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▶ To support the Executive Board’s institutional governance and oversight responsibilities by contributing to accountability.
▶ To enhance the learning culture within the Fund by increasing the ability to draw lessons and integrate improvements.
▶ To strengthen the Fund’s external credibility through enhanced transparency.

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This report is the tenth in an IEO series that revisits past evaluations. Reports in this series aim to determine whether the main findings and conclusions of the original IEO evaluation remain relevant, and to identify any outstanding or new issues related to the evaluation topic that merit continued attention. These assessments do not provide recommendations and are typically based on desk reviews of IMF documents and interviews of IMF staff and members of the Executive Board. This report reviews the 2009 IEO evaluation of IMF Involvement in International Trade Policy Issues.
IMF INVOLVEMENT IN INTERNATIONAL TRADE POLICY ISSUES

EVALUATION UPDATE 2019
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The following conventions are used in this publication:

▶ An en dash (–) between years or months (for example, 2017–18 or January–June) indicates the years or months covered, including the beginning and ending years or months; a slash or virgule (/) between years or months (for example, 2017/18) indicates a fiscal or financial year, as does the abbreviation FY (for example, FY2018).
▶ “Billion” means a thousand million; “trillion” means a thousand billion.

Some of the documents cited and referenced in this report were not available to the public at the time of publication of this report. Under the current policy on public access to the IMF’s archives, some of these documents will become available three or five years after their issuance. They may be referenced as EBS/YY/NN and SM/YY/NN, where EBS and SM indicate the series and YY indicates the year of issue. Certain other types of documents may become available 20 years after their issuance. For further information, see www.imf.org/external/np/arc/eng/archive.htm.

As used in this evaluation report, the terms “country” and “state” do not in all cases refer to a territorial entity that is a state as understood by international law and practice.
n recent years, trade issues have been high on the global economic policy agenda amid a loss of political support for multilateral trade liberalization, increasing trade tensions and a rise in protectionist measures. This update of the IEO’s 2009 evaluation of IMF Involvement in International Trade Policy Issues finds that the IMF has responded impressively to these challenges and has played a prominent role in championing a continued commitment to an open, rules-based multilateral trading system. The Fund’s attention to trade policy issues has expanded significantly in bilateral and particularly multilateral surveillance, notably for countries with the largest shares of global trade. The Fund has sought to maximize its impact and influence on trade issues by working closely with partner institutions, building on its technical expertise in modelling the global impact of trade-related uncertainty and its platform for high-level advocacy.

The global trade environment remains under heavy stress and it is uncertain how the current trade tensions will be resolved. The Fund will therefore need to sustain its efforts on the trade policy front and consider how to increase the overall impact of this work, particularly since the next few years could be crucial to preserve an open, rules-based system.

Among key challenges for the Fund, the report emphasizes contributing to efforts to foster a recommitment to trade policy cooperation consistent with a healthy global economy; further efforts to translate multilateral surveillance into bilateral policy advice, particularly outside the largest trading economies; consolidating close cooperation with other institutions; and devoting more attention to rapidly developing issues such as the macroeconomic implications of digitization and e-commerce and the linkage between trade policies and migration issues.

I am pleased that the Managing Director, in her response to our update, has shared our overall assessment of the IMF’s trade work and concurs that the remaining challenges need continued attention and collective commitment.

Charles Collyns
Director, Independent Evaluation Office
This report was prepared by Miguel de Las Casas and Cyrus Rustomjee, with contributions from Yishu Chen and Kwang Yeon Lee. Arun Bhatnagar provided administrative assistance, and Roxana Pedraglio and Esha Ray provided editorial and production management assistance.

The report was approved by Charles Colyns.
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<thead>
<tr>
<th>Abbreviation</th>
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<tr>
<td>AFR</td>
<td>African Department, IMF</td>
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<tr>
<td>APD</td>
<td>Asia and Pacific Department, IMF</td>
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<tr>
<td>ECF</td>
<td>Extended Credit Facility</td>
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<td>EFF</td>
<td>Extended Fund Facility</td>
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<td>EU</td>
<td>European Union</td>
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<td>EUR</td>
<td>European Department, IMF</td>
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<td>FAD</td>
<td>Fiscal Affairs Department, IMF</td>
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<td>FCL</td>
<td>Flexible Credit Line</td>
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<td>FTA</td>
<td>free trade agreement</td>
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<td>G20</td>
<td>Group of Twenty</td>
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<td>GFC</td>
<td>global financial crisis</td>
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<td>GPA</td>
<td>Global Policy Agenda</td>
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<td>GTS</td>
<td>global trade system</td>
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<td>GVC</td>
<td>global value chain</td>
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<td>IMS</td>
<td>international monetary system</td>
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<td>ISD</td>
<td>Integrated Surveillance Decision</td>
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<td>ITGS</td>
<td>international trade in goods and services</td>
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<td>LIC</td>
<td>low-income country</td>
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<td>MCD</td>
<td>Middle East and Central Asia Department, IMF</td>
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<td>MD</td>
<td>Managing Director</td>
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<td>MONA</td>
<td>Monitoring of Fund Arrangements Database</td>
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<td>MTS</td>
<td>multilateral trade system</td>
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<tr>
<td>NTM</td>
<td>non-tariff measure</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>PLL</td>
<td>Precautionary and Liquidity Line</td>
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<td>PTA</td>
<td>Preferential Trade Agreement</td>
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<td>PRGF</td>
<td>Poverty Reduction and Growth Facility</td>
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<td>PSI</td>
<td>Policy Support Instrument</td>
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<td>REO</td>
<td>Regional Economic Outlook</td>
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<td>RES</td>
<td>Research Department, IMF</td>
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<td>RTA</td>
<td>regional trade agreement</td>
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<td>SBA</td>
<td>Stand-By Arrangement</td>
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<td>SDGs</td>
<td>Sustainable Development Goals</td>
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<td>SIP</td>
<td>Selected Issues Paper</td>
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<td>SPR</td>
<td>Strategy, Policy and Review Department, IMF</td>
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<td>SPRXP</td>
<td>External Policy Division of SPR, IMF</td>
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<td>Abbreviation</td>
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<td>STA</td>
<td>Statistics Department, IMF</td>
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<td>TIM</td>
<td>Trade Integration Mechanism</td>
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<td>TPP</td>
<td>Trans-Pacific Partnership</td>
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<td>UFR</td>
<td>use of Fund resources</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>WEO</td>
<td><em>World Economic Outlook</em></td>
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<td>WHD</td>
<td>Western Hemisphere Department, IMF</td>
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<td>WP</td>
<td>Working Paper</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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EXECUTIVE SUMMARY

The Independent Evaluation Office completed an evaluation of IMF Involvement in International Trade Policy Issues in 2009, in the wake of the global financial crisis and a severe collapse in global trade, following decades of strong trade growth. Since then, the global economy has revived while the composition and structure of international trade have continued to evolve, responding to new technologies and opportunities, but trade has not regained its former dynamism. With increasing concern about potential winners and losers from trade, there has been a loss of political support for globalization, increasing trade tensions and a rise in protectionist measures, with the institutional framework that has underpinned multilateral trade for decades coming under heavy strain.

This update to the 2009 evaluation concludes that overall the IMF deserves considerable credit for its active and timely response to the challenges posed by these developments, as it has come to play a prominent role in championing a continued commitment to an open, rules-based multilateral trading system. The Fund has largely implemented the recommendations of the 2009 evaluation and has strengthened and consolidated its trade policy analysis and advice, particularly in recent years as stress on the trading system has mounted and posed increasing risks for macroeconomic performance. Consistent with the Fund’s mandate and comparative advantage, this work has appropriately focused on analyzing the key macroeconomic effects and associated risks of trade policy developments at the national and international levels.

IMF advocacy on trade has been underpinned by a major expansion in attention to trade policy issues in multilateral surveillance since 2015, supported by high-quality, in-depth research and analysis building on the Fund’s well-established global macroeconomic modeling capacity. After a period of relatively limited attention, coverage of trade policy issues in bilateral surveillance has also risen considerably, particularly in countries with the largest shares of global trade that have been the focus of recent trade tensions, with sharply increased analysis of outward spillover impacts from trade measures. The quality and influence of trade work have benefited from reinvigorated working relationships with partner institutions over the last four years. Internally, the Fund’s organizational structure and resources devoted to trade, while stretched thin, have generally sufficed, although research on some emerging trade policy issues has been postponed.

Notwithstanding these efforts, the global trade environment remains under heavy stress and increasingly clouds the global outlook. It is highly uncertain how the current trade tensions will be resolved and how governance of the multilateral trade system will evolve. Moreover, technological innovation and the rise of services will imply continued rapid evolution of trade patterns and increase the complexity of trade policies further. Thus, the Fund will need to sustain its current high level of advocacy and analysis on trade policy issues and consider how to increase the overall impact of this work, particularly since the next few years could be crucial to preserve an open, rules-based, multilateral system.
Key challenges for the IMF include: contributing to efforts to foster a recommitment to workable approaches for trade policy cooperation consistent with a healthy global economy; further attention to translation of multilateral surveillance into bilateral policy advice, particularly outside the largest trading economies; consolidating relations with partner institutions while mitigating key-person risk; and paying more attention to rapidly developing issues such as the macroeconomic implications of digitization and e-commerce and the linkage between trade policies and migration issues. Across all these dimensions, care will be needed to ensure appropriate evenhandedness in trade policy surveillance across countries.

Given these challenges, the continuing value-added and coherence of the IMF’s work on trade policies could benefit from a holistic review of the IMF’s “trade strategy” for discussion by the Executive Board, which would consider the Fund’s role, objectives, and priorities for trade work in the evolving global context. Such an assessment would help to guide staff work and the appropriate allocation of scarce resources to trade policy issues among competing priorities. The upcoming five-yearly trade policy review, anticipated for 2020, provides a timely opportunity for this purpose.
INTRODUCTION

The Independent Evaluation Office (IEO) completed an evaluation of IMF Involvement in International Trade Policy Issues in 2009. The evaluation was published at a time when global trade was experiencing a historically unprecedented decline in the wake of the global financial crisis (GFC). This report updates the IEO’s 2009 study, covering the period from January 2010 to August 2019, examining the Fund’s reaction to the myriad developments that have reshaped the global trade system (GTS) over the last decade.

While global trade tensions and related trade policy developments have intensified during the last three years, the update evaluates and draws conclusions on the Fund’s role in trade policy during the whole evaluation period. It highlights an array of emerging trade policy issues since 2009 and their impact on the Fund’s engagement in this field.

The update draws on interviews with IMF Executive Directors and their staff, IMF staff, officials in other relevant international organizations, World Trade Organization (WTO) Ambassadors, and international trade experts in academia and think tanks. Documents reviewed include, inter alia, World Economic Outlooks (WEOs), Regional Economic Outlooks (REOs), Article IV reports (AIVs), Selected Issues Papers (SIPs), Working Papers (WPs), Global Policy Agendas, (GPAs) and use of Fund resources (UFR) reports.

The report is organized as follows: Chapter 2 outlines the main findings and recommendations of the 2009 evaluation and summarizes subsequent institutional follow-up. Chapter 3 briefly highlights key developments in international trade and trade policy since 2009. Chapter 4 assesses the IMF’s involvement in trade policy since 2009, examining: (i) developments in regard to the mandate and guidance given to staff; (ii) trade issues in Fund surveillance; (iii) trade issues in other Fund activities, including UFR, research, and capacity building; (iv) communication and advocacy; (v) relations with partners working on trade issues; and (vi) institutional issues. Chapter 5 concludes with findings and observations on challenges and opportunities for the IMF going forward.

1 The report adopts the same trade policy definition and approach as the 2009 evaluation: measures that directly and primarily aim to influence the quantity and/or value of a country’s own or its trading partners’ imports and exports of goods and services, encompassing traditional instruments, including tariffs, quotas, and export subsidies and taxes; customs administration, preferential trade agreements and domestic “behind-the-border” policies that distort trade. As with the 2009 evaluation, other policies that also affect trade, including exchange controls and multiple exchange rates and policies that affect the domestic impact of trade, for example, on employment and income distribution, while certainly noteworthy, are nevertheless treated as outside the scope of the evaluation.
THE 2009 EVALUATION: KEY FINDINGS AND RECOMMENDATIONS

The 2009 evaluation found that, starting in the early 2000s, the Fund had scaled back its involvement in trade policy issues for several reasons. Externally, these included a long period of growth in global trade and trade liberalization that had reduced interest in IMF advice and conditionality and the growing role of the WTO following its establishment in 1995. Internally, financial sector issues were demanding increasing attention at the Fund, the overall downsizing of the IMF had tightened the availability of resources, and the Executive Board (the Board) approved steps to streamline trade policy surveillance. In this context, the 2009 evaluation focused on five areas: (i) the IMF’s mandate and involvement on trade policy issues; (ii) the cooperation of the IMF with other international organizations; (iii) the guidance provided by the Board to staff; (iv) the adequacy of the IMF’s work on trade policies in both program and surveillance contexts; and (v) the effectiveness of IMF advice.

The findings of the 2009 evaluation can be summarized as follows:

- First, with its universal membership, strong procedures for surveillance, and a mandate to promote macroeconomic stability, the IMF had a key role to play in calling attention to systemic and macroeconomic implications of trade policy developments. While the Articles of Agreement did not provide precise direction, they were general enough to underpin a wide spectrum of IMF engagement in trade policy issues. However, after an interventionist phase in the late 1990s, the IMF had generally refrained from taking strong positions on trade policies, even when they had macroeconomic consequences. This retreat was judged to have left a worrisome gap.

- Second, the record on collaboration with other international organizations was mixed. Most importantly, the Fund’s relationship with the WTO, which had been strong during the first part of the evaluation period, declined substantially from the mid-2000s, particularly following closure of the IMF Geneva office in 2008. Working relationships remained cordial, and no major inconsistencies were found between the two organizations. However, prominent joint initiatives were largely absent, and the evaluation raised concern about the potential for tensions. Cooperation with the World Bank had generally been good, but interactions with other institutions, such as the Organisation for Economic Co-operation and Development (OECD) and United Nations Conference on Trade and Development (UNCTAD), were infrequent.

- Third, the Executive Board’s guidance to staff on trade policy issues was found to have been vague. Directors had called for broadening of the range of issues to be covered and simultaneously for greater selectivity. While guidance on traditional trade policy issues was generally clear and focused, this was not the case on newer issues such as Preferential Trade Agreements (PTAs) and trade in services. At the same time, both the Board’s and management’s interest in trade policies were characterized as cyclical.
Fourth, in the context of surveillance, the record of IMF involvement on trade policies was considered uneven across countries and over time. Three areas were highlighted as receiving insufficient attention despite their importance for macroeconomic stability and spillovers: trade in financial services, PTAs, and trade finance. The evaluation also found that the IMF had missed the opportunity to address the “growing multilateral dimensions of trade policy issues” by conducting its trade policy work largely in the context of bilateral surveillance.

At the same time, it concluded that attention to trade in bilateral surveillance had sharply diminished, while the attention trade received in regional surveillance was limited.

Fifth, the volume of trade-related conditionality in IMF-supported programs had rightly been scaled back after 2000, correcting excesses in previous years, although the evaluation argued that the Fund should play a strong advisory role on trade policy issues in borrowing countries. It was also found that trade policy conditionality had lacked evenhandedness.

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**BOX 1. SUMMARY OF RECOMMENDATIONS OF THE 2009 EVALUATION**

1. **Executive Board guidance.** The Board should commit to periodic re-evaluation of its guidance on the objectives of, approaches to, and modalities of staff work on trade policies.

2. **Trade policy in use of Fund resources.** The IMF must engage on trade issues with borrowing countries through a strong advisory role. Countries need not only to be supported in resisting protectionist pressures but also to have plans for providing trade finance, influencing decisions within their Preferential Trade Agreements (PTAs), and reforming trade policies in ways that reduce the cost of doing business. Staff and the Board need to articulate what role the IMF should play to this end and how it should work with other institutions, especially the World Bank. Another important objective in scaling back conditionality is to eliminate the scope for political interference from member countries with global interests.

3. **Surveillance over trade policy issues**
   - The Board should establish guidance on the role and approach of the IMF in PTAs and in trade in financial services.
   - Trade policy—particularly involving PTAs—should be addressed periodically in multilateral and regional surveillance.
   - The IMF should recommit to evenhandedness in its trade policy advice.

4. **Outreach.** IMF staff and the Board must consider ways to: (i) improve outreach to officials inside and outside the ministries that are the IMF’s traditional interlocutors; and (ii) present trade policy issues in a rigorous and persuasive manner.

5. **Data, expertise, and organization**
   - A minimum level of trade policy expertise is needed.
   - A division solely devoted to trade issues is needed to serve as the locus of interinstitutional cooperation on trade policy issues and a repository of trade expertise on which other staff can draw.
   - Fund staff need access to better data and measures of trade protection.

6. **Institutional cooperation.** To spearhead such cooperation, management and a small number of senior staff need to commit to regular and formal meetings with counterparts in other key international organizations involved with trade. IMF management should report to the Committee on Liaison with the World Bank and Other International Organizations and/or the Executive Board/International Monetary and Financial Committee on proceedings of the meetings and plans for staff-level coordination.

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Source: IEO (2009).
Finally, the evaluation found that trade policy analysis was hampered by data deficiencies and lack of trade policy expertise within the Fund and considered that IMF staff should work with other organizations to improve access to data and analytical tools.

Following these findings, the 2009 evaluation made a series of recommendations aimed at strengthening and clarifying the role of the IMF on trade policies (Box 1 above). Primarily, it called for the establishment and periodic re-evaluation of the guidance provided to staff, aimed at fostering a more active advisory role in both surveillance and UFR contexts. The evaluation also recommended improving the Fund’s outreach to country officials and reinforcing the expertise, organizational arrangements, and data internally available for trade policy work. Finally, a more systematic coordination with other international organizations was considered a must.

In discussing the evaluation in February 2009, Executive Directors broadly agreed with the IEO’s findings, endorsed most recommendations, with the exception of establishing a trade-specific division, and concurred that the “Fund must play an active role in calling attention to systemic and macroeconomic implications of trade policy developments.” Ten months later, in December 2009, the Board approved an implementation plan in response to the Board-endorsed recommendations put together by the staff. Since then, actions included in the implementation plan have been largely fulfilled, with the swift preparation of two reference notes on trade policy issues in 2010 and the 2015 “Review of the Role of Trade in the Work of the Fund” (2015 Review) (IMF, 2015a).

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2 Management Implementation Plans in response to IEO recommendations are followed up in Periodic Monitoring Reports. In this case, the implementation of actions associated with the evaluation recommendations were monitored until 2015, when the 2015 Review was published.

3 Annex 1 presents (i) the original recommendations; (ii) Executive Directors’ responses, as recorded in the summing up; (iii) the actions endorsed by the Executive Board, as shown in the implementation plan (IMF, 2009); and (iv) the IEO’s current assessment regarding implementation.
The 2009 evaluation was published in the midst of the global financial crisis (GFC), and an associated sudden, severe, and synchronized collapse in international trade. After decades of strong growth in global trade, global trade volumes contracted by 12 percent in 2009, the largest such decline since World War II (WTO, 2010), notwithstanding commitments by G20 leaders to refrain from raising new barriers to investment or trade (Figure 1). Since then, as the global economy has regained its footing, trade has gradually recovered but overall has expanded much less rapidly than before the GFC, even after accounting for slower output growth. There has also been a striking shift in the country composition of trade, with rising importance of emerging market economies, particularly China.

**FIGURE 1. INTERNATIONAL TRADE POLICY: TIMELINE OF SELECTED EXTERNAL EVENTS, 2000–19**

1. 11/15/2008: G20 leaders pledge to reject protectionism.
2. 12/1/2015: Failure of the Doha Round.
4. 6/1/2016: U.K. public vote to leave the European Union (Brexit).
5. 12/31/2016: G20 leaders’ pledge to reject protectionism is suspended (lack of renewal).
6. 2/22/2017: WTO Trade Facilitation Agreement enters into force.
7. 1/22/2018: Beginning of trade tensions/war (tariffs on solar panels and washing machines).

Source: IEO calculations.
Note: World trade refers to total exports of goods and services in percent of GDP in U.S. dollars.

Fundamental changes have also taken place in underlying forces affecting global trade over the past decade. The rapid expansion of global value chains (GVCs) observed prior to 2008 came to an end and partly reversed, contributing to the stagnation of trade intensity. The reduced dynamism of goods trade has been attributed to multiple factors, including less easily available trade finance, the reduced investment intensity of production, realization of vulnerabilities of
extended supply chains, and rising trade frictions (IMF, 2016; Shin, 2019). At the same time, the share of services in global trade, measured in value-added terms, has risen steadily, as the services content in merchandise—including software and embedded intellectual property—has risen (Dollar, 2019). Relatedly, the spread of digital technologies has transformed the character of global flows of goods, services, and data, enabling easy transportation and reproduction of digital goods as well as virtual or remote collaboration (McKinsey Global Institute, 2014).

While globalization has raised overall living standards, reduced poverty, and narrowed income gaps between countries, new trade patterns have disrupted industries and sources of employment and contributed to increased income inequality within countries, as domestic policies have generally been inadequate to address these dislocations and share the benefits of trade more widely (Johns and others, 2015). This trend has brought rising attention to the nature and scale of adjustment costs and to the distributional impacts of trade, prompting intensified analysis of the impacts on industries displaced by import competition and on labor markets and labor mobility, including opportunities to reskill and retrain displaced labor.4

At least partly in reaction to these stresses, there has been a loss of political support for globalization, increasing frustration about the inability of the multilateral trade system (MTS) to advance trade reforms, increasing trade tensions and a rise in protectionist measures. The adoption of trade-opening measures has decelerated and G20 members have increased trade-restrictive measures fourfold since 2009; in 2018, such measures (1,196) far outstripped liberalizing measures.5 Over the past three years, there has been increasing recourse to bilateral tariff increases by the United States seeking to address perceived abuses of the GTS and responses by the major trading partners—China and the European Union (EU). This context has increased uncertainty about future trading conditions and substantially escalated risks of a return to global trade protectionism and retaliatory actions seen in the 1930s. Reduced opportunities for growth through trade may also have contributed to rising migration flows from poorer to richer countries.

At the same time, the institutional framework that has supported multilateral trade and helped galvanize global growth over the past 70 years has weakened steadily. The failure to conclude the Doha Development Round eroded confidence in the multilateral trade system and WTO members have increasingly turned from multilateral to plurilateral or flexible negotiating approaches to achieve new market-opening agreements.6 The 2017 WTO Trade Facilitation Agreement represented the first and so far the only multilateral trade agreement since the WTO was established. The reform of the WTO, needed to reflect changes in the global economy, has languished and there has been little progress in areas critical to the expansion of global trade, including in services, investment restrictions, agricultural subsidies, and digital trade. In addition, the WTO’s appellate process is facing crisis and will become inoperable by December 2019 if the selection of new Appellate Body members is not unblocked, increasing the urgency of restoring and strengthening the commitment to an open, rules-based multilateral trading system (Payosova and others, 2018).

4 See, for example, Autor (2013; 2018); Lang and Tavares (2018); Dabla-Norris and others (2019); Jaumotte, Lall, and Papageorgiou (2013); Milanovic (2013); and Ostry, Loungani, and Berg (2019).


6 Several large regional free trade agreements (FTAs) have been agreed or are in progress since the 2009 evaluation, with many either progressing to or reaching conclusion in the last two years. These include the Canada-EU Comprehensive Economic and Trade Agreement, which entered into force in September 2017; the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (December 2018), including 11 countries representing 13.4 percent of global GDP; the EU-Japan Economic Partnership Agreement (February 2019); the U.S.-Mexico-Canada Agreement (awaiting ratification), which will govern trade in North America and replace the North American Free Trade Agreement (NAFTA); and the African Continental Free Trade Agreement, which entered into force in May 2019. Expansions of two existing plurilateral agreements were also reached among groups of WTO members, including the WTO Agreement on Government Procurement (2014) and the WTO Information Technology Agreement (2015).


The consequences of all the changes summarized in Chapter 3 for the Fund’s engagement in trade policy have been both diverse and far-reaching. They have prompted new and increasing demands for research, surveillance, policy advice, advocacy, and technical assistance. In response, there has been a particular effort to scale up the Fund’s multilateral work on trade, in order to analyze the global consequences of trade tensions, highlight the benefits of open rules-based international trade, identify the costs of restrictive trade practices, and to champion multilateral approaches to trade. The Fund also has strengthened assessments of how trade affects domestic economies and employment patterns and revisited the issue of how changes in exchange rates affect trade prospects. All of these tasks have required the Fund to strengthen capacities to model both sectoral and aggregate impacts of bilateral trade policy changes and their spillover effects at bilateral, regional, and multilateral levels. There has also been increasing attention to ensure effective collaboration with international partners and to improve access to reliable data that adequately captures evolving trade patterns.

Mandate

While there has been no change in the legal mandate of the Fund since 2009, the 2012 Integrated Surveillance Decision (ISD) brought about significant changes to the framework for how surveillance is conducted in Article IV consultations, with implications for work on trade policies (IMF, 2012). The ISD strengthened the integration of bilateral and multilateral surveillance in Article IV consultations by acknowledging the increasing importance of trade and financial interconnections and the potential benefits and risks of spillovers across national borders. In doing so, it provided greater scope to factor members’ actions on trade in Fund surveillance.

In bilateral surveillance, the ISD provides that the Fund will focus on members’ policies that can significantly influence present or prospective balance of payments or domestic stability, enabling trade issues to be discussed when there are serious trade distortions that hamper the prospects of stability and where balance of payments are vulnerable to adverse trade developments.

In multilateral surveillance, the ISD provides that the Fund will focus on issues that may affect the effective operation of the international monetary system (IMS), including: (i) global economic and financial developments and the outlook for the global economy, and (ii) spillovers arising from policies of individual members that may significantly influence the effective operation of the IMS, for example by undermining global economic and financial stability. In these cases, trade policies may be reviewed and analyzed either in Article IV consultations or in other products under the umbrella of multilateral surveillance when they meet either of the above tests. Although the Fund does not have the jurisdiction to require a member to change its policies in the interests of the effective operation of the IMS, it can discuss the impact of

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7 Article I(ii) of the Articles of Agreement specifies the underlying purpose of the Fund’s work on trade, while other provisions in the Articles provide the Fund with the legal authority to work on trade issues (see Annex 3 and IMF, 2015a).
members’ policies on the effective operation of the IMS and suggest alternative policies that, while promoting the member’s own stability, better promote the effective operation of the IMS.

**Guidance to staff**

In response to the 2009 recommendation to establish guidance on PTAs and trade finance, staff quickly prepared two reference notes: (i) a “Reference Note on Trade in Financial Services” (IMF, 2010a), to help inform the advice that country teams provided in the context of surveillance, program negotiations, and technical assistance; and (ii) a “Reference Note on Trade Policy, Preferential Trade Agreements, and WTO Consistency” (IMF, 2010b), which introduced guidance on PTAs and consolidated and updated existing guidance in other trade-related areas, including on trade policy reforms, WTO consistency, and on the WTO Committee on Balance of Payments Restrictions. A third reference note on the Trans-Pacific Partnership (TPP) assessed the TPP’s contents and impact and considered the implications for the role of the Fund, derived from the TPP and the associated “Joint Declaration” on macroeconomic and exchange rate policies. These notes were circulated to the Board for information. In addition, a series of papers have been issued over the past decade, providing information and indirect guidance to staff on trade policy matters (Gregory and others, 2010; IMF, 2011; IMF, World Bank, and WTO, 2017; 2018).

The 2015 Review provided a broad review of IMF work on trade policy issues. It concluded that (i) multilateral surveillance of trade policy issues, while of high quality and policy relevant, had not been directly usable, given the difficulty to tailor its implications to country-specific conditions; and (ii) coverage of trade issues in bilateral surveillance remained limited and failed to sufficiently analyze the macroeconomic impact of trade developments and policies. Looking forward, the 2015 Review identified several key issues for surveillance and analytical work: (i) the contribution of trade integration to growth; (ii) understanding the policy and non-policy components of trade costs; (iii) managing risks and spillovers from trade policies through collaboration at the multilateral level; (iv) monitoring patterns of trade; (v) assessing the impact of PTAs and their eventual multilateralization; (vi) furthering traditional trade liberalization; and (vii) monitoring protectionism. The Executive Board agreed with the findings of the 2015 Review, noting that trade is an essential component of the Global Policy Agenda (GPA) and that the Fund should address trade issues judged to be macro-critical and taking into account resource constraints and limited trade expertise. It stressed the importance of prioritizing and collaborating with other international institutions. Executive Directors also considered it important to regularly review the role of trade in the Fund’s work but did not provide specific guidance on future steps (IMF, 2015b).

Aside from periodic informal update sessions on trade policy issues, the 2015 Review discussion represents the only major occasion on which the Board has met formally to discuss trade policy issues in the past decade, which is striking given the substantial changes witnessed in global trade. This also contrasts with the period prior to the 2009 evaluation, when the Board engaged more regularly on trade policy issues.

In interviews for the current update, Executive Directors appreciated the extent to which Fund staff had stepped up its work on trade policy issues in recent years and observed that this work was generally well aligned with the Fund’s mandate and comparative advantage. Nevertheless, some Directors suggested that Board guidance continued to be too little or too vague and called for greater clarity regarding the Fund’s role and objectives in the trade policy area. The periodic discussion of the Managing Director’s GPA did provide some opportunity for the Board to provide input to the role of trade in the IMF’s work program, but this forum did not allow for an in-depth discussion on trade policy. Some Directors were open to the development of an institutional view on trade, which would help integrate different workstreams, allocate resources, determine priorities, and clarify the Fund’s stance in specific issues. Interviewed staff had mixed views on the value of an institutional view on trade: while some defended it as necessary, others were concerned about the need to preserve flexibility.

Most Directors emphasized that the IMF should continue to focus on its comparative advantages in shaping its role on trade policy. They emphasized that assessing the implications and costs of current international trade tensions, based on the IMF’s well-established modeling capacity, and strong advocacy for a rules-based multilateral trading system, should remain the IMF’s immediate priorities. Many stressed the importance of the Fund continuing to clearly signal that
commitment to liberalization and free trade raised growth and productivity prospects in the long run while, at the same time, highlighting the potential for adverse distributional consequences from trade. They also emphasized that responsibility for several areas of trade and trade policy, including negotiating trade agreements and specific aspects of trade policy related to trade negotiations, rested with other international organizations, particularly the WTO.

Overall, then, there seems to be broad support for the current framework for the IMF’s trade policy work and its recent focus, but also recognition that a broader review of the priorities for the Fund on trade could be useful to guiding the Fund’s work in this area going forward.

TRADE POLICY ISSUES IN SURVEILLANCE

Multilateral surveillance

Attention to trade policy in multilateral surveillance has increased very substantially since the 2009 evaluation, particularly since 2015. The World Economic Outlook (WEO) has been the flagship report most focused on trade issues. In analyzing the short-term outlook in Chapter 1, it has used global modeling to assess the quantitative implications of trade tensions and develop alternative scenarios to illustrate the possible consequences of escalation of trade barriers. At the same time, attention to trade in the WEO analytical chapters has grown markedly; from just one chapter during the first five years of the update period, to 5¼ between 2015 and 2019, including three occasions in which the WEO devoted a full chapter to trade. High-quality analysis of trade-policy-related issues in recent WEOs include: (i) GVCs and their relationship with exchange rates, their distributional impacts, and their effects on the evolution of labor share; (ii) the factors behind the global trade slowdown; (iii) the importance of reducing trade costs; and (iv) the relative importance of overall trade balances and bilateral balances in external adjustment. Similarly, External Sector Reports, which draw on area departments’ inputs, have paid increased attention to the evolution of international trade. The 2018 report analyzed the impact of trade costs on external balances (IMF, 2018a), while the 2019 report provided a careful analysis of how dollar invoicing and GVCs have reduced trade elasticities and altered the role of the exchange rate in external adjustment (IMF, 2019a).

Text analysis of WEO documents confirms the substantial increase in coverage of trade policy issues since 2015 (Figure 2). Attention to trade remained at a low ebb in the years immediately following the global financial crisis but has risen sharply since then, returning to the degree of attention seen in the early 2000s. While coverage of more traditional areas of trade policy has remained fairly stable, there has been increased focus on trade tensions, developments in the GTS, and GVCs.

The IMF has also contributed extensive trade-related multilateral work under the aegis of the G20. Since May 2016, the IMF has prepared, either on its own or in collaboration with the WTO and World Bank, three high-profile documents on the importance of trade as an engine for inclusive growth and the need for a well-functioning rules-based multilateral trading system, which are seen by external experts as providing valuable support for multilateral approaches to trade in the international community (see Box 2).

The IMF’s trade policy work has contributed to the Fund’s work on jobs and growth issues and on inequality (IMF, 2013a). For jobs and growth: (i) in G20 countries, the Fund’s analysis has emphasized that improved domestic policies, including early action to improve labor mobility across firms and industries, social protection and complementary policies in education, housing and credit, can mitigate the adjustment costs that can arise from trade (IMF, World Bank, and World Trade Organization, 2017); (ii) in advanced countries, the Fund has urged reinvigorated trade integration to boost economic growth (IMF, World Bank, and World Trade Organization, 2018); and (iii) in low-income countries (LICs) especially in Africa, the Fund has shown that factors

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8 The WEO is published semi-annually and typically includes outlook chapters and analytical chapters—which present in-depth analysis on specific issues of relevance.

9 While the structure and periodicity of issues has changed over time, the IEO has identified those analytical chapters (or sections within chapters) that were focused mainly on trade policy issues. Chapters that dealt only marginally with these issues are not counted. Report updates are not included. Annex 2 lists the analytical chapters identified.

10 Annex 4 discusses the methodology, sources, and caveats of the text analysis presented in this update.
related to trade openness can constrain sustained growth (IMF, 2013a). Surveillance of trade policy developments has also informed the Fund’s work on inequality, with trade liberalization and export growth, for example, found to be associated with lower income inequality, especially in developing countries (Jaumotte, Lall, and Papageorgiou, 2013).

Turning to internal products, staff have produced abundant briefings for management on trade-related issues from a multilateral perspective. These memos have grown both more frequent and more substantive in recent years. They are produced on average once a month, covering a variety of current topics: from trade policy measures in individual countries to regional trade agreements (RTAs); and from multilateral trade consultations to relevant threats to the GTS. Moreover, in the aftermath of the 2009 evaluation, the Trade Monitor was launched as a vehicle to provide staff with information and data on the latest developments in goods and services trade. Twenty-seven issues were produced between March 2010 and May 2013, when distribution was interrupted. Production was resumed in April 2017, in a shorter format (three–four pages), using standardized, readily-updated tables and charts.

Regional surveillance

Since the 2009 evaluation, there has been a modest yet appreciable increase in use of REOs as a channel for regional trade policy surveillance, although attention has been uneven.11 Most importantly, REOs have begun to bridge multilateral and bilateral dimensions of Fund surveillance in trade by linking developments assessed in recent WEOs with their impact on regional and country growth and investment prospects. The 2018 Fall REO for the Western Hemisphere Department (WHD) (IMF, 2018b), for example, addressed regional spillovers from ongoing trade tensions. REOs have also been used to assess impacts of spillovers and as a mechanism to draw lessons from policy experiences across regions. The 2019 Spring REO for the African Department (AFR) (IMF, 2019b), for example, considered potential for further regional trade integration in Sub-Saharan Africa, cross-referencing analysis in the Fall 2018 Asia and Pacific

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11 The update reviewed all Spring and Fall REOs for the period 2010–19 to identify REO chapters largely or exclusively devoted to trade policy issues. For Spring 2019, the sample includes REOs published by July 2019 (AFR and MCD).
Box 2. IMF Work on Trade in the G20 Context

In response to a request by the G20 Framework Working Group, IMF staff put together in May 2016 a “path forward” to reinvigorate trade integration as a means to boost global growth. The report underscored the high potential of “new” areas such as improving regulatory cooperation, exploiting complementarities between investment and trade, and removing barriers to services trade and pointed to the importance of strengthening the multilateral trading system. In doing so, it focused on the need for flexibility in negotiations and coherence in the face of growing complexity (IMF, 2016).

As background for the March 2017 Meeting of G20 Sherpas, the World Bank, the WTO, and the Fund presented “Making Trade an Engine of Growth for All: The Case for Trade and for Policies to Facilitate Adjustment” (IMF, World Bank, and World Trade Organization, 2017). Basically a “guide” for countering the growing skepticism about open trade and the up tick in protectionism, the paper argued that, after a period of slow growth and inadequate attention to those left behind by trade and globalization, a better explanation and sharing of the benefits of trade were critical to exploit trade’s potential to support strong, inclusive global growth. It argued for a combination of domestic policies (e.g., labor market policies, education, housing, and regional policies) and further trade integration supported by an open, rules-based global trade system (GTS) with the WTO at its center.

Collaborating again with the World Bank and the WTO, the Fund produced, in September 2018, “Reinvigorating Trade and Inclusive Growth” (IMF, World Bank, and World Trade Organization, 2018), following the G20 leaders meeting in Hamburg and amid growing concerns about trade tensions. Building on previous work, the paper reiterated the criticality of reforms to achieve a strong and flexible GTS, the potential of trade as an engine of economic growth, and the need for complementary policies to ease adjustment costs. The paper also dug deeper into how trade reforms could contribute to reduce poverty, help marginalized sectors of the population, enhance the participation of small and medium enterprises, and empower women.

1 The G20 Framework for Strong, Sustainable, and Balanced Growth was launched by the leaders at the 2009 Pittsburgh Summit, giving the IMF a prominent role (including through the Mutual Assessment Process launched at the June 2010 Toronto Summit).

2 The paper identified five areas with high potential: services trade, regulatory cooperation, e-commerce, investment, and market access.

Department (APD) REO (IMF, 2018c), which highlighted how trade integration has helped propel development in Asia. REOs have covered a diverse range of issues including detailed analysis of the growth and impact of GVCs, opportunities for LICs to diversify through trade, assessments of effects of inward and outward spillovers through trade channels, attention to wide sharing of gains from trade, and regional integration as a catalyst for global trade integration, some of which were explicitly requested by Executive Directors during the 2015 Review.

Overall, 7 percent of all REO chapters over 2010–19 have focused on trade policy issues with considerable variations across regions and over time. For example, between 2010–19, APD REOs included a total of 5% trade policy chapters, WHD REOs included 5 chapters, while EUR REOs included just half of a chapter on trade policy issues. Attention to regional surveillance of trade policy was particularly concentrated in 2015, with a quarter of all trade policy chapters written for the Spring and Fall 2015 REOs. To some degree, IMF working papers have served as an alternative vehicle for regional trade policy analysis, for example, in analyzing the impacts of shifts in intra-regional trade in Sub-Saharan Africa on growth (Arizala and others, 2019); consequences of trade policy uncertainty on investment

1 The limited trade coverage in the EUR REOs may reflect that (i) most countries in Europe are already part of, or have considerable access to, the EU (the world’s largest trade bloc), making trade less of an issue in comparison with other regions; (ii) EUR REOs typically have a limited number of analytical chapters; and (iii) trade policy issues (including trade agreements with other regions) feature in the euro area surveillance report. In addition, regional issues have featured in EUR working papers and other publications, for example, Huidrom and others (2019) and Aiyar and others (2013).
in the euro area (Ebeke and others, 2018); and the impacts of the Trans-Pacific Partnership on Latin America and the Caribbean (Cerdeiro, 2016).

Text analysis shows that since 2015 coverage of trade policy issues in REOs has been substantially higher than before, including in the early 2000s (Figure 3). In particular, attention to GVCs and other emerging issues, trade tensions and spillovers, as well as the GTS have all risen very significantly. In comparison with the period 2010–14, references to these issues more than quadrupled from 2015 to 2019.

**Bilateral surveillance**

For the update, three exercises were conducted to assess coverage of trade policy issues in bilateral surveillance since 2009: (i) a desk-based overview of Article IV reports and SIPS for the period 2010–19, for China, the euro area, Japan, the United Kingdom, and the United States, economies that accounted for 62 percent of global trade in goods; (ii) a textual analysis of all IMF Article IV reports for the evaluation period; and (iii) a textual analysis of SIPS for 20 advanced and other systemically important countries and for the euro area, which accounted for over 75 percent of global trade in goods and services in 2018.13

**Five major economies**

The review of Article IV reports for 2010–19 for China, the euro area, Japan, the United Kingdom, and the United States found that coverage of trade policy issues has risen substantially across all five economies, particularly since 2016 (see Annex 2). The number of paragraphs focusing specifically on trade policy rose from an average of 0.9 paragraphs per Article IV report in 2014, to 8.8 paragraphs per report in 2018. While the 2019 Article IV reports for Japan and the United Kingdom were not available at the time of completion of the update, the average for the 2019 Article IV reports for China, the euro area, and the United States alone increased to 11 paragraphs per report in 2019, with an estimated average for all 5 economies of 8.9 paragraphs per report (Figure 4).

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13 The exercise extended a textual analysis approach and methodology developed by staff and utilized in the detailed 2015 Review.
The update examined coverage of trade policy issues in Article IV staff reports based on five themes emphasized by Executive Directors in interviews as meriting particular attention: (i) staff advice and recommendations; (ii) the underlying factors that had caused changes to the country’s trade policies; (iii) the impacts of a country’s own trade policies on its trade potential and trade competitiveness; (iv) discussion of inward spillovers; and (v) discussion of outward spillovers.14 As shown in Figure 5, since 2018 there has been a very sharp increase in references to spillovers, particularly outward spillovers, with staff reports for China, the euro area, and United States strongly emphasizing the adverse trade impacts and consequences arising from unilateral tariff increases on the imposing and target countries, on third countries, and on global trade. In 2019, this emphasis has further increased, illustrating that staff’s concern to highlight and analyze the impacts of outward spillovers from trade has become by far the most urgent priority for trade policy coverage in Article IV reports in these economies. The frequency of attention to other themes has also increased since 2016, although in comparison with the focus on outward spillovers, the increase has been less dramatic.

14 A detailed reference includes a complete sentence or more than half of a paragraph covering the relevant theme.
Over the review period, staff reports for the five major economies covered an impressively diverse range of trade policy issues, typically supported by a more detailed analysis in accompanying SIPs. The U.S. staff report for 2019 provided an in-depth analysis of the impacts of ongoing trade tensions with China, and considered the outward spillovers, from higher tariffs on Chinese imports on trading partners, including trade diversions and impacts through these countries’ participation in global supply chains. Other recent U.S. staff reports have examined the influence of trade-related factors in explaining a decline in labor’s share of income since 2000; potential gains from more ambitious trade agreements; and impacts of a successful renegotiation of the North American Free Trade Agreement. The 2019 staff report for China examined outward trade spillovers from recent U.S. and Chinese trade actions and considered the impacts of a managed bilateral trade deal between the two trading partners, including potential new distortions, trade diversions, and impacts on Asian and European gross exports. Other recent China staff reports have analyzed factors causing a slowdown in imports; analysis of implications of trade reforms for China’s rebalancing, reform of state-owned enterprises in the context of expanding foreign market access, and value chains, while recent SIPs included analysis of the Belt and Road initiative and medium-term sectoral impacts. Recent euro area staff reports emphasized the need for ongoing modernization of intra-EU trade in goods statistics and for more ambitious trade agreements and emphasis on new issues in bilateral trade policy and trade policy surveillance. For Japan recent reports considered the impacts of production offshoring on exports and consequences of trade policy changes for GVC-reliant exporters. The 2018 U.K. staff report assessed the risk, costs and spillovers of the United Kingdom’s decision to leave the European Union (Brexit) under a baseline and other progressively disorderly exit scenarios, with the accompanying 2018 SIP estimating the long-run economic impact of Brexit, including the impact of higher trade barriers. Other recent U.K. staff reports examined uncertainties associated with—and emphasized the need to limit disruptions and global spillovers and minimize barriers to—trade, services, and labor flows.

Trade policy surveillance also included several common strands highlighted in most or all of the five economies. This included analysis of the gains from more ambitious trade agreements; impacts on growth from tariff escalation and from a global retreat from cross-border integration; analysis of regional supply chains; and opportunities and challenges arising from new trade policy issues including e-commerce. Common policy recommendations consistently highlighted in staff reports included avoiding protectionist measures, removing trade restrictive measures, encouraging trade openness, continuing to support the multilateral trading system, promoting policies to support adjustment to trade, and ensuring that the gains from trade are evenly and widely distributed.

**Full membership**

Text analysis of trade policy coverage in Article IV staff reports for all IMF members for the period 2000–19 suggests that attention to trade has shifted less dramatically than with multilateral surveillance but has followed a similar pattern (Figure 6). Overall references to all trade policy issues reached their highest level in 2018 (2,690 references) since 2000. More conventional trade policy issues—goods and services trade together with tariff and non-tariff measures—have continued to constitute the major focus of these reports. Nevertheless, from 2011, attention to all other issues, notably assessment of trade tensions and spillovers and to GVCs and emerging trade policy issues has risen steadily.

The update also looked at bilateral analysis of trade policy issues beyond Article IV reports. A desk review of SIPs for 20 advanced and other systemically important countries and the euro area for 2000–19 found that 4.8 percent of all chapters in SIPs focused on trade issues in the period 2010–19, a tick higher than 4.7 percent between 2000–09. The number of chapters wholly or mainly devoted to trade policy issues rose from 23% chapters in 2000–09, to 27%

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15 Text analysis assessed: tariff and non-tariff measures; goods and services trade; trade agreements; spillovers and trade tensions; the multilateral trading system; and GVCs and emerging trade policy issues, examining the frequency with which key terms and phrases associated with each policy issue appeared in each document (see Annex 4).
chapters between 2010–19. Countries with the largest number of SIP chapters focused on trade policy since 2010 include China (9 chapters), Japan (4), Canada (2½), and Indonesia (2½). Text analysis of SIPs since 2000 for the full membership highlights a discernible decline in trade policy coverage in these documents in the decade from 2010, in comparison with the previous decade (Figure 7). In part, this decline reflects a more economical approach to writing more generally (the average number of pages per SIP has declined from 76 pages (2000–09) to 47 pages (2010–19)), although even after accounting for this, trade policy coverage in SIPs has declined. To some degree, the decline in coverage of trade in SIPs is balanced by rising coverage in Working Papers prepared by area departments (see discussion below).

Data issues

Staff have worked to address the data concerns raised by the 2009 evaluation. Staff responded quickly to weaknesses with PTA data and data on trade restrictiveness by initiating closer collaboration with the World Bank and WTO in 2010; and in the same year provided a detailed list of information sources available to Fund staff for trade policy work. Detailed information on PTAs and RTAs are now maintained by the WTO, addressing the gap highlighted in the 2009 evaluation. From 2010, the Fund has regularly collaborated with and utilized data provided by international partnerships as an Associate Member of the Global Trade Policy Analysis Consortium; it utilizes data from the consortium’s extensive trade policy database and collaborates with its members to compare results on the macroeconomic impacts of tariff changes generated by the IMF’s Dynamic Stochastic General Equilibrium (DSGE) and Computable

16 A score of 1 was assigned where the full chapter covered trade policy. Where at least three-quarters of the chapter covered trade policy, a score of 0.75 was assigned. Where at least a half of the chapter covered trade policy, a score of 0.5 was assigned. No value was assigned where trade policy covered less than a half of the chapter.
General Equilibrium (CGE) models. Staff developed new time-series estimates of export quality in 2013 and new trade policy indicators in 2018. Since 2016, the coverage and timeliness of the Fund’s Direction of Trade Statistics (DOTS) database has improved significantly. In 2019, the IMF released a new index of effective exchange rates that for the first time includes new weights for trade in services; and has expanded analysis of the factors influencing the currency of trade invoicing, drawing on recent work in this area.

Issues and concerns

All stakeholders, internal and external, interviewed by the update team concurred on the high quality, relevance, and timeliness of the Fund’s multilateral work on trade policies, particularly in the WEO and in contributions to the G20. They welcomed the Fund’s increased attention to trade issues which preceded the recent surge in trade tensions, and highlighted the substantive analytical contribution, the useful scenario analysis of trade-related risks and the delivery of strong and clear messages to the international community in general and to policymakers in particular—for example, on the need to avoid protectionism and to reinforce the MTS. At the same time, some observers stressed the need for continuing work on the links between trade, exchange rates, and external adjustment (as done in the 2019 External Sector Report); on the consequences of rising share of services both in GVCs and in global trade; on implications of rising levels of e-commerce; on the impact of rapidly increasing digitization of trade; and on the inter-linkage between reduced trade opportunities and rising migration flows.

The Global Trade Policy Analysis is a network of researchers and policymakers analyzing international policy issues, coordinated by the Center for Global Trade Analysis at Purdue University. Associate Members include the IMF, World Bank, several UN agencies, and the WTO.

Henn, Papageorgiou, and Spatafora (2013).

Cerdeiro and Nam (2018).

See, for example, Gopinath and others (2018), Boz and others (2018), and IMF (2019a).
Interviews with Executive Directors highlighted a wide range of views on the quality, purposes, and coverage of bilateral trade policy surveillance. While Directors acknowledged the Fund’s increased attention to trade, many felt that the Fund’s bilateral trade policy work in recent years had not received the prominence devoted to the issue in multilateral surveillance. Perceived gaps included limited country-specific staff advice on the policy choices available to members and a lack of granularity in country-specific advice, including on how countries can mitigate the negative effects of trade tensions and protectionist measures by others. Several Board members also recommended more attention to assessing the macroeconomic implications of plurilateral agreements and differing international models and approaches to trade in an increasingly plurilateral trade landscape, more advice on how barriers to trade could be broken down, and on diversification strategies.

A particularly challenging task has been the translation of multilateral surveillance messages into bilateral advice. Several Executive Directors considered that the coverage of trade policy issues in multilateral surveillance, for example, the increase in trade tensions and unilateral tariff increases, has not translated sufficiently into specific, well-tailored advice to countries. More generally, a number of Directors saw a disconnection between the plurilateral/multilateral agenda and the impact of trade policies on the ground. Directors suggested that multilateral surveillance should draw more on country experiences and that better interdepartmental coordination would not only help translate multilateral surveillance into concrete bilateral advice but also reduce inconsistencies and increase the accuracy and credibility of recommendations.

The 2009 evaluation raised specific concerns regarding the evenhandedness of the IMF’s treatment of trade policy issues, pointing to uneven quality in the treatment of these issues across individual countries and over time. Directors interviewed for the update seemed more satisfied with evenhandedness, recognizing that the size, weight of trade within the economy, and specific circumstances of each member warranted different levels of attention to trade policy. They were pleased that the Fund had consistently been willing to champion the benefits of trade openness and warn against the risks in raising trade barriers, across bilateral and multilateral surveillance. However, a few concerns about evenhandedness were raised. First, several Directors suggested that the Fund’s advice on trade liberalization had sometimes been more direct or pointed for LICs and smaller members, suggesting, for example, that the Fund had been less forceful and specific in bilateral surveillance of the United States and/or China in giving advice on the need to address sources of recent trade tensions. Some Directors also highlighted a perception that comparing the coverage across major economies, staff discussion of barriers to trade and economic distortions had been addressed with more emphasis in bilateral surveillance of China than in the advanced economies in this group.

TRADE ISSUES IN OTHER FUND ACTIVITIES

Fund-supported programs

Continuing the trend identified by the 2009 evaluation, trade-policy-related conditionality has virtually disappeared from Fund-supported programs during the update period. According to the MONA database,21 only one arrangement approved since 2010 included trade-related conditionality, although conditionality on customs-related measures to improve revenues was not uncommon.22 Several factors may have contributed to the sustained absence of trade-policy-related conditionality.23 First, persistent trade liberalization efforts across developing countries have reduced tariffs and quotas and dismantled protectionist barriers to the point where criticality to the program may have become hard to

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21 The Monitoring of Fund Arrangements (MONA) database contains information on Fund-supported programs and is publicly available at https://www.imf.org/external/np/pdr/mona/index.aspx. The IEO’s evaluation update on structural conditionality (IEO, 2018) discusses the design, usability, and efficacy of MONA.

22 The Policy Support Instrument approved for Rwanda in 2010 required an export diversification strategy and action plan, classified under MONA’s category “8. International trade policy, excluding customs reforms.” The conditionality of 38 programs, between 2010 and 2018, explicitly mentioned customs-related measures, generally aimed at improving customs administrations and increasing revenue collection, classified under MONA’s category “1.2. Revenue administration, including customs.”

23 It is a Fund policy, however, that all Fund arrangements and instruments of policy support include a standard continuous performance criterion on not imposing or intensifying import restrictions for balance of payments reasons.
justified.\textsuperscript{24} Recent staff analysis comparing average regulatory liberalization by country group and across reform categories, including trade, supports this argument.\textsuperscript{25} In fact, during interviews, neither staff nor EDs could recall instances of arrangements that failed to include macro-critical trade policy conditionality that would have been warranted. Second, an increasing trend towards members’ participation in free trade agreements (FTAs) and regional trade agreements (RTAs) has shifted direct and indirect control of some aspects of trade policy away from members, reducing the possibility of including such conditionality.

Evidence suggests that the advisory role on trade policy issues in the context of Fund-supported programs has not been strong as recommended by the 2009 evaluation. The MONA database identifies in its “Program Goals and Reform Strategies” table those programs that include trade among their “program strategies.” Of the 197 programs that were active at some point between January 2010 and July 2019, 13 percent were classified as including these types of goals or strategies, down from 25 percent between 2005\textsuperscript{26} and 2009. Desk review of these 25 program documents—7 PRGF (including 1 PRGF-EFF), 7 ECF (including 1 ECF-EFF), 2 SBA, 4 EFF, 3 PSI, 1 FCL, and 1 PLL—reveals wide variation in the focus on trade issues and the kind of treatment given to them, ranging from constituting an explicit pillar of the program strategy with a discussion of concrete measures, to tangential references in the context of wider structural reforms, with several cases with no mentions of trade policy issues at all. In all cases, the treatment of trade policy issues was descriptive rather than analytical, and typically focused on trade liberalization, the reduction of protectionism and distortions, and the improvement of the business climate. Achieving greater regional integration, in most cases in the context of RTAs, was also a recurrent objective. In 6 out of the 25 cases, it was explicitly mentioned that trade policy measures were adopted with the collaboration, or under the leadership, of the World Bank, and in only two instances accession to the WTO was brought up. Text analysis of program documents reveals that, on average, trade policy work focused mainly on traditional areas such as exports and imports of goods and services.

Most Executive Directors considered the absence of trade conditionality in Fund-supported programs to be appropriate and in accordance with the principles of criticality and parsimony supported by the Board. A number of them argued that, even if not included as part of conditionality, trade issues are often discussed in program negotiations and/or included indirectly in programs through balance of payments competitiveness or efficiency-related measures. A few Directors considered the use of trade policy conditionality to be problematic from a political economy and policy sustainability perspective. Other Directors, while not concerned by the absence of trade policy conditionality in recent years, opposed its elimination altogether as a matter of principle, arguing that in some cases its use may be (or might have been) warranted by the specific situation of the economy in question. Some even noted that conditionality about less relevant policy areas has been included in programs where trade-related conditionality would have been more compelling.

The IMF’s Trade Integration Mechanism (TIM)\textsuperscript{27} has not been used since 2006 and the operational guidelines for its application have not been updated since the creation of the instrument in 2009. According to staff, design flaws and the existence of more appealing alternatives within the Fund’s toolbox may lie behind this lack of interest.

\textsuperscript{24} The Conditionality Guidelines require that measures may be established as conditionality where they are of critical importance for achieving the goals of the program and are also reasonably within the direct or indirect control of members.

\textsuperscript{25} Among trade, current account, capital account, labor, financial and product reform categories, average regulatory liberalization of trade ranks highest, in both emerging market economies and LICs.

\textsuperscript{26} Oldest data available for this category in the MONA database.

\textsuperscript{27} Introduced in 2004, following concerns expressed by developing countries in the context of the Doha Round, the TIM was designed to help members face balance of payments shortfalls that might result from trade liberalization measures implemented by other countries. The TIM is not a special lending facility, but a policy aimed at making resources more predictably available under the IMF lending facilities. Only three members have obtained support through the TIM: Bangladesh (2004), the Dominican Republic (2005), and Madagascar (2006).
Research

Beyond analytical work to directly support bilateral and multilateral surveillance, the Fund has continued to produce broader research on trade policy issues. Between 2010–15, a Research Department (RES) program focused on trade and diversification, yielding several research papers and a new data series on diversification and an index of diversification at the country level, which is now widely used to assess countries’ progress in diversifying including by the World Bank and other partners. The Fund has constructed a new dataset on trade in services for 192 countries. The dataset has been used to highlight that services exports are gaining strong momentum and have potential to catalyze a new wave of trade globalization; and has introduced opportunity for new research applications for Fund work on structural transformation, resilience, labor allocation, and income distribution (Loungani and others, 2017). Most recently, the Fund has developed a new Index of Trade Uncertainty, finding that global trade uncertainty is rising sharply, having been stable at low levels for about 20 years. Research has also been conducted on trade finance data (Van Wersch, 2019); on the influence of size and income level on export diversification in LICs and small states (Lee and Zhang, 2019); the macroeconomic costs and impacts of overall tariff increases and continued trade tensions (Furceri and others, 2019); the impact of trade costs on the current account (Boz, Li, and Zhang, 2019); and on estimated gains to welfare from the African Continental Free Trade Agreement (Abrego and others, 2019). Moreover, trade developments over the last few years have led to an increase in the amount of trade-related work embedded in other workstreams, including growth, productivity and jobs, including the impacts of trade in improving productivity (Ahn and others, 2016); and the role of external factors including the terms of trade on growth accelerations and reversals in emerging market and developing economies (Gruss and others, 2018); the respective roles of trade and technology in explaining declining labor share in global income (Dao and others, 2017); and on the potential implications of tariffs or other forms of barriers to trade, including for the international allocation of production/value chains.

Looking at working papers on trade-related topics, there has been a pickup in use of this outlet since 2017, led by the Research Department (Figure 8). There has also been some recent increase in area departments, which together
authored the majority of Working Papers that included trade policy as a subject descriptor (153 of 349 Working Papers since 2010). The largest number have been produced by the Asia and Pacific Department and the Western Hemisphere Department. Text analysis shows that the recent rise reflects substantially increased focus on GVCs and emerging issues, trade tensions, and spillovers as well as the GTS, with references to these issues comprising over 60 percent of all references to trade policy issues from 2017 (Figure 9).

Led by RES, the Fund has reinforced its capacity to model the macroeconomic consequences of changes in trade and in trade policies in response to concerns about rising trade tensions. From 2010 staff have introduced tariffs—and subsequently non-tariff measures (NTM)—as variables within the IMF’s DSGE macroeconomic model, enabling the Fund to model the macroeconomic impacts of these changes. Since 2018, staff has developed a CGE model, in collaboration with external partners including Purdue University, to capture the sectoral impacts of changes in tariffs and non-tariff measures. In addition, a new research program within the Macro-Structural unit in RES has begun to examine the effects of structural reforms on trade, tracing the effects of reforms among countries at different stages of development, the costs of reforms, and how countries can learn from each other.

Board members, staff, and external stakeholders all considered the Fund’s trade policy research to have been of high quality and, in the context of rising global trade tensions, appropriately focused on estimating their macroeconomic consequences. They encouraged staff to broaden research to focus on the opportunities to restore dynamism in trade as an engine for global growth, including through more detailed assessments of potential to expand global trade through e-commerce, digitization, and through as yet untapped gains from services trade, including in financial services.

**Capacity building**

Both the Fiscal Affairs Department (FAD) and the Statistics Department (STA) provide capacity-building support to members related to trade policy issues. FAD technical assistance on trade is largely related to tax and customs administration to support tax revenue mobilization and strengthened tax administration, including customs and excise taxes, working closely with the World Bank. Interviews with staff highlighted that both demand for
and the complexity of Fund technical assistance in this area have increased, reflecting the growth of digitization of trade and e-commerce, countries’ progress in trade liberalization and tariff reduction, and the shift in attention to regional integration. In addition, FAD has launched work on mainstreaming coverage of these issues and organized a series of tax treaty workshops.

STA provides support to member countries in compiling statistics on international trade in goods and services (ITGS), an important component of both balance of payments statistics and national accounts; promotes the development of ITGS statistics through headquarters-based training and through regional courses, including a new course on ITGS in 2018; and has developed joint training programs, including, for example, with EU-Eurostat to support six Western Balkan countries.

Communications and Advocacy

With growing intensity and strength, the IMF has advocated for a reformed rules-based MTS and a “new multilateralism” since at least April 2015, with the former Managing Director Christine Lagarde playing a prominent role (Lagarde, 2015). This advocacy role has been supported by the Fund’s research and modeling work and shows clearly in the Managing Director’s speeches and Global Policy Agendas (GPAs); text analysis reveals a marked increase in the attention to trade policy since 2014, with the developments in the GTS and trade tensions drawing most of the attention (Figure 10).

All stakeholders interviewed by the IEO—Executive Directors, national authorities, representatives of international organizations, academics and think tanks, and staff—strongly appreciated the Fund’s leading role in defending the multilateral trading system, and very specially the part played by the former Managing Director. They saw the Fund’s advocacy as critical to raising awareness

FIGURE 10. MANAGING DIRECTOR’S SPEECHES AND GLOBAL POLICY AGENDAS: TEXT ANALYSIS OF TRADE POLICY ISSUES (Absolute number of references per year)

Source: IEO calculations.
Note: The 2019 data point is estimated by annualizing the January 1–June 30, 2019 data.

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28 The Fund and the Managing Director play this role in accordance with the Integrated Surveillance Decision and the Fund’s communications strategy (IMF, 2014).
of the importance of multilateralism and open trade for
global growth and stability, which they saw as a public
good and as part of the mandate of the Fund. Indeed, many
outside observers emphasized that among the international
organizations, the Fund had been particularly effective in
championing multilateralism, building on its surveillance
mandate across the full membership and its macroeconomic
skills set. It was also appreciated that the Fund’s messages
had grown in strength and sophistication over time as the
challenge to multilateralism and the threat of trade tensions
to the global outlook have mounted.

Several factors were identified as supporting the effectiveness
of the Fund’s advocacy, including the ability to underpin
the headline messages with detailed analytical work on
the macroeconomic consequences of trade, the perceived
independence and balanced approach of the Fund, the use
of clear and plain language, the Fund’s overall reputation for
providing balanced and impartial advice, and the personal
skills and authority of the former Managing Director. Staff
also emphasized the internal collaborative effort behind the
Fund’s advocacy on trade issues, involving multiple depart-
ments, that leads to succinct and sharp messages in the
Managing Director’s speeches and widely publicized reports.

RELATIONS WITH PARTNERS

Since 2009, effective cooperation among international
organizations in the trade policy area has grown even more
important in the face of the current threats to multilater-
alismand the WTO, structural
issues per se and a bounded mandate in the trade policy
domain. However, while many core trade policy aspects
fall squarely within the mandate of other institutions—for
example, multilateral negotiations at the WTO, structural
policies at the World Bank, and developmental issues at
UNCTAD—the Fund has a well identified role and compar-
ative advantage. It is widely regarded as the international
institution best placed to quantify and analyze the macro-
conomic effects of trade policies, both at the national and
international levels.

World Trade Organization

Recent years have seen a substantial increase in collabo-
ration between the Fund and the WTO, a trend highlighted
by senior WTO officials, Executive Board members, staff,
and external stakeholders. This re-engagement was generally
ascribed as responding to the growing populist antagonism
to globalization and multilateralism, global trade tensions,
and rising stress in multilateral trade governance, including
at the WTO. Interviewees emphasized a strong sense of
IMF-WTO complementarity as a factor underpinning this
good relationship. They considered it paramount that the
Fund continues to provide policymakers and the interna-
tional community with high-quality evidence-based analysis
of the macroeconomic consequences of trade policies.

The IMF-WTO relationship seems good across institu-
tional levels. Former Managing Director Lagarde and
the WTO Director-General are perceived as having had
a strong working relationship, which sent a clear signal
to lower organizational levels. Trust is well established
among staffs and the mechanics of communication are
effective. SPR serves as the main interlocutor, but other
departments including RES, area departments, and resident
representatives also have frequent direct contacts. The
good relationship is mutually beneficial in avoiding incon-
sistencies, clarifying doubts, and sharing information.
According to staff, the 1996 institutional cooperation
agreement between the WTO and IMF has provided a clear
legal and institutional basis for cooperation. The agreement
has not been updated in over twenty years, but this is not
seen as a concern because it incorporates sufficient flexibility.

Cooperation has been most intense on high-profile
occasional joint products rather than on day-to-day
engagement. As well as seminars and events, there have
been two high-profile documents produced jointly by the
Fund, the WTO, and the World Bank (see Box 2). These
papers were appreciated by Executive Directors, the staff
in the three institutions, and outside stakeholders alike for
their analytical rigor and their effectiveness communicating
a joint institutional view to country authorities and the
broader international community. On regular activities, both
IMF and WTO staff reported a good working relationship
in the context of the WTO’s Trade Policy Reviews, Trade
Monitoring Reviews, and countries’ accession processes,
and the Fund’s bilateral surveillance and multilateral flagship
reports, although there is scope to deepen collaboration, specially at the country level.

Notwithstanding its overall soundness and effectiveness, there are a number of challenges and potential risks to the IMF-WTO relationship:

▶ First, there is a generalized concern at the WTO that the Fund’s overall interaction with the institution has decreased over time, notwithstanding the recent period of intensified cooperation and despite the greater role of trade in the global economy and increased linkages between trade and other policies. The closure of the IMF Geneva office, open between 1965 and 2008, has meant that regular collaboration (with the WTO and other Geneva-based organizations) has become inherently more difficult. In parallel, the shift in the focus of the IMF’s trade work from country level to multilateral and systemic economies level has reduced opportunities for mutual collaboration.

▶ Second, the different character of the two institutions could lead to misunderstandings. Several stakeholders emphasized that the complexity of negotiations and accession processes and the “member-driven” nature of the WTO were not well understood at the IMF—which they considered better able to speak truth to power—leading to potential frustration or unreasonable expectations.

▶ Third, there is a strong personal component in the IMF-WTO relationship. In practice, the relationship is largely channeled through a limited number of staff members, whose efforts, knowledge, background, interests, and personal connections currently provide the basis for the maintenance of a productive cooperation. In their absence, the relationship could become less close, suggesting a “key person risk” when these individuals move to other roles.

While neither IMF staff nor Executive Directors expressed strong views regarding the possibility of reopening the Geneva office, staff observed that should a decision be made, there were several options to achieve this in a cost-efficient manner. More generally, a strategic decision on the future of the Fund’s collaboration with the WTO would need to take into account not only cost-benefit considerations, defined in a broad sense, but also how the resolution of the current crisis in the WTO affects the potential for such collaboration.

Other organizations

The IMF–World Bank relationship on trade issues has also intensified in recent years after a period of weaker momentum. Interviewees emphasized the relevance of the seven trade conferences that have been co-organized by the IMF, the World Bank, and the WTO, between 2011 and 2019 with the three institutions taking turns to host the event. The World Bank does not have a multilateral surveillance mandate and in general it has been less vocal on global trade issues, and its large team of trade experts are mainly devoted to country work or to deeper research. Two minor concerns were expressed by Bank staff. First, at the country level, it was mentioned that occasionally the Fund had approached tariffs reform from a revenue perspective, instead of focusing on the long-term fundamental benefits of freer trade. Second, Bank staff opined that a closer coordination of both institutions’ work on trade agendas would help efficiency.

Collaboration with the OECD, which undertakes extensive analysis of structural and sectoral reforms, is considered to work well on a largely informal and unstructured basis. Interactions occur at the staff level and, for the most part, in the sphere of the G20, although there are contacts in the bilateral surveillance context as well. In a mutually beneficial fashion, the OECD benefits from the IMF’s universal membership and presence, while the IMF has periodically utilized the specific knowledge of the OECD, including OECD data on trade in value added.

IMF support for the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (EIF) is highly appreciated, although the Fund’s involvement has diminished over time. As a founding member, the Fund contributes to the chapter on the macro-economy of the EIF’s Diagnostic Trade Studies, reports its technical assistance activities periodically to the EIF, and is represented on its board. Beyond those activities, EIF representatives noted that due to geographical distance, collaborative work with the Fund is limited and less intense than with other agencies based in Geneva and Paris. In an
attempt to reboot the relationship, joint workshops have been organized recently.

The Fund maintains an active relationship with the International Trade Centre (ITC). Collaboration happens both at the head and staff levels and in a number of contexts, including the G20, the UNCTAD project, and the ITC’s own annual report, which is provided to the IMF for peer review. ITC representatives explained that while their institution has a triangular cooperation with the WTO and UNCTAD, there is plenty of room to deepen ITC-Fund collaboration. A niche for this collaboration would be, in their view, supporting and encouraging the participation of developing countries in global trade negotiations.

UNCTAD currently has the least active working relationship with the IMF, which was characterized as minimal outside the MAST project. Looking forward, UNCTAD representatives saw potential for reviving the relationship and strengthening technical collaboration. They offered several suggestions, including closer joint collaboration in the context of developing countries, to leverage both UNCTAD’s close engagement with these countries and the Fund’s analytical capacity. The identification of concrete joint deliverables, particularly in the context of the Sustainable Development Goals, was also seen as an important potential opportunity to deepen collaboration. From the organizational perspective, they saw the introduction of UN Resident Coordinators as an opportunity to engage with the Fund on the ground.

**INSTITUTIONAL ISSUES**

**Structure and cooperation**

Trade policy work in the IMF continues to be conducted in a decentralized fashion with responsibility spread across different functional and area departments. Staff considered that this approach had provided the necessary flexibility to adapt quickly to changes in the global trade landscape and handle trade issues at the country level when warranted.

SPR plays the coordinating role; area departments are responsible for interactions on trade policy at the country level; RES provides research, modeling, and data support, as well as preparing multilateral inputs; and LEG analyzes the legal aspects of trade agreements as well as specific country trade law developments. Within SPR, the External Policy Division (SPRXP) brings together the complementary aspects of trade work produced by other departments and ensures the consistency of the institutional messages on trade. This division seeks to champion trade policy work at the Fund, identifying and initiating the strategic exploration of emerging issues, keeping management and other departments aware of global developments, and, more generally, contributing to a better institutional understanding of trade policy. SPRXP also channels and facilitates most of the Fund’s relationships on trade with other international organizations and gathers trade intelligence in international fora.

The current structure of SPRXP—involving exchange rate and capital account issues as well as trade—leads, according to staff, to substantive synergies and works well as a means to develop a holistic view of the external sector, covering and integrating, inter alia, capital controls, trade tensions, external imbalances, and currency developments. During interviews, staff noted that the 2009 evaluation had a strong influence on the thinking behind the creation of SPRXP and, more generally, the organization of trade work within the institution. Still, staff devoted to the trade leg in SPRXP are relatively few, which limits analytical capacity and makes the relationship with other departments important. Most Executive Directors and staff members agreed that there is no pressing need for the re-creation of a full trade-devoted division, although they remained open to the possibility.

According to interviewed staff, coordination among departments is working well and is mutually beneficial, although there is room for deeper cooperation. SPRXP, RES, and country teams meet frequently and have an established network for mutual support and exchange of information. The type of coordination depends very much on the product that is being developed. For the preparation of WEO chapters and research papers, RES takes the initiative, keeping SPRXP involved from an early stage. By contrast, G20 work is led by SPRXP. For surveillance and programs, the preferred approach has been to assign primary responsibility for the work on trade to area departments, with the necessary support from SPR, RES, and FAD. SPRXP supports country teams in understanding developments in the multilateral trading system and, when applicable, through preparation of policy notes and trade policy questions for authorities. SPRXP also reviews trade policy
work of area departments in the context of Fund-supported programs and surveillance in selected countries.29

**Resources**

While there is no precise measure available of the resources specifically devoted to trade as opposed to other issues, evidence on the overall number of trade-focused studies in bilateral surveillance and the organization of trade work suggests that there has been no particular increase in such resources during the update period. Instead, the increased attention to trade policy issues observed particularly in multilateral surveillance and the bilateral surveillance of the largest trading economies has been achieved by flexible shifting of work priorities within the existing allocation of resources across the institution.

Staff acknowledged that the need to address the stresses in the MTS has imposed difficult trade-offs. For example, both SPRXP and RES have had to abandon, postpone, or adjust certain streams of trade-related work to address more urgent priorities. Similarly, staff in country teams indicated that over the last two years the need to respond to growing global trade tensions has drawn resources from other areas of work—including the correction of global imbalances and the monitoring and analysis of financial crises. Some staff members pointed to the lack of specialist trade policy expertise among staff, a concern shared by a few Executive Directors. To alleviate shortages in expertise, staff suggested continuing to work temporarily with external consultants, an approach that they indicated has been successful in the past, hiring macroeconomists with some experience in the field, and intensified coordination with partner agencies.

Most Executive Directors suggested that before dedicating more resources to trade work, other alternatives, such as increasing the efficiency in the use of current resources (e.g., through training), enhancing internal and external collaboration, and clearer prioritization, should be exhausted. A number of them saw value in conducting an assessment of the adequacy of resources devoted to trade, taking into account resource constraints and competing priorities. In that respect, some Directors emphasized that such a review would need to first clarify the role and objectives the Fund should adopt in the area of trade.

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29 The list of countries is fluid and includes those countries (currently 22) that, according to SPRXP’s assessment, have a larger impact on trade policy by virtue of the size of their economies and the potential for progress across several key trade policy areas, both traditional (e.g., agricultural, goods market access) and “frontier” areas (e.g., services, investment, digital trade, or regulatory cooperation).
CONCLUSIONS, CHALLENGES, AND OPPORTUNITIES

The IMF deserves considerable credit for responding in an active and timely manner to the growing stresses on the multilateral trade system in recent years. Most of the recommendations of the 2009 evaluation have been implemented and the Fund has come to play a prominent role in championing a continued commitment to open, rules-based trade, in the face of pushback against globalization and increasing trade tensions. The institution is widely seen as a source of clear, consistent messages supported by high-quality analysis of the macroeconomic consequences of trade policy actions.

- This strong performance has been particularly apparent in the increased attention to trade policies in multilateral surveillance called for by the 2009 evaluation. This shift started in 2015 ahead of the recent surge in trade tensions. Multilateral surveillance work—both regular publications such as the WEO and specific pieces, such as those produced for the G20—has been of high quality, timely, and well-focused on assessing trade policy developments and the macroeconomic consequences and risks from trade tensions. There has also been a substantial, albeit uneven, expansion of surveillance at the regional level.

- Attention to trade policies has also increased in the context of bilateral surveillance, particularly the careful analysis of the consequences of the cross-border spillovers from trade frictions since 2016 in the largest economies with the greatest share of global trade.

- Among the international organizations, the IMF is viewed as having been particularly effective in championing the international cause for a reformed, rules-based MTS, with former Managing Director Lagarde taking a central part. Fund advocacy has been well supported by its global surveillance mandate, clear and balanced communication, use of macroeconomic expertise to underpin messages, and strong internal coordination.

- Trade policy conditionality in Fund-supported programs has continued to be virtually non-existent, which is in line with IMF practices and rules, and underpinned by trends in global trade including declining tariff rates in developing countries.

- Research and analysis have largely focused on supporting the IMF’s strong messages on the importance of commitment to open international trade, building on the Fund’s comparative advantage in global macroeconomic modeling work to analyze risks from trade tensions. However, research on some emerging trade policy issues has been postponed because of resource constraints. Trade-related analytical work has been complemented by other workstreams, such as jobs and growth, examining the consequences of trade developments for domestic economic conditions.

- The Fund has reinvigorated its working relationships with most trade-focused international institutions and played a well-defined and greatly appreciated role among the international organizations working on trade over the last four years, based on its universal surveillance mandate, macroeconomic perspective, and modelling capacity.
Notwithstanding these efforts, the global trade environment remains under heavy stress, clouding the global outlook. It is highly uncertain how the current tensions will be resolved and how the trade system will evolve. Technological innovation and the rise of services will continue to imply rapid evolution of trade patterns, a changing role of trade in macroeconomic behavior, and varying impacts on different sectors of the population, increasing the complexity of trade policy by tightening the links between domestic and trade policies and demanding closer coordination at the international level. Thus, given the important role of trade in underpinning economic growth and stability and the current constraints on the role of other institutions, the Fund needs to sustain its institutional commitment to trade policy, maintaining its high level of analysis, advice, and advocacy for the foreseeable future, notwithstanding limited resources. At the same time, the institution should consider how to increase the overall impact of this work, particularly since the next few years could prove critical to preserve an open, rules-based, multilateral system.

Particular concerns include:

- As new bilateral, regional, and plurilateral trade agreements proliferate and trade frictions mount, there is a need for renewed joint efforts across the international community to find a workable approach to trade policy cooperation consistent with a healthy global economy, to which the IMF can contribute based on its unique global macroeconomic perspective and expertise.

- The translation of multilateral surveillance work into practical bilateral advice remains a work in progress, as authorities would appreciate more specific and well-tailored advice on how to respond to the risks identified at the global level. Within regional surveillance, there is scope to expand cross-regional sharing of information, trade policy experience, and analytical tools.

- More work could be done to deepen bilateral trade policy surveillance and advice, beyond the largest economies that have received the lion’s share of attention in recent years. There could be particular value in greater work in LICs, in assessing underlying structural and other factors constraining trade competitiveness and through policy advice and Fund advocacy on market access and trade facilitation. Further attention could also be paid to drawing out the trade policy implications of new technologies, such as digitization and e-commerce. There is also scope to further strengthen coherence in economic policy advice, recognizing and analyzing the relationship of trade policy with other policy challenges such as the potentially adverse distributional consequences of trade, migration issues, climate change, international taxation, and competition policy. Continuing care will be needed to ensure appropriate evenhandedness in trade policy advice across countries.

- The welcome reinvigoration of cooperation with other trade-related international organizations should be consolidated, which would benefit from deepening institutional relationships beyond the current good inter-personal relationships among staff members, to alleviate “key person risk.” The costs and benefits of deepening this cooperation and reviving less active organizational relationships, possibly through an increased Fund presence in Geneva, needs to be considered.

- Internally, demands of responding to high stress in the multilateral trading system have stretched the available trade policy expertise and resources thin, implying less attention to other relevant issues and the postponement of long-term trade research and analytical work on rapidly developing areas of trade. This situation may not be sustainable if trade tensions are long lasting.

Given these challenges, a holistic review of the IMF’s “trade strategy” for discussion by the Executive Board could contribute to ensuring the continued value-added and coherence of the Fund’s work on trade policies. Agreeing on such a strategy would contribute to clarifying the Fund’s role, objectives, and priorities regarding trade, support integration of multilateral and bilateral trade work, and guide interaction with international partners. Such an assessment would also provide input on the appropriate allocation of scarce resources to trade issues among competing priorities. The upcoming five-yearly trade policy review, anticipated for 2020, provides a timely opportunity for this purpose.
### RECOMMENDATIONS, EXECUTIVE BOARD RESPONSE, AND PROPOSED FOLLOW-UP

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<td><strong>A. Reviews of the Fund’s Work on Trade and Guidance to Staff</strong></td>
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<td>“The Board should commit to periodic re-evaluation of its guidance on objectives of, approaches to, and modalities of staff work on trade policies. Regular reviews of guidance should be undertaken in the context of assessments of current global trends in trade and trade policy.”</td>
<td>“Most Directors supported the IEO’s recommendation on the need for periodic Board review of guidance on trade policies … in line with the cycle for other policy reviews, these might be done at five-year intervals.”</td>
<td>A1. Five-yearly reviews of Fund work on trade policy will be conducted. As the IEO evaluation covers much the same ground as staff reviews, an early review of trade policy by staff would be duplicative. Taking the IEO evaluation as the starting point for the cycle, the first five-yearly review would be expected in 2014.</td>
<td>A1. Implemented (2015). The work of the Fund on trade policy was reviewed and the next review is due in 2020.</td>
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<td>“The Board should establish guidance on the role and approach of the IMF in PTAs.”</td>
<td>“Most Directors … noted the benefits from guidance on the approach to trade in financial services that stresses the links between trade in financial services, the regulatory environment, and capital account liberalization ... Most Directors considered it advisable to establish guidance on the approach to PTAs where there are issues of spillovers or significant macroeconomic effects.”</td>
<td>A2. Staff guidance on trade in financial services and PTAs will be developed and issued to the Board for information by July 2010. A review of the content and implementation of this and other guidance on trade policy would be considered by the Executive Board in the context of the 2014 Board reviews of trade policy in the Fund.</td>
<td>A2. Implemented (2010).</td>
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<td>“The Board should establish guidance on the role and approach of the IMF in trade in financial services.”</td>
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<td><strong>B. Trade Policy in Fund-Supported Programs</strong></td>
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<td>“The IMF must engage on [trade policy] issues with borrowing countries through a strong advisory role” to help them resist protectionist pressures, ensure adequate trade finance, influence decisions within PTAs, and reform trade policies to reduce business costs.</td>
<td>“Most Directors welcomed the scaling back of conditionality on trade policy in Fund supported programs. They suggested that trade-related conditionality should continue to be macro-critical and take into account country-specific circumstances, as in other policy areas. Directors underscored that, guided by the Fund’s Article I, the emphasis should be on avoiding the resort to trade restricting measures. Trade liberalization should be promoted actively where necessary for program objectives.”</td>
<td>B1. Relevant general guidance notes, in particular the 1999 “Guidelines on Implementing Trade Policy Reforms” will be updated and revised by July 2010. This guidance would clearly distinguish between Board-endorsed guidance and other information such as best practices, to the extent that both were covered in a single document. All such guidance notes would be issued to the Executive Board for information upon completion. Their content and implementation would be expected to be covered in the five-yearly Executive Board reviews of trade policy (see A1 above).</td>
<td>B1. Implemented. Major policy papers published since 2010 fulfill this requirement.</td>
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1 As presented in the implementation plan approved in December 2009 (SM/09/275). “Current status” reflects IEO’s assessment.
### C. Multilateral, regional, and bilateral surveillance

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<tr>
<td>“Trade policy—particularly involving PTAs—should be addressed periodically in multilateral and regional surveillance.”</td>
<td>“Surveillance should discuss macro-critical trade policy issues, for all countries, while ensuring evenhandedness in trade policy advice. In this context, most Directors also saw scope for multilateral surveillance to pay greater attention to the global effects of trade policies in systemically important countries.” “[Directors] also agreed that trade policy should be addressed periodically in multilateral and regional surveillance vehicles, such as the WEO, Regional Economic Outlooks, and, on financing issues, the Global Financial Stability Report.”</td>
<td>C1. Relevant trade-related topics would be covered in stand-alone papers and through collaboration between staff working on trade policy and departments responsible for WEO, REOs, and GFSRs as appropriate. The Executive Board guidance on macro-critical trade policy issues and evenhandedness in trade policy advice will be incorporated into general trade policy guidance notes and its applicability to bilateral surveillance as well as multilateral and regional surveillance will be emphasized (see B1 above).</td>
<td>C1. Implemented.</td>
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### D. Staffing-related issues

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<td>“…a small but critical mass of trade policy expertise must be built…”</td>
<td>“Directors agreed with the IEO Evaluation on the need for a critical mass of trade policy expertise within the Fund. Most, however, did not consider that this required re-introducing a separate Trade Policy Division, while recognizing that this matter would have to be decided by management.”</td>
<td>D1. The Fund staff should attract and develop trade policy expertise while balancing the need for economist staff to work on macroeconomic issues and in country teams. Such a balance would also position staff working on trade policy well to integrate their expertise into the broader Fund work and keep open options for successful Fund careers. Maintaining trade policy expertise in a division with broader responsibilities may help to facilitate the latter goal.</td>
<td>D1. Partially implemented.</td>
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### E. Trade policy information

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<td>Fund staff need data and measures of trade protection. … IMF staff should work with other organizations to improve data and tools regarding PTAs and financial services.</td>
<td>“Directors concurred with the IEO on the importance of up-to-date summary trade policy information within the Fund, but encouraged staff to examine efficient alternative approaches to securing and internally disseminating this information, and encouraged reliance on data provided by the WTO and World Bank.”</td>
<td>E1. Trade policy staff will prepare a guidance note for Fund staff on the availability and use of tariff and other trade policy information from existing databases by July 2010. E2. Fund trade policy staff will also explore possibilities for enhanced information sharing on trade policy information with the WTO Secretariat, World Bank staff, and other potential interlocutors. Staff will engage actively with WTO and others on the ongoing trade policy monitoring exercises.</td>
<td>E1. Implemented.</td>
</tr>
</tbody>
</table>

### F. Institutional cooperation

<table>
<thead>
<tr>
<th>IEO Recommendations</th>
<th>Executive Directors’ Responses</th>
<th>Proposed Follow-Up</th>
<th>Current Status</th>
</tr>
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<tbody>
<tr>
<td>“To spearhead such cooperation, Management and a small number of senior staff need to commit to regular and formal meetings—for example, once a year—with counterparts in other key international organizations involved with trade. IMF management should report to the Committee on Liaison with the World Bank and other International Organizations and/or the Executive Board/IMFC on proceedings of these meetings and plans for staff level coordination.”</td>
<td>“Directors welcomed the IEO’s finding that institutional cooperation with the WTO and the World Bank on trade has evolved and should be strengthened further…” “[Directors]…agreed that occasional meetings on trade with counterparts in other multilateral economic institutions would—if focused and well-designed—bring important benefits. Directors suggested that such meetings might be most effective at staff levels and be used to set an agenda for and follow up on practical issues of common importance to the institutions.”</td>
<td>F1. Occasional meetings on trade among senior staff of the IMF, World Bank, and WTO, and possibly other multilateral economic institutions will continue, and Fund staff will seek to focus these interactions on issues relevant to the Fund in general and current Fund concerns that are shared with the appropriate institutions. Whenever possible, these could be organized on the margins of other international meetings.</td>
<td>F1. Implemented.</td>
</tr>
</tbody>
</table>
ANNEX 2

COMPENDIUM OF SELECTED IMF WORK ON TRADE POLICY SURVEILLANCE

MULTILATERAL

World Economic Outlook
- Do Financial Crises Have Lasting Effects on Trade?—Fall 2010.
- Global Trade: What’s Behind the Slowdown?—Fall 2016.
- Spillovers from China’s Transition and from Migration—Fall 2016.
- The Drivers of Bilateral Trade and the Spillovers from Tariffs—Spring 2019.

Regional Economic Outlook—Asia-Pacific Region
- Implications of Asia’s Regional Supply Chain for Rebalancing Growth—Spring 2011.
- Reaping the Benefits from Global Value Chains—Spring 2015.
- China’s Evolving Trade with Advanced Upstream Economies and Commodity Exporters—Spring 2016.

Regional Economic Outlook—Middle East and Central Asia
- Economic Cooperation and Integration in the CCA—Fall 2014.
- Leveraging Trade to Boost Growth in the MENAP and CCA Regions—Fall 2017.

Regional Economic Outlook—Sub-Saharan Africa
- Sub-Saharan Africa’s Engagement with Emerging Partners: Opportunities and Challenges—Fall 2011.

Regional Economic Outlook—Western Hemisphere
- Trade Integration in Latin America and the Caribbean: Hype, Hope, and Reality—Fall 2015.
BILATERAL

Article IV Reports: China, Euro Area, Japan, United Kingdom, and United States

Article IV reports for 2010–18, for China, the euro area, Japan, the United Kingdom, and the United States, were reviewed to consider the extent and nature of trade policy coverage. Collectively these economies, together with 27 advanced members of the European Union (EU) accounted for 62 percent of global trade in goods and similarly 62 percent of global trade in services in 2018. The review found that between 2010–18, across all five sets of Article IV reports, staff provided diverse insights, advice, and recommendations on trade policy.

Article IV reports for China between 2010–18 highlight that bilateral trade policy surveillance has shifted over time, from generic advice on opening up trade, to a stronger focus on the implications of trade reforms in the context of China’s rebalancing and the country’s increased role in the global economy. Trade policy issues have included, for example, analysis of the implications for suppliers, as Chinese industries progressively moved up the value chain (2015); analysis and a table on outward trade spillovers and an assessment of factors causing a slowdown in imports (2016); detailed analysis of the consequences of a retreat from cross-border integration, including on China's real GDP should higher trade barriers be imposed by trading partners, including scenarios in which China retaliated with similar tariffs, as well as advice on the investment climate and trade and on reform of state-owned enterprises and promotion of competition (2017); and an analysis of services’ trade restrictiveness and staff’s advice on accelerating opening up and on mitigating trade tensions. More recently there has also been increasing staff attention to new trade policy issues. The 2018 Article IV report for China, for example discusses e-commerce and foreign direct investment restrictiveness and opportunities from the Belt and Road Initiative.

After limited coverage of trade policy issues between 2010–16, Article IV reports for the euro area between 2017–18 focused on the impacts of rising global trade tensions and the potential consequences of Brexit. The 2017 report, for example, highlighted the need for ongoing modernization of intra-EU trade in goods statistics and for ambitious trade agreements, accompanied by policies to support adjustment to trade and to ensure that the gains from trade are evenly and widely distributed; and emphasized the rising importance of new issues in bilateral trade policy and trade policy surveillance, including discussion of legal clarity on the EU’s role in trade negotiations, and observing that the EU-Japan Economic Partnership Agreement constitutes the first international trade agreement to include a clear commitment to fight climate change and support the Paris goals. The euro area 2018 Article IV report considered the impacts of a hard Brexit on member countries, noting that the United Kingdom ranked among the euro area’s three largest trading partners, with supply-chain linkages implying substantial indirect trade links through third countries. Staff estimated that EU-27 real GDP would fall by up to 0.8 percent or 1.5 percent in the long run relative to the baseline, in the event of a standard free trade agreement or a default to World Trade Organization (WTO) rules, respectively, with varying impacts across euro area members and with no winners from Brexit.

The report dovetailed with similar analyses in the 2018 Spring WEO, which included a box on the implications of Brexit and an update paper to the G20 in the summer of 2018. The 2018 report also highlighted other emerging trade-related policy issues, for example, pointing to a doubling in the share of investment in intangibles, including research and development, software, databases, and intellectual property, from about 10 percent of gross fixed capital formation in Europe in the early 1990s to close to 20 percent in more recent years, with the bulk of the increase in the manufacturing and service trade sectors. Discussions with staff indicated that Fund surveillance through the Article IV process has generally been welcomed by members, with the Fund as an independent authoritative voice, particularly in the analysis of free trade agreements.

For Japan, sporadic references were made to trade policy during 2010–13, while the 2014 Article IV report highlighted structural factors, including the rising share of offshore production—exceeding 20 percent of overall manufacturing output—and Japan’s upstream position in the global supply chain, as having reduced the sensitivity of exports to fluctuations in the yen. More recent reports have focused on the effects of both the global trade slowdown and production offshoring on exports (2016); the impacts on Japan’s goods trade surplus and on growth from a global retreat from cross-border integration, including exposures to trade policy changes by both exporters and local producers relying on...
ANNEX 2

GVCs (2017); and an assessment of Japan’s trade and foreign direct investment regimes, illustrating their relative openness, comparing trade restrictiveness measures for Japan, the G20 average, and G20 advanced economy average (2018).

U.S. Article IV reports since 2010 have covered a wide range of trade policy issues, emphasizing prioritization of multilateral trade, periodically drawing attention to transition costs from greater trade integration and more recently urging caution in the use of import restrictions and emphasizing risks from increased trade protectionism. Attention to trade policy has been strongly concentrated in the period 2017–19. Reports from 2010–16 emphasized redoubling efforts to conclude the WTO Doha Round (2010); reaching agreement on large regional and plurilateral agreements while renewing efforts to advance the multilateral agenda (2012, 2013, 2014); and highlighting the likely transition costs to jobs and incomes from greater trade integration and effects on income polarization, and the need for training and temporary income support to mitigate downsides (2016). Reports since 2017 have considered the influence of trade-related factors, among others, in explaining a decline in labor’s share of income since 2000 (2017); highlighted potential gains from more ambitious trade agreements, while urging judicious use of import restrictions (2017); drawn attention to measures being taken by the U.S. administration to impose new tariffs or otherwise restrict imports into the United States (2018); and provided an assessment of the impact on North American trade from a successful renegotiation of NAFTA (2018).
ANNEX

UNDERPINNINGS FOR THE FUND’S WORK ON TRADE IN THE ARTICLES OF AGREEMENT

The underlying purpose of the IMF’s work in trade is described in Article I(ii) of the Articles of Agreement. It specifies that a purpose of the Fund is “to facilitate the expansion and balanced growth of trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.”

While Article I(ii) specifies the purpose, the legal authority to work on trade issues, in the context of surveillance, use of Fund resources, and technical assistance, derives from other provisions; Article IV provides the basis for the Fund’s surveillance mandate; Article V, Section 3 authorizes the IMF to use its general resources to assist members to resolve their balance of payments in a manner that establishes adequate safeguards for the temporary use of those resources; and Article V, Section 2(b) provides that upon request the Fund may provide technical assistance provided such assistance is consistent with the purposes of the Fund.

Furthermore, Article X provides that the Fund shall cooperate with other international organizations having specialized responsibilities in related fields. The Article is particularly relevant to the IMF’s cooperation with the WTO, as both have overlapping jurisdiction on certain policy measures that have both exchange and trade attributes. Article VIII, Section 2(a) provides that, without the Fund’s approval, no member may impose restrictions on the making of payments and transfers for current international transactions. As certain provisions in WTO Agreements also cover international current payments and transactions, this necessitates close cooperation between the IMF and WTO, to avoid imposing conflicting requirements on their common membership.
The evaluation update utilized text analysis to obtain a measure of the attention paid to trade policy issues across IMF documents. The results are useful to provide a quantitative picture of how coverage has varied over time, and also sheds light on how attention has shifted among different aspects of trade policy. The IEO used the Fund Document Extraction Toolkit (FDET), a data preparation tool developed by the IMF Information Technology Department (ITD) and benefitted from ITD’s support and access to the Fund’s document repository (ELib).

Text analysis was applied to the following IMF document series: Article IV reports; the World Economic Outlook (WEO); the Regional Economic Outlook (REO); External Sector Reports (ESR); the Managing Director’s Global Policy Agenda (GPA); the Managing Director’s speeches (MDS); IMF Working Papers (WP); Selected Issues Papers (SIPs); and selected country program documents (UFR). Text analysis was applied for the period from January 2000 (or for document series that were launched at a later date, such as the REOs, GPAs and ESRs, from their respective inception dates), to July 2019. Table A4.1 shows the total number of documents analyzed for each document series in each year from 2000 to 2019.

Using text analysis, all documents were searched to determine the number of occurrences of specific trade-policy-related terms in a document, which were then grouped in six general areas. Table A4.2 presents all terms searched and the classification used. These terms were identified by the IEO following interviews with external partners, IMF management and staff, Executive Board members and their staff and through a review of trade policy literature. The selection process built on the search criteria utilized by staff in the 2015 Review (IMF, 2015a).

**TABLE A4.1. DOCUMENTS USED FOR TEXT ANALYSIS**

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Note: The 2019 data point is estimated by annualizing (multiplying by 2) the January 1–June 30, 2019 data. N/A = not applicable.
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<th>Category</th>
<th>Keywords and Key Phrases</th>
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<td>Goods and Services Trade</td>
<td>goods trade, import flow; merchandise exports; merchandise imports; merchandise trade; trade in goods; import of goods; export of goods; goods imports; goods exports; flow of goods; goods flow; services trade; trade in services; import services; export services; flow of services; trade in financial services; financial services trade; import of services; export of services; services liberalization; liberalization of services</td>
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<td>Tariffs and NTM</td>
<td>tariff regime; applied tariff; customs duty; customs tariff; decreasing tariff; duty drawback system; duty free; duty-free; export tax; external tariff; import duty; import tariff; increasing tariff; mfn tariff; tariffs on imports; trade tariff; fdi regime; fdi restrictions; restrictive fdi; anti-dumping; anti-dumping; export subsidy; import quota; imposition of quota; nontariff; non-tariff; rules of origin; quota system; import subsidy</td>
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<td>Trade Agreements</td>
<td>gats; gatt; multilateral agreement; multilateral trade; services agreement; doha round; agreement on subsidies and countervailing duties; intellectual property agreement; trade policy review mechanism; wto procurement agreement; trade facilitation agreement; tfa; uruguay round; free trade agreement; fta; generalized system of preferences; gsp; pacific partnership; preferential market; preferential trade; regional trade; tpp; trade agreement; trade partnership; trans pacific partnership; transatlantic trade and investment partnership; trans-pacific partnership; ttip; nafta; north american free trade agreement; mercosur; efta; european free trade association; ecowas; economic cooperation of west african states; eea; european economic area; eaec; eurasian economic community; gsp; global system of trade preferences among developing countries; sacu; southern african customs union; caricom; caribbean community and common market; cefta; central european free trade agreement; cacm; central american common market; comesa; common market for eastern and southern africa; east african community; common economic space; association agreement; US-Mexico-Canada Agreement; USMCA; plurilateral agreement; plurilaterals; regional agreement; mega-regional agreement; services trade restriction; AFCFTA; African Continental Free Trade Agreement; Canada-EU Comprehensive Economic and Trade Agreement; CETA; Comprehensive and Progressive Agreement for Trans-Pacific Partnership; CPTPP</td>
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<td>GVCs and Emerging Issues</td>
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Caveats in using text analysis

There are a number of caveats to the use of text analysis, including: (i) the frequency of use of key words and phrases should not be taken as a measure of the quality of work embodied in the text, or as an definitive estimate of the volume of work done by staff, as this work could also be channeled through other series of documents; (ii) results from text analysis are dependent on the initial choice of search words and phrases used; and (iii) results are also dependent on the completeness of the document series used. The update encountered challenges regarding the completeness of the document series and the preparedness of documents for machine reading. The Fund’s ELib contains a large collection of documents that have been prepared for use in text analysis, enabling searches of key words and phrases that can be conducted with a high degree of confidence. However, at present it comprises an incomplete set of the Fund’s documents. Consequently, where available in ELib, these documents were used; and where unavailable, these were complemented by a PDF collection compiled by the IEO. Table A4.3 shows the composition of the two collections.

The exercise in developing a complete collection highlighted some duplication, multiple versions in different languages, and as noted, gaps in the availability of documents in ELib. As text analysis gains interest as a supplementary tool in the work of the Fund, it would be useful to address gaps in the Fund’s document management process, to strengthen support for the Fund’s FDET tool and to accelerate its development; and similarly to accelerate the development of a complete collection of all IMF document series within ELib.

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Sources: IMF ELib and IEO compilation.
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STATEMENT BY THE MANAGING DIRECTOR

ON THE INDEPENDENT EVALUATION OFFICE REPORT ON IMF INVOLVEMENT IN INTERNATIONAL TRADE POLICY ISSUES: EVALUATION UPDATE

I would like to thank the Independent Evaluation Office (IEO) for preparing this informative update to the 2009 report on IMF Involvement in International Trade Policy Issues. It is reassuring that the Update recognizes that IMF trade work remains generally well-aligned with the Fund’s mandate and comparative advantage. I concur that the remaining challenges need our continued attention and collective commitment.

Over the last decade—the period covered by the Update—global trade has undergone major changes. The Update credits the Fund for its active and timely response to many of these changes, and for playing a prominent role in championing open, rules-based global trade. The Update also underscores the quality, relevance, and timeliness of the Fund’s multilateral work on trade policy, such as through the WEO, joint trade papers with the World Bank and WTO, and input to the G-20. As the Update also notes, this work has benefitted from rekindling the working relationship with the WTO—which was greatly appreciated by senior WTO officials.

The IEO has appropriately identified several challenges that we face in our ongoing trade work. These include paying more attention to rapidly developing trade-related issues such as e-commerce and services.

I would like to conclude by thanking the IEO for this informative report as a good basis to advance our dialogue.