Article IV consultations the balance of payments impact of the removal of quotas on textiles and clothing, where relevant (IMF, 2003c). The creation of the Trade Integration Mechanism in 2004 explicitly endorsed the consideration of the balance of payments impact of external trade policies in decisions on IMF financing.

38. The operational guidance on assessing the balance of payments impact of external trade policies

[13] The views of these Directors on the complementarity of PTAs with multilateralism also differed from management views, which rather consistently underscored the systemic risk posed by PTAs (e.g., Köhler, 2003; IMF, 2005j).

[14] Financial programming is a quantitative approach utilized by IMF economists for assessing macroeconomic developments.

in surveillance was clear. PDR guidance notes identified specific external trade policies that should be assessed ("vulnerability to preference erosion, food terms of trade changes, or the expiry of textiles quotas") and provided detailed criteria for determining coverage in surveillance (Table 1 above, footnote 1). A 2003 guidance note (IMF, 2003b) provided further criteria and rules of thumb for assessing the balance of payments impact of the elimination of textile and clothing quotas. This guidance also identified countries highly vulnerable to the removal of quotas as well as those likely to benefit.[15]

Fiscal impact of trade policy

39. Directors noted that though the revenue impact of trade reforms need not be adverse, trade liberalization could entail fiscal costs. In 1997 and 1999, Directors emphasized that the fiscal impact of trade reforms depends on country-specific circumstances and the design of the reform, and need not be adverse (IMF, 1997, 1999b). In 1999, several Directors noted that in most circumstances a short-term revenue loss was acceptable, given the potential for trade reforms to "bolster the supply side of the economy and hence enlarge the revenue base over the medium term" (IMF, 1999b). In 2005, Directors observed that several low-income and some middle-income countries had had difficulty offsetting losses of trade tax revenues. However, they were encouraged by the experiences of other countries that had recovered lost tariff revenues by developing alternative domestic revenue measures (IMF, 2005d).

40. Guidance on the revenue consequences of trade liberalization was clear and provided focused advice on generating compensating revenues. In 1997 and 1999, Directors noted the importance of the appropriate sequencing of trade liberalization for addressing fiscal costs (IMF, 1997, 1999b). They stressed that the domestic tax system should be reformed in the initial stages of trade liberalization, given the "long gestation period" of many of these reforms. They advised that broad-based domestic consumption taxes, notably value-added taxes (VATs) and stronger tax and customs administrations, were key for addressing the loss of tariff revenues. Directors also noted that tax reform recommendations should be adapted to the country's economic structure. Operational guidance on the revenue implications of trade liberalization (IMF, 1998b) further elaborated on best practices for introducing or strengthening a VAT and for modernizing and simplifying tax and customs administrations systems and procedures in developing countries.[16]

41. Directors encouraged the use of fiscal technical assistance in addressing any fiscal costs of trade liberalization. In 1997, Directors gave "high priority" to technical assistance to help countries implement revenue-enhancing or revenue-neutral trade reforms or—when trade reforms had adverse revenue effects—to help countries develop compensating revenue sources (IMF, 1997). In 1999, Directors noted that the IMF "should stand ready to provide additional technical assistance" to address the revenue impact of trade reforms, particularly in countries whose administrative capacity was limited and which had not made enough progress in identifying alternative revenue measures (IMF, 1999b). In 2001, Directors observed that tax and customs administration and tax reforms have often been "essential in facilitating a smooth transition to more liberal trade regimes, with minimal impact on fiscal revenue." They encouraged technical assistance to "continue to play a vital role in laying the groundwork for successful trade liberalization" (IMF, 2001d). During 2004–07, Directors reiterated their support for intensified technical assistance in tax and customs reforms, including within the Integrated Framework (IF) and Aid for Trade initiatives (IMF, 2004b, 2005g, 2006g, 2007).

Growth and poverty impacts of trade policy

42. Directors saw trade liberalization as good for growth and poverty alleviation, but noted its potential short-term output and social costs. Among the benefits of trade reforms, Directors routinely noted favorable effects on economic efficiency, growth, and poverty. In 1999 and 2001, they also noted that trade reforms could entail short-term output and employment costs (IMF, 1999b; 2001d). In 2005, some Directors encouraged staff to produce research on the relationship between trade and growth and poverty alleviation (IMF, 2005d). In 2007, several Directors called for "further recognition" in both the IMF's and World Bank's work "of the importance of trade for poverty reduction—the benefits for growth and living standards" (IMF, 2007).

[15] PDR also issued several other notes discussing specific trade events likely to cause significant macroeconomic adjustment costs and identified affected countries (IMF, 2005f, 2006e, 2006j). Though these notes were issued to inform management, they also benefited country teams identifying macro-vulnerabilities stemming from external trade policies.

[16] For example, the paper notes that the VAT should involve a "single rate and minimal exemptions, and a threshold to exclude the smaller enterprises." Typical tax and customs administration reforms should include computerization, "strengthening of audit," and "adoption of effective procedures for a national system of unique taxpayer identification numbers." Directors endorsed the analysis in this paper as "providing useful guidance for Fund-supported programs and surveillance" (IMF, 1999b).

43. Directors favored "mainstreaming" trade issues into the Poverty Reduction Strategy Paper (PRSP) process. In 2001, 2002, and 2005, Directors pressed for systematic integration of trade policy issues into the PRSP framework, asserting that trade policies should be an integral component of low-income countries' overall development strategies (IMF, 2001e, 2002d, 2005c). In 2005, 2006, and 2007, Directors noted that a full-fledged trade development strategy was often missing from the PRSP process, and anticipated that an enhanced IF and Aid for Trade framework would help remedy this problem (IMF, 2005g, 2006g, 2007). Directors also repeatedly noted the importance of addressing the social costs of trade liberalization in IMF activities—an objective that they felt would best be reached through collaboration with the World Bank. The 2005 Surveillance Guidance Note (IMF, 2005e) recommended that "staff should be especially cognizant of the large scope for drawing on World Bank information" on social and related issues.

Complementary policies

44. Directors repeatedly underscored the importance of a sound macroeconomic framework for the success of trade liberalization efforts. In 1997, 1999, and 2001, guidance emphasized that trade liberalization "works best when appropriately sequenced with macroeconomic and structural reforms in the context of a clearly formulated medium-term framework" (IMF, 1997, 1999c, 2001d). In 1999 and 2001, Directors identified the appropriate exchange rate policy as a crucial supportive policy for ensuring the success of trade liberalization efforts (IMF, 1999c, 2001d).

45. The Board, however, left substantial scope for discretion in defining an appropriate exchange rate policy for supporting trade liberalization. The general guidance on trade policy (for example, the 2005 Surveillance Guidance Note (IMF, 2005e)) notes that an appropriate exchange rate policy is a necessary complement to a successful trade reform, but it does not provide specifics or even factors for consideration in determining what exchange rate policy is appropriate during liberalization. A selective review of 29 Article IV Board discussions (Annex Table 2) identified occasional specific, but in some cases conflicting, views on this subject. In the 2000 Article IV consultation for India, Directors noted that exchange rate "flexibility would be needed in the period ahead to allow the real effective exchange rate to adjust to changing circumstances, including progress toward trade liberalization" (IMF, 2000d). But during the 2000 Article IV consultation for Morocco, Directors were divided on the appropriate exchange rate policy. Several of them advised a more flexible exchange rate policy to enhance competitiveness, given the "added competitive pressures" from trade liberalization. Others considered the current fixed exchange rate as appropriate "when viewed against the strength of external accounts and the need for preserving financial stability, [and given that] productivity gains realized as structural reforms take hold would improve competitiveness" (IMF, 2000c).[17]

46. Directors also pressed for complementary structural and institutional reforms for fostering a strong supply response to trade liberalization. In 1997, the Board called for ensuring "an appropriate overall policy mix and a critical mass of complementary structural measures including financial sector reform, privatization, and other external reforms" (IMF, 1997). Structural policies were also considered important for the success of the Aid for Trade initiative and for taking advantage of any improvements in market access stemming from ongoing WTO negotiations. Thus, in 2002, in discussing market access issues, Directors identified as priority areas the removal of anti-export biases, infrastructure development, efficient financial services, and institutional and legal reforms crucial for attracting foreign direct investment (IMF, 2002d). In 2007, they pointed to governance issues as an additional factor determining the success of Aid for Trade efforts (IMF, 2007).

47. Guidance appropriately encouraged collaboration with the World Bank. In 2004, Directors underscored the need for close collaboration with the World Bank in providing policy advice on complementary structural reforms (IMF, 2004e). Directors also welcomed Aid for Trade and the IF as mechanisms for facilitating a supply response to fully exploit trade opportunities in developing countries.

G. Findings and Recommendations

48. Although the underlying objectives for IMF involvement in trade policy were clear and consistent, support for actual involvement was less than uniform across constituencies and over time. Directors broadly agreed that trade liberalization, taking into account governments' ownership and appropriate support from other policies, was beneficial for economic efficiency and long-term growth and stability. But their signals as to the importance of trade policy issues for the work of the IMF varied over time. Flexibility in directing the activities of the IMF

[17] Also, during the 2000 Tunisia Article IV Board discussion, "Directors observed that the (CPI-based) real exchange rate...will become a less reliable indicator of competitiveness in the context of trade liberalization." They "supported the central bank's recent decision to broaden the set of indicators used to guide exchange rate policy" but did not elaborate (IMF, 2001a).

is important, but this cyclicality at times became a source of frustration and confusion to staff and affected their ability to plan.

49. Guidance on the coverage of trade policy issues was for the most part timely and reflective of key developments in global trade policy. During the evaluation period, the Board broadened the range of trade issues on which the IMF should engage—from an initial focus on trade in goods and tariff and nontariff reforms to an eventual focus on trade in services, countries' positions in multilateral trade negotiations, and the systemic impact of developed-country trade policies. This broadening reflected the evolving global trade policy agenda following the creation of the WTO and, after 2001, key issues in the Doha Development Agenda. The single most obvious and important exception to this pattern of timeliness concerned trade in financial services, where IMF coverage lagged behind that of both the WTO and many PTAs.

50. The weakest point in the guidance on coverage concerned the Fund's involvement in trade policy issues in lending arrangements. Though conditionality on trade policy all but vanished in the past few years, it is not clear that this is well justified by an absence of macro-critical trade policy issues. The vague (and therefore rather confusing) distinction between "core" and "noncore" areas of the Fund's responsibility formally remains a consideration in decisions on trade policy coverage in lending arrangements, and it has remained quite unclear when trade policy should be considered "core." The equally vague "macro-criticality" criterion is also at play. *An updating of the conditionality guidelines is needed—with clear indications of how these terms should be interpreted in the context of trade policy conditionality. And, with several countries having significantly liberalized their traditional trade policy restrictions, consideration of guidelines for deeper trade reforms to tackle "behind-the-border" restrictions is also needed.*

51. On traditional trade policy issues of tariff and nontariff reforms, guidance on the IMF's role was generally clear, comprehensive, and focused. It provided a general framework drawing on best practices for the pace, scope, and sequencing of trade reforms, that could be tailored to country-specific circumstances. As regards advanced countries' trade policies, however, differing emphases by developing and advanced country Directors clouded the consistency of the guidance provided. In particular, there was a broad divide between developing and advanced country Directors on priorities for surveillance and the role of the IMF, as well as on the relative importance of market access for the growth prospects of developing countries.

52. On the newer trade policy issues of trade in services and PTAs, guidance was less comprehensive, clear, and focused. Board guidance on services trade is clearly at a nascent stage; it does not yet identify what areas, except for financial services, are relevant to the IMF's work. And, even in the area of trade in financial services—at the heart of the Fund's mandate on financial stability—it does not address the appropriate pace and scope of liberalization or how such liberalization should be coordinated with other policies such as financial account liberalization. *A thorough consideration of the IMF's approach to trade in financial services is needed.* The guidance on PTAs has sent conflicting and changing signals on the Fund's position and on how and whether staff should address any systemic risks posed by the proliferation of such agreements. Guidance has also been limited on the implications of the evolving scope of PTAs for the work of the IMF and on the logistical difficulties of advising on trade policies that are outside a country's full control. *Clearer guidance is needed on PTA-related issues that overlap with the work and mandate of the IMF.*

53. On the assessment of effects of trade policy, the clarity, focus, and comprehensiveness of the guidance were mixed. Guidance on the revenue impact of trade reforms was clear, comprehensive, and focused. Though guidance on the growth and poverty impacts of trade liberalization was general, it appropriately relied on collaboration with the World Bank for specificity. Guidance on the balance of payments impact of trade policies, while clear on objectives, was less clear about how to evaluate the balance of payments impact of a country's own trade reforms. Surprisingly, very little guidance was given on considerations behind exchange rate policy during trade reforms. *Even as the IMF gradually reduces its involvement in conditionality on trade reforms, clear positions on optimal exchange rate policy during trade liberalization should be explored.*

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Annex Table 1. Guidance on the IMF's Approach to International Trade Policy Issues, 1996–2007

		The IMF's Role in Trade Policy	Surveil-lance	Condition-ality	Tariffs and NTBs	Trade in Services	PTAs	Effects of Trade Policy
Surveillance reviews: Summings up and operational guidelines								
Summing Up by the Chairman—Biennial Review of the Implementation of the Fund's Surveillance over Members' Exchange Rate Policies and of the 1997 Surveillance Decision (SUR/95/24)	February 1995							
Surveillance Review—Staff Operational Guidance Note (SM/95/22 Supplement 3)	April 1995							
The Chairman's Summing Up at the Conclusion of the Biennial Review of the Implementation of the Fund's Surveillance over Members' Exchange Rate Policies and of the 1997 Surveillance Decision—Outstanding Issues (SUR/95/39)	April 1995							
Summing Up by the Chairman—Biennial Review of the Implementation of the Fund's Surveillance over Members' Exchange Rate Policies and of the 1997 Surveillance Decision; and Transmittal of Fund Documents to Other International Organizations (SUR/97/38)	April 1997							
Staff Operational Guidance Note Following the 1997 Biennial Surveillance Review (SM/97/178)	July 1997		X					
Summing Up by the Acting Chairman—Biennial Review of the Implementation of the Fund's Surveillance and of the 1997 Surveillance Decision (SUR/00/32)	March 2000							
Summing Up by the Chairman—Biennial Review of the Implementation of the Fund's Surveillance and of the 1997 Surveillance Decision (SUR/02/42)	April 2002		X		X			
Summing Up by the Chairman—Biennial Review of the Implementation of the Fund's Surveillance and of the 1997 Surveillance Decision: Follow Up (SUR/02/81)	July 2002							
Operational Guidance Note for Staff Following the 2002 Biennial Surveillance Review (SM/02/292)	September 2002		X		X	X		X
The Chairman's Summing Up—Biennial Review of the Implementation of the Fund's Surveillance and of the 1997 Surveillance Decision (SUR/04/80)	August 2004		X					X
Surveillance Guidance Note (SM/05/156)	May 2005		X		X	X	X	X
Conditionality reviews: Summings up and operational guidelines								
Concluding Remarks by the Acting Chairman—Conditionality Review: Distilling the Main Messages and Direction for Further Work (SUR/94/129)	November 1994							
Streamlining Structural Conditionality—Interim Guidance Note (IMF, 2000f)	September 2000							
Concluding Remarks by the Chairman—Conditionality in Fund-Supported Programs (BUFF/01/36)	March 2001							

Annex Table 1 (*continued*)

		The IMF's Role in Trade Policy	Surveil-lance	Condition-ality	Tariffs and NTBs	Trade in Services	PTAs	Effects of Trade Policy
Summing up by the Chairman—Streamlining Structural Conditionality: Review of Initial Experience; IMF-World Bank Collaboration on Program Conditionality; and Conditionality in Fund-Supported Programs—External Consultations (BUFF/01/122)	August 2001							
Concluding Remarks by the Chairman—The Modalities of Conditionality: Further Considerations (BUFF/02/13)	February 2002							
Summing Up by the Acting Chair—Lessons from the Real-Time Assessments of Structural Conditionality (BUFF/02/59)	April 2002							
2002 Conditionality Guidelines (SM/02/276)	September 2002			×				
Operational Guidance on the New Conditionality Guidelines (IMF, 2003a)	May 2003			×				
The Acting Chair's Summing Up—Review of the 2002 Conditionality Guidelines (BUFF/05/59)	January 2005							
Operational Guidance Note on the 2002 Conditionality Guidelines (SM/06/14)	January 2006			×				
Board discussions on trade								
The Acting Chairman's Summing Up at the Conclusion of the Discussion on the Comprehensive Trade Paper (BUFF/94/82)	August 1994	×	×		×		×	×
Summing up by the Acting Chairman—Regional Trade Arrangements (BUFF/94/93)	October 1994		×				×	
Summing up by the Acting Chairman—Trade Liberalization in Fund-Supported Programs (BUFF/97/108)	October 1997		×	×	×		×	×
Concluding Remarks by the Acting Chairman—Revenue Implications of Trade Liberalization (BUFF/99/22)	February 1999	×		×	×			×
Concluding Remarks by the Acting Chair—Trade Issues: Role of the Fund (BUFF/01/43)	September 2001	×	×	×	×			×
Concluding Remarks by the Acting Chairman—Market Access for Developing Country Exports (BUFF/02/165)	September 2002	×	×		×			×
The Acting Chair's Summing Up—Fund Support for Trade-Related Balance of Payments Adjustments (BUFF/04/72)	April 2004	×		×				×
The Acting Chair's Summing Up—Review of Fund Work on Trade (BUFF/05/45)	March 2005	×	×		×	×	×	×
The Acting Chair's Summing Up—Doha Development Agenda and Aid for Trade (BUFF/05/187)	November 2005	×						×
The Acting Chair's Summing Up—Doha Development Agenda and Aid for Trade (BUFF/06/143)	September 2006	×					×	×
The Acting Chair's Summing Up—Aid for Trade: Harnessing Globalization for Economic Development (BUFF/07/133)	September 2007	×					×	×

Annex Table 1 (*concluded*)

		The IMF's Role in Trade Policy	Surveil-lance	Condition-ality	Tariffs and NTBs	Trade in Services	PTAs	Effects of Trade Policy
PDR trade-related guidance memos to area departments								
Reference Note on WTO Consistency (IMF, 1995)	November 1995	×			×			
Note on Import Surcharges (IMF, 1999a)	January 1999	×			×			
Guidelines on Designing and Implementing Trade Policy Reforms (IMF, 1999c)	July 1999	×			×		×	×
Developments in World Textile Markets—Implications for Fund Surveillance (IMF, 2003b)	August 2003							×
Other guidance referenced in the text								
Revenue Implications of Trade Liberalization—Overview (SM/98/254)	November 1998	×			×			×
Surveillance over the Monetary and Exchange Rate Policies of the Members of the Euro Area (SM/98/257)	November 1998						×	
Operational Guidance Note on Financial Sector Surveillance in Article IV Consultations (IMF, 2004c)	May 2004					×		
Operational Guidelines for Fund Support for Trade-Related Balance of Payments Adjustments (SM/04/343)	September 2004							
Fund Surveillance over Members of Currency Unions (SM/05/429)	December 2005						×	
Financial Programming and Policies (IMF Institute, 2008)								×

Annex Table 2. Selected Review of Board Discussions Referenced in the Text

Minutes of Executive Board Meeting 99/100—Lebanon: 1999 Article IV Consultation (EBM/99/100-3)	September 1999
Minutes of Executive Board Meeting 99/133—Kenya: 1999 Article IV Consultation (EBM/99/133-1)	December 1999
Minutes of Executive Board Meeting 00/26—Monetary and Exchange Rate Policy of the Euro Area (EBM/00/26-1)	March 2000
Minutes of Executive Board Meeting 00/57—Morocco: 2000 Article IV Consultation (EBM/00/57-2)	June 2000
Minutes of Executive Board Meeting 00/60—India: 2000 Article IV Consultation (EBM/00/60-2)	June 2000
Minutes of Executive Board Meeting 00/60—West African Economic and Monetary Union: Recent Developments and Regional Policy Issues in 1999 (EBM/00/60-3)	June 2000
Minutes of Executive Board Meeting 00/73—Vietnam: 2000 Article IV Consultation (EBM/00/73-3)	July 2000
Minutes of Executive Board Meeting 00/107—Syrian Arab Republic: 2000 Article IV Consultation (EBM/00/107-2)	November 2000
Minutes of Executive Board Meeting 00/116—Brazil: 2000 Article IV Consultation (EBM/00/116-1)	November 2000
Minutes of Executive Board Meeting 01/13—Tunisia: 2000 Article IV Consultation (EBM/01/13-2)	February 2001
Minutes of Executive Board Meeting 01/28—South Africa: 2000 Article IV Consultation (EBM/01/28-3)	March 2001
Minutes of Executive Board Meeting 05/87—Dominica: 2005 Article IV Consultation, Fifth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Requests for Waiver of Nonobservance of Performance Criterion, Financing Assurances Review, and Extension of Repurchase Expectations (EBM/05/87-3)	October 2005
Minutes of Executive Board Meeting 05/106—Mali: 2005 Article IV Consultation, Second and Third Reviews Under the Poverty Reduction and Growth Facility, and Request for Waiver of Nonobservance of Performance Criteria; Poverty Reduction Strategy Paper—Implementation Report for 2003 and 2004 (EBM/05/106-1)	December 2005
Minutes of Executive Board Meeting 06/4—Nicaragua: 2005 Article IV Consultation, Seventh, Eighth, and Ninth Reviews Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, Financing Assurances Review, and Requests for Rephasing, Waiver of Performance Criteria, and Extension of the Arrangement; Poverty Reduction Strategy Paper; Joint Staff Advisory Note (EBM/06/4-4)	January 2006
Minutes of Executive Board Meeting 06/4—Nepal: Report on Noncomplying Disbursement and Recommendation for Waiver of Nonobservance of Performance Criterion; 2005 Article IV Consultation (EBM/06/4-5)	January 2006
Minutes of Executive Board Meeting 06/6—Ecuador: 2005 Article IV Consultation (EBM/06/6-4)	January 2006
Minutes of Executive Board Meeting 06/48—Canada: 2006 Article IV Consultation (EBM/06/48-1)	May 2006
Minutes of Executive Board Meeting 06/49—Tunisia: 2006 Article IV Consultation (EBM/06/49-1)	May 2006
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Minutes of Executive Board Meeting 07/4—Eastern Caribbean Currency Union: Report for the 2006 Regional Discussions (EBM/07/4-1)	January 2007
Minutes of Executive Board Meeting 07/33—West African Economic and Monetary Union: Common Policies of Member Countries (EBM/07/33-1)	April 2007