

## COHERENCE IN GLOBAL ECONOMIC POLICY-MAKING: WTO COOPERATION WITH THE IMF AND THE WORLD BANK

Report (2003) by the Director-General<sup>1</sup>

1. This report has been prepared pursuant to paragraph 2 of the General Council Decision on "Agreements Between the WTO, the IMF and the World Bank"<sup>2</sup>, to inform Members about the activities carried out by the WTO under its cooperation agreements with the IMF and the World Bank.
2. WTO cooperation with the IMF and the World Bank continued to expand in 2003 in support of the Doha trade negotiations and work programme, which have increased the WTO's attention to development issues and to the linkages between trade and financial policies. The Executive Boards of the IMF and the World Bank have increased the attention they pay to trade issues and the multilateral trade negotiations in the context of their work on economic growth and poverty reduction, debt sustainability and financial stability.
3. Reflecting this, Mr. Horst Köhler, the Managing Director of the IMF, and Mr. James Wolfensohn, the President of the World Bank, accepted the Director-General's invitation to participate in the General Council meeting on Coherence held on 13 May 2003.<sup>3</sup> Both underscored the urgency that their organizations attached to progress being made in the trade negotiations, particularly the need for improved market access and reduced trade distorting policies in agriculture. The main theme of the meeting was establishing long-term coherence between governments' trade, finance and development policies, at the domestic level and at the multilateral level, with support from the three organizations in providing high quality policy analysis, technical assistance and capacity building, and adjustment assistance. Among the issues that Members felt warranted attention in this context, in developing and least-developed countries, were the erosion of preference margins as a result of multilateral liberalization, the fiscal effects of tariff liberalization, the timing and sequencing of reforms to trade and other economic policies, and improving the availability and affordability of trade financing, particularly in periods of financial instability and crisis.
4. At the Fifth Ministerial Conference in Cancún, the IMF announced that it was preparing an initiative to provide financial support in the context of IMF-supported programmes to Members that face a net negative impact on their balance of payments as a result of implementation of the results of the Doha Round. The World Bank announced a new trade assistance programme – the "Doha Development Initiative" – to assist poor countries to take advantage of new market opportunities and offset any adverse initial impacts of trade reforms stemming from the Doha Round. It envisaged that the programme would have three components – new resources devoted to trade logistics (e.g. transport costs) and trade facilitation, enhanced sectoral lending in support of programmes designed to

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<sup>1</sup> The last report is contained in WT/TF/COH/S/7 of 10 March 2003.

<sup>2</sup> WT/L/194 of 18 November 1996.

<sup>3</sup> WT/GC/M/79 of 25 June 2003. The background document for the meeting is contained in WT/TF/COH/S/7, which was prepared by the Secretariat in consultation with staff of the IMF and World Bank.

protect workers and vulnerable groups, and programme lending over sustained periods for countries implementing development-related Doha trade reforms.

A. CONSULTATIONS BETWEEN THE DIRECTOR-GENERAL AND THE MANAGING DIRECTOR OF THE IMF AND THE PRESIDENT OF THE WORLD BANK

5. Opportunities for consultations at the heads-of-agency level arose at the General Council meeting on Coherence in May, at meetings of the International Monetary and Finance Committee (IMFC) and the Development Committee, at ECOSOC and other intergovernmental meetings. Attention in these consultations focused on actions that could be taken to help advance the Doha trade negotiations and work programme, including mobilizing the active support of Finance and Development Ministers given the acknowledged benefits that a successful conclusion to the Doha Development Agenda can bring in their areas of responsibility.

6. One result of these consultations was initiatives by Mr. Köhler and Mr. Wolfensohn in their respective organizations to offer enhanced technical and financial support for implementation of the results of the Doha Round, building on what their organizations were already doing (see paragraph 4 above).<sup>4</sup> Their initiatives were taken in light of the view that adjusting to a more liberal trade environment may impose costs on some member countries – albeit temporarily – as a result of preference erosion, the loss of tariff revenue and other factors.

7. A second result was an initiative involving Dr. Supachai and Mr. Köhler to convene a group of experts and practitioners to examine ways of improving the availability and affordability of trade financing for developing countries, particularly in periods of financial instability and crisis. This initiative, and the possibilities for follow-up in the WTO, have been described by the Director-General to the General Council meeting in February 2004.

8. At the Annual Meetings of the IMF and the World Bank, shortly after the Cancún Ministerial Conference, the IMFC invited Mr. Köhler and Mr. Wolfensohn to write jointly to Heads of State stressing the urgent need to move forward with the Doha Development Agenda. The Director-General forwarded copies of this letter to WTO Ambassadors on 20 November 2003.

9. Following the Cancún Ministerial Conference, in the context of the Cotton Initiative, the Director-General initiated contacts between the WTO, the World Bank and the IMF. The WTO Secretariat is identifying the role played by the Bank and the Fund in addressing problems of the cotton sector in certain exporting Member countries and considering what cooperative efforts might be made to address the trade restricting and distorting effects of subsidies.

10. An issue of concern that Mr. Köhler and Mr. Wolfensohn have conveyed to the Director-General on several occasions is that the requests of their organizations for observer status in the TNC and its subsidiary bodies are still outstanding.

B. WTO OBSERVERSHIP IN IMF AND WORLD BANK MEETINGS

11. Under the cooperation agreements, the WTO Secretariat is invited to observe meetings of the Executive Boards of the IMF and the World Bank on general and regional trade policy issues, including the formulation of Fund or Bank policies on trade matters.

12. In addition in 2003, the Secretariat attended two meetings of the IMF Executive Board Liaison Committee with the WTO (CWTO) which monitors IMF/WTO relations and IMF work on

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<sup>4</sup> A joint letter to the Director-General on this point from the Managing Director of the IMF and the President of the World Bank was circulated to Members in August 2003 in JOB(03)/173.

trade issues. In May, the CWTO addressed three topics, based on the April IMFC Communiqué: renewed efforts to address obstacles to progress under the Doha Round, how to react to the Director-General's call for technical and financial support for ambitious trade policy reforms under the Doha Round, and the implications of increasing convergence of the IMF and WTO agenda in areas such as financial services and investment. In November, the CWTO met to assess the state of play of the Doha Round post-Cancún.

#### C. IMF AND WORLD BANK PARTICIPATION IN WTO MEETINGS

13. Under the cooperation agreements, the IMF and the World Bank are invited to attend as observers meetings of most WTO bodies. Requests from the IMF and the World Bank for observer status in the TNC and its subsidiary bodies are still pending.

14. The IMF participates in all regular consultations of the Committee on Balance-of-Payments Restrictions. No consultations were held in the course of 2003.

#### D. RESEARCH, ANALYSIS AND DATA EXCHANGE

15. Staff of the three organizations collaborate on research and analysis in areas where trade, finance and development issues overlap. IMF and World Bank staff covered trade and trade-related issues in several studies prepared for their Executive Boards in 2003, and they have responded positively to requests from WTO bodies, particularly the Working Group on Trade, Debt and Finance, for studies on issues relating to their areas of responsibility. One such study is an update of a 1984 study by the IMF on "Exchange Rate Volatility and Trade "(forthcoming).

16. The Secretariat and World Bank staff cooperate, where appropriate, in the preparation of the World Bank annual publication on "Global Economic Prospects", which for several years has been based around the theme of trade, and the WTO "World Trade Report". The Secretariat participates in a World Bank annual monitoring exercise on achieving the Millennium Development Goals, contributing on indicators to monitor the trade agenda and through its TPR reports.

17. The WTO Secretariat provides the IMF and World Bank staff with access, on a confidential basis, to the Integrated Database and to schedules of commitments of WTO Members. The IMF and World Bank have online access to the two data bases.

18. Subject to the same confidentiality requirement, the Fund makes available to the WTO Secretariat the publication files of the International Financial Statistics, Balance of Payments Statistics, Government Financial Statistics, and Direction of Trade Statistics. The IMF staff also makes available to the WTO Secretariat historical data and aggregate projections in the "World Economic Outlook". Favourable consideration is given to specific additional requests pertaining to these data bases, as well as requests for projections of individual country data. The World Bank provides the WTO Secretariat access to the Bank's Economic and Social Database, as well as the Statistical Annex of the Global Economic Prospects and the Developing Countries. In its support on market access issues, the WTO Secretariat has been making use of World Bank software to analyse tariff and trade data. This software is offered by the World Bank to WTO Members free of charge.

19. Under the WTO/IMF cooperation agreement, the IMF makes available to the WTO, for the confidential use of the WTO Secretariat, copies of IMF staff reports and related background staff papers on Article IV consultations and on the use of Fund resources for common members and on

Fund members seeking accession to the WTO, subject to the consent of the member concerned.<sup>5</sup> These documents contain details of the IMF's trade policy advice and conditionality, which are used by the WTO Secretariat for reference purposes, notably in the course of the preparation of TPR reports. Trade policy information based on IMF documentation is now available to members of the Secretariat through an electronic data base.

#### E. TECHNICAL COOPERATION

##### (a) Trade-Related Technical Assistance and Capacity Building

20. The World Bank devotes a considerable amount of its lending to trade-related capacity building in particular through the PRSP process. The World Bank Institute addresses mainstreaming trade into PRSPs in its workshops held in different regions throughout the year and reviews requests contained in the WTO Technical Assistance Plan in developing its own programmes. The World Bank has formed a partnership with the World Customs Organization and the WTO on customs reform and trade facilitation. The IMF, the World Bank and the WTO contribute to the Doha Development Agenda Trade Capacity Building Database (<http://tcbdb.wto.org>) which provides information on activities provided by bilateral donors and multilateral agencies. In the first few years of its existence, this pooling of data has allowed for the possibility of higher degrees of coordination and coherence to be achieved and provided the means to identify where additional efforts can be applied.

##### (b) The Integrated Framework for Least-Developed Countries (LDCs)

21. The IMF and the World Bank are two of the six core agencies involved in the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF). The IF aims to assist LDCs to mainstream trade into their national development plans such as their strategies for poverty reduction and to assist in the coordinated delivery of trade-related technical assistance. The World Bank is the designated agency for trade mainstreaming. The starting point for this process is the preparation by each LDC involved of a Diagnostic Trade Integration Study (DTIS), which identifies trade reform and technical assistance priorities. The DTIS rely heavily on the WTO's Trade Policy Review process and the World Bank receives comments on its draft reports from the WTO Secretariat. At the end of 2003, of the fourteen LDCs to which the "revamped" IF has been extended, DTIS studies were completed for Cambodia, Ethiopia, Guinea, Lesotho, Madagascar, Malawi, Mauritania, Nepal, Senegal and Yemen. Another eleven countries are at various stages in the IF process, with World Bank technical review or preliminary DTIS missions planned. The new IF website ([www.integratedframework.org](http://www.integratedframework.org)) is maintained by World Bank staff.

##### (c) WTO Training Institute

22. The World Bank continues to contribute to the three-month Trade Policy Courses held in Geneva through presentations by its staff and dissemination of its publications to course participants. IMF staff also contribute to the courses. The World Bank contributed both financial and human resources to the first three-month Trade Policy Course held in Nairobi in the middle of 2003. Four regional training courses, funded from the Global Trust Fund, are scheduled for 2004 which will benefit from World Bank participation. As part of strengthening its Geneva office and its commitment to supporting the trade agenda, the World Bank has posted a staff member to Geneva to coordinate training activities with the WTO Training Institute.

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<sup>5</sup>The IMF also communicates to the WTO its Executive Board Decisions regarding exchange restrictions maintained by its common Members under Article VIII of the Fund's Articles of Agreement. These are circulated as restricted documents under the symbol WT/TF/IMF/-.

## (d) The Standards and Trade Development Facility

23. The Standards and Trade Development Facility (STDF), launched in 2002 with financial support from the World Bank, will provide capacity-building and technical assistance in developing and applying standards and regulations for food safety and animal and plant health. The purpose of the STDF is to facilitate the collaboration between the partner organizations (WTO, FAO, OIE, WHO and the World Bank) in SPS-related activities, including through the development of joint institutional projects. In 2003, the WTO dedicated CHF100,000 to this Facility from the Global Trust Fund. In May, the STDF Working Group met and approved the development of a database that will contain information on past and planned SPS technical assistance and related capacity-building which like the WTO/OECD database is designed to avoid duplication and identify gaps. A website ([www.standardsfacility.org](http://www.standardsfacility.org)) has also been established which contains training materials and allows for transmission of project proposals from beneficiary countries.

## (e) Joint Vienna Institute

24. The WTO has been co-sponsoring the Joint Vienna Institute (JVI) which provides training to government officials from transition countries. Other sponsors of the JVI include the IMF, the World Bank, the BIS, OECD, EBRD and the Austrian Government. The JVI is also supported by a number of other bilateral donors. The main aim of the JVI is to provide training support to ease the transition from centrally-planned to market-based economies, but other developing countries have also participated.

25. The WTO Secretariat continued to offer its training activities at the JVI in two separate ways. The WTO has been responsible for the two-week segment on *Trade Policy* which is part of a longer course in Applied Economic Policy. The segment is given twice a year. In addition, the WTO organized four seminar courses on trade policy and WTO-related issues in the course of the year.

26. Given the success of the training activities of the Institute, the Austrian authorities proposed in 2002 to transform the JVI into a permanent training institution. The WTO has decided to join the other sponsors in providing future support for the JVI; the formal change in the status took place in November 2003. The WTO is currently discussing both with the IMF and the Austrian Government how to further enhance WTO participation and activities at the JVI. The Director-General has held discussions with the Managing Director of the IMF on this issue.

## (f) Trade and Development Centre

27. Since 1997, the WTO and the World Bank Institute have maintained a shared website providing development-related trade information. The site also provides a point of contact for trade officials in developing and transition economies, including officials who have participated in WTO and World Bank training courses.

## F. GENERAL CONTACTS PURSUANT TO PARAGRAPH 10 OF THE IMF AGREEMENT AND PARAGRAPH 8 OF THE WORLD BANK AGREEMENT

28. The exchange of views and information on trade and trade-related issues is an important requirement for greater coherence in policy-making, and the three organizations continue to draw extensively on each other's work and expertise. Many WTO Secretariat documents rely on inputs from the IMF and the World Bank on macroeconomic, trade, and social developments. Similarly, the IMF and the World Bank use information on trade, trade measures and related issues from WTO sources, particularly to ensure that their policy advice is consistent with WTO rules.

29. The WTO Secretariat and the staff of the IMF and the World Bank consult, as necessary, on issues of possible inconsistency between measures under discussion with a common member and that member's obligations under the WTO Agreement or, in the case of the Fund, under its Articles of Agreement. Staff takes care to ensure that cooperation neither encroaches on institutional mandates nor leads to cross-conditionality or extra conditions on WTO Members.

G. LEAST DEVELOPED AND NET FOOD-IMPORTING DEVELOPING COUNTRIES

30. In the context of the implementation of the Marrakesh Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries (Marrakesh NFIDC Decision), Ministers in Doha established the Inter-Agency Panel on Short-Term Difficulties in Financing Normal Levels of Commercial Imports of Basic Foodstuffs. The General Council approved the Panel's recommendations in October 2002.<sup>6</sup>

31. Since then, the Committee on Agriculture held consultations on a proposal for the establishment of an ex-ante financing facility but support for this was not forthcoming. The Committee convened an inter-agency roundtable in May 2003 to explore, *inter alia*, the need for a safety net to be established to assist the LDCs and NFIDCs during the reform process leading to greater liberalization of trade in agriculture. The Committee forwarded its report (G/AG/16) to the General Council which approved the recommendations in July. As part of the recommendations contained in the report, Members, in their capacity as Members of the IMF, were urged to take into account the concerns of LDCs and NFIDCs when reviewing the Poverty Reduction and Growth Facility and the Compensatory Financing Facility of the IMF in 2003. The World Bank and other relevant international organizations were requested to advise the Committee on the possibility of using commodity price risk management instruments to help stabilize the food import bills of the LDCs and NFIDCs.<sup>7</sup>

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<sup>6</sup> WT/GC/62; G/AG/13 of 28 June 2002, paragraph 168.

<sup>7</sup> WT/GC/M/81 of 28 August 2003.