

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

Report (2001) by the Director-General

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"¹, to inform Members about the activities carried out by the WTO under its cooperation agreements with the IMF and the World Bank².
2. Over the past year, the WTO Secretariat has intensified its cooperation with the staff of the IMF and the World Bank in assisting developing and least-developed countries to take greater advantage from their involvement in international trade and their participation in the multilateral trading system, in support of broader efforts geared towards economic growth and development and the alleviation of poverty.
3. In their individual capacities, the WTO Director-General, the Managing Director of the IMF and the President of the World Bank have each emphasized the important contribution that trade makes to economic development and poverty reduction, and have continued to stress the need for improved market access for developing-country exports, for on-going support for trade policy reform, and for enhanced assistance in trade-related capacity building. They have underlined the complementary nature of efforts being pursued in these areas by the three institutions, and noted that when taken together, these efforts represent the essence of adopting a more coherent approach to global economic policy-making.
4. Trade was a main focus of the April 2001 meetings of the IMF's International Monetary and Finance Committee (IMFC) and IMF/World Bank Development Committee. In its communiqué, the IMFC urged WTO Members to find common ground to enable them to launch new multilateral trade negotiations at the WTO's Doha Ministerial Conference in November.³ The Development Committee focused on the World Bank's role in assisting developing countries to "leverage trade for development" through enhanced trade-related capacity building,⁴ by helping developing countries to increase their ability to access global markets, to assist in the implementation of existing trade agreements, and to prepare for future WTO negotiations. The Development Committee endorsed an expanded role for the Bank on trade, through lending at the country level through Bank Country

¹ WT/L/194 of 18 November 1996.

² The last report is contained in WT/TF/COH/S/4 of 14 December 2000.

³ Extract from the International Monetary and Financial Committee of the Board of Governors of the International Monetary Fund - Communiqué, 29 April 2001 (WT/TF/COH/9, p.3).

⁴ "Leveraging Trade for Development: World Bank Role", the issues paper prepared by World Bank staff for consideration at the 30 April 2001 meeting of the Development Committee, is contained in WT/TF/COH/10 and JOB(01)/75.

Assistance Strategies and the Poverty Reduction Strategies, and by working more closely with its partners in the Integrated Framework.⁵

5. Trade issues also figured prominently in the IMF's World Economic Outlook (WEO) in September, and the World Bank's 2002 Global Economic Prospects for Development (GEP) in October. The WEO included a survey of progress in the multilateral trading system since the WTO's 3rd Ministerial Conference in Seattle in 1999, and the prospects for the launch of a new work programme at the 4th Ministerial Conference in Doha. This year's GEP, entitled "Making Trade Work for the World's Poor", was devoted to trade topics of relevance to developing and least-developed countries, and included chapters on policy issues related to market access, trade in services, and intellectual property.

6. The trade sub-committee of the IMF's Executive Board (CWTO) also met in September to review what the IMF is doing to support an open multilateral trading system. The IMF's objectives include: highlighting the value of launching new trade negotiations in Doha; continuing to address trade issues in the context of IMF surveillance and programme activities; laying the groundwork for successful trade liberalization, especially with regard to balance-of-payments and revenue issues; and continuing to cooperate closely with the WTO and the World Bank in providing technical assistance to developing countries (in the Fund's areas of expertise), mainstreaming trade into the PRSP process, and actively participating in the Integrated Framework.

Consultations between the Director-General and the Managing Director of the IMF and the President of the World Bank

7. Over the past year, the Director-General has held several bilateral discussions with Mr. Wolfensohn and Mr. Köhler. The discussions have covered the full range of trade-related and coherence issues, including preparations for the Doha Ministerial Conference, the importance of an open multilateral trading system during the current period of global economic uncertainty, and ways in which the three institutions can cooperate more effectively in the provision of trade-related technical assistance, capacity building and training.

WTO Observership in IMF and World Bank meetings

8. Pursuant to the WTO/IMF and the WTO/World Bank cooperation agreements, the WTO Secretariat is invited, in an observer capacity, to attend meetings of the Executive Boards of the IMF and of the World Bank on general and regional trade policy issues, including the formulation of Fund or Bank policies on trade matters.

9. In the past twelve months, the WTO Secretariat has attended World Bank Executive Board meetings to prepare for the Spring Development Committee meeting, on "Leveraging Trade for Development", on "Global Economic Prospects in Developing Countries" and on the World Development Report, and the IMF Executive Board meeting on the "World Economic Outlook".

IMF and World Bank Participation in WTO meetings

10. The IMF and the World Bank are regularly invited to attend, in an observer capacity, the formal meetings of most WTO bodies (with the exception of the Dispute Settlement Body and the Committee on Budget, Finance and Administration). The IMF also participates regularly in consultations of the Committee on Balance-of-Payments Restrictions. Following a decision of the General Council on 16 February 1999 to authorize its Chairman to convene special informal meetings from time to time, at the request of delegations or the Director-General, to discuss coherence issues,

⁵ Extract from Development Committee - Communiqué, 30 April 2001 (WT/TF/COH/9, pp. 3-4).

representatives of the IMF and the World Bank have been invited to participate in informal General Council meetings on Coherence.

11. The Managing Director of the IMF, Mr. Köhler, and the President of the World bank, Mr. Wolfensohn, have both been invited personally by the Director-General to attend the 4th WTO Ministerial Conference to be held in Doha, Qatar, from 9 to 13 November 2001. Both have been invited to address the Conference.

Joint Research and Analysis

12. The WTO Secretariat continues to collaborate with IMF and World Bank staff in areas of research and analysis where we feel there are opportunities to generate greater economic policy coherence. These areas include: analysis of the timing and sequencing of trade reform and liberalization; analysis of how better international financial standards and supervision can complement financial services liberalization and help create stronger and more stable financial markets; and methodologies for measuring the costs of restrictive trade policies. Work in each of these areas has been inspired by interest shown by member governments in one or other of the three organisations.

Informal General Council Meeting on Coherence. An Informal General Council Meeting on Coherence was held on 18 January 2001 where the Director-General reported to Members on the activities carried out under the Coherence mandate in 2000, and suggested future priorities for the coming year. Senior representatives of the World Bank and the IMF also briefed Members on joint efforts to mainstream trade in the Poverty Reduction Strategies, as well as in the broader development work of the Bank and the Fund.

Joint Seminars. The series of informal Coherence seminars, begun in 2000, continued in 2001, providing an opportunity for World Bank and IMF staff to brief WTO delegates and Secretariat staff on work in progress in their organizations on issues related to trade. Topics covered include: (i) a presentation by the World Bank of its 2000 report on "Global Economic Prospects for Developing Countries" which had a strong trade focus, and (ii) a one-day presentation by the World Bank of an updated version of its "Handbook on Negotiating Issues".

Task Force on Small States. Since 1998, the WTO Secretariat has participated on the Advisory Board of the World Bank/Commonwealth Secretariat Task Force on Small States.

Data Exchanges. Under the WTO/IMF and WTO/World Bank cooperation agreements, the WTO Secretariat provides the IMF and World Bank staff with access, on a confidential basis, to the Integrated Database of the WTO and to final schedules of commitments of WTO Members. Subject to the same confidentiality requirement, the Fund makes available to the WTO Secretariat the publications files of the International Financial Statistics (IFS), Balance of Payments Statistics (BOPS), Government Financial Statistics (GFS), and Direction of Trade Statistics (DOTS). The Fund's staff also makes available to the WTO Secretariat historical data and aggregate projections in the "World Economic Outlook" (WEO). Consideration is given to specific additional requests pertaining to the IFS, BOPS, GFS and DOTS databases, as well as requests for projections of individual country data to be used in the WEO and for other statistics. The World Bank provides the WTO Secretariat access to the Bank Economic and Social Database (BESD), as well as the Statistical Annex of the Global Economic Prospects and the Developing Countries.

IMF country reports. 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 use of Fund resources for common members and on Fund members seeking accession to the WTO, subject to the consent of the member concerned. These documents contain details of the IMF's trade policy advice and conditionality, which is reviewed routinely by the WTO Secretariat. They are also used by the WTO Secretariat for reference purposes, notably in the course of the preparation of Secretariat reports for the Trade Policy Review Mechanism.

Trade and Development Centre. Since 1997, the WTO and the World Bank Development 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.

Development Gateway. The WTO continues to contribute to the World Bank's Development Gateway, which was conceived as an Internet-based vehicle to facilitate the provision and exchange of information relating to development.

Technical Cooperation

13. In 2001, the WTO Secretariat successfully reviewed and redesigned its technical cooperation and trading activities to meet the following objectives:

- inject greater urgency into this important area of WTO work to reflect the importance attached to these activities by Members;
- ensure value for money and proper return to Members and donors on their development assistance dollar;
- promote greater accountability, transparency and prioritization in WTO technical cooperation and training activities; and
- ensure the quality and relevance of WTO technical cooperation and training activities and effective delivery of such assistance to developing countries and least-developed countries.

The significant changes announced by the Director-General to the WTO membership on 18 July included reorganization of the Technical Cooperation Division, establishment of a new Management Committee on Trade-Related Technical Assistance, establishment of a Technical Cooperation Audit Unit, reconstituting of the former Training Division into the WTO Training Institute, and the establishment of a Trade Information Centre. A key element of the changes has been to develop a more structured approach to cooperation between the WTO and other agencies such as the IMF and the World Bank. This work is continuing. Important areas of cooperation with the IMF and the World Bank over the past year have included:

The Integrated Framework for Least-Developed countries. The IMF and the World Bank both participate in the Integrated Framework (IF), along with UNCTAD, UNDP, and the ITC. The IF is a unique project-driven example of cooperation between agencies as directed by Ministers at the 1996 Singapore Ministerial Conference. The focus of the IF is to assist LDCs to mainstream trade into their national development strategies for poverty reduction, and it has been operating on the basis of a pilot scheme since May 2001 in three LDCs (Cambodia, Madagascar and Mauritania). The agencies are involved in the day-to-day

operations and the management and of the IF, through the Inter-Agency Working Group and the Integrated Framework Steering Committee, respectively.⁶

Integrating trade into development plans for least-developed countries was the focus of an IF seminar organized jointly by the WTO, IMF, ITC, UNCTAD, UNDP and World Bank in Geneva on 29-30 January, 2001. The seminar also looked at how these countries can better exercise their WTO rights and make better use of WTO opportunities. Participants included experts in trade, finance and development.⁷

WTO Training Institute. As of 5 June 2001, the Training Division was reconstituted as the WTO Training Institute. This is a step in the direction of broadening the training activities of our organization, and improving their quality and effectiveness. The Institute has been given a mandate to work on a variety of trade policy courses, to develop distance-learning activities,⁸ to begin training of trainers programmes, as well as to strengthen links with the academic community. The Institute will have a joint Consultative Board which will include representatives from the World Bank, as well as UNCTAD, the ITC, and the academic community. The Board, acting in an advisory capacity, will jointly oversee the training activities of the WTO to bring fresh perspectives to the curriculum, to ensure coherence with other agencies, and to enhance transparency and accountability.

World Bank experts continue to present two-day "modules" at the beginning of each Trade Policy Course (TPC). For the first time this year, an IMF representative also participated. In addition, the Training Institute will seek greater cooperation with the World Bank and the IMF as it develops new programmes. As the mandate of the Trade Policy Courses continues to expand, WTO staff increasingly interact with their counterparts at the World Bank and IMF to improve and expand the TPCs curriculum.

Geneva Week for non-resident missions. The WTO has taken a number of initiatives to support members and observers which do not have missions in Geneva. This includes regular briefing notes that are sent by e-mail to non-residents' capitals and missions in Europe, and the annual "Geneva Week", where non-residents are invited to Geneva for briefings on WTO work. Here they have the chance to interact with WTO officials and Geneva-based delegations. IMF and World Bank staff are invited to participate in this process, providing technical expertise and guest speakers.

Joint Vienna Institute (JVI). The WTO Secretariat works with the IMF, the World Bank, BIS, OECD, EBRD and the Austrian Government as co-sponsors of the Joint Vienna Institute (JVI), established in 1992 to provide training support largely for countries making the transition from centrally-planned to market-based economies, although other countries are also involved. Applied Economic Policy courses, where trade issues figure prominently, are held twice yearly from September to December, and February to April. The WTO also organizes two seminar courses on trade policy, in late spring and early autumn, at the JVI. This year the WTO is chairing the Executive Board of the JVI, and has hosted joint meetings of the Board and external donors in Washington DC and Prague. The activities of the JVI are supported by a growing number of external donors, including the central banks of the Czech Republic, Hungary, and Poland, while the European Investment Bank and the International Financial Corporation of the World Bank Group have also expressed an interest in

⁶ Reports of the IF Steering Committee are contained in documents WT/IFSC/M1 and M/2.

⁷ WT/LDC/SWG/IF/15/Rev.1.

⁸ The Secretariat is exploring how the World Bank's Global Learning Network infrastructure can be used in expanding the reach of WTO training courses in the future.

participating. In 2001, proposals have advanced, and are currently being studied, to turn the JVI into a permanent, year-round training centre.

Trade Policy Review Reports. Starting last year, the WTO Secretariat now regularly examines the technical assistance needs and priorities of least-developed and lesser developed countries, both to help guide the work of the Integrated Framework and to feed into the IMF/World Bank Poverty Reduction Strategy process. This was done for Mozambique, Uganda, and Madagascar this year, while Malawi, Mauritania, Haiti, and Zambia are scheduled to be examined next year.

Training Programme on the Legal Aspects of International Trade. Building on a pilot project last year,⁹ the Legal Department of the World Bank, the World Bank Institute, and the WTO are developing a joint training programme aimed at facilitating regular exchanges among legal experts and developing-country trade officials on issues related to international trade law. The programme is scheduled to be launched in 2002. Its focus will be on promoting mutual understanding of the legal aspects of the international trading system, and facilitating development strategies that are consistent with international trade rules. The programme will consist of a series of video-conferences, spread over several months, linking together legal staff at World Bank headquarters in Washington and the WTO Secretariat in Geneva, with developing-country officials and experts in capitals.

General Contacts Pursuant to Paragraph 10 of the IMF Agreement and Paragraph 8 of the World Bank Agreement

14. Pursuant to Article 10 of the WTO/IMF cooperation agreement, the WTO Secretariat and the IMF staff 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, and on issues of possible inconsistency between measures under discussion with a common member and that member's obligations under the Fund's Articles of Agreement. Both the WTO Secretariat and the IMF staff take care to ensure that cooperation in this area is conducted in such a way as to respect fully the separate mandates, confidentiality requirements and the necessary autonomy in decision-making procedures of the two organisations, and that cooperation does not result in cross-conditionality nor extra conditions on WTO Members.

15. 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 the work and expertise of each other. For example, WTO reports utilise 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 does not include WTO-inconsistent measures.

High-Level Working Group on Coherence

16. The High-Level Working Group on Coherence, consisting of senior staff from the IMF, the World Bank and the WTO, met twice in 2001. Discussions focused in particular on joint research projects, and on the representation of the World Bank and the IMF at the WTO's 4th Ministerial Conference in Doha in November, as well as on a range of issues of routine interest.

⁹ Last year, WTO staff participated in a World Bank seminar on "International Trade Law" in Washington. The purpose of the seminar was to better inform IMF and World Bank lawyers about WTO law - given their growing role in providing legal advice on trade issues to governments.

Least Developed and Net Food-Importing Developing Countries

17. The IMF and the World Bank report regularly to the Committee on Agriculture on financial support they provide to these countries in this area, through adjustment programmes or emergency lending in the case of the IMF, and through agricultural development projects, structural adjustment lending and emergency lending in the case of the World Bank (G/AG/W/42/Rev.3). In addition, the Committee on Agriculture, in its September discussion of implementation-related issues, resolved that an inter-agency panel of financial and commodity experts be convened to report on the scope for improving access by least-developed and WTO net food-importing developing countries to multilateral programmes and facilities to assist with short-term difficulties in financing commercial imports of basic foodstuffs, as well as on the concept and feasibility of the proposal for establishing a revolving fund (G/AG/W/49 and Add.1). The detailed terms of reference and composition of such a Panel would be submitted for approval by the General Council not later than the end of March 2002.
