

# WORLD TRADE ORGANIZATION

RESTRICTED

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## AGREEMENTS BETWEEN THE WTO AND THE IMF AND THE WORLD BANK

### Report by the Director-General on Implementation of the Agreements

1. In November 1996 the General Council approved the proposed WTO Agreements with the International Monetary Fund (IMF) and the World Bank. The Agreements aim to strengthen our relations, through further cooperation and collaboration, with the IMF and the World Bank. The Agreement with the IMF was signed in Singapore at the time of the Ministerial Conference in December 1996, and that with the Bank was signed in late April of this year.

2. The Agreements are central to meeting the Ministerial Mandate for the WTO to pursue and develop cooperation with the IMF and the World Bank with a view to achieving greater coherence in global economic policymaking. In particular, this addresses the challenge that our Members face in drawing the full benefits from globalization. It is clear that the prospects for progress in this respect are improved by closer cooperation between our three organizations, while carefully respecting the confidentiality needs and autonomy in decision-making of each institution.

3. The Agreements have been in effect for less than a year - in the case of the World Bank for barely seven months. But important new forms of interaction and cooperation have already been put in place and I thought it appropriate to report to you on their implementation to date. Broadly, the relevant activities can be grouped under three headings: participation in each others' meetings; exchange of views and information, including work on *coherence*; and technical cooperation, especially in exploring how new information and communications technologies can best be used to improve access to knowledge and boost development.

#### Participation in meetings

4. I should note from the outset that I have continued to meet informally from time to time with my counterparts, Mr Camdessus, the Managing Director of the IMF, and Mr Wolfensohn, President of the World Bank. These meetings have been the occasion for a broad exchange of views in areas of mutual concern. Thus, for example, it is clear that the IMF and the World Bank endorse the importance of a successful conclusion of the negotiations on Financial Services. They also support our efforts for a more integrated approach to technical cooperation for our Members, as is evident from various projects we have launched with the World Bank and the important role both institutions played in the organization of the High-Level Meeting for Least-Developed Countries.

5. Our attendance at the IMF-World Bank Annual Meetings and at sessions of the Interim and Development Committees help to keep us abreast of policy developments in these organizations. Thus, at the recent meeting of the IMF's Interim Committee in Hong Kong, a possible amendment of the IMF's Articles of Agreement relating to capital account liberalization among IMF Members was discussed; this is of clear importance to our Members and I return to the matter below (in paragraph 11).

6. In March 1997 the Secretariat was an observer, for the first time, at an IMF Executive Board meeting, on the occasion of its discussion of the World Economic Outlook (WEO). The WEO is the IMF's flagship publication. It is issued twice a year, subsequent to detailed discussion of its findings in the IMF's Executive Board; at the time of the discussions, the WEO is highly confidential and for

observers to attend is exceptional. Issuance is coordinated with the IMF's Interim Committee meetings in the Spring and the Autumn.

7. The WEO provides an authoritative overview of the world economic situation, including projections of major indicators, such as growth and inflation rates, as well as of trade volumes. On a confidential basis, the IMF sends the Secretariat an advance copy of the WEO, ahead of the Executive Board's discussion. The information is of clear operational importance to the Secretariat, which also has opportunity to comment on the WEO. This helps to ensure that WTO perspectives are taken into account in its preparation.

8. The March WEO discussions centered on that issue's theme of globalization, a matter of significant concern to our Membership. The WEO noted that globalization, like technological change, is a fundamental source of economic growth and hence of income and welfare gains, but also of structural change. In common with WTO documents on globalization, the WEO clearly indicates that adjustment to higher income levels is the more certain and rapid when basic macroeconomic management is sound and the economy is open and flexible.

9. In July 1997 the Secretariat was also an observer, for the first time, at the World Bank's Executive Board, for its discussion of the Bank paper on Global Economic Prospects (GEP). Annually, the GEP examines the environment for developing countries, often within the context of a topic of current interest, e.g. indebtedness. This year's report centered on how developing countries might benefit from - and contribute to - the growing integration of the world's economies. The report found that the medium to long-term (10 years) outlook for developing countries is at least as good, if not better, than in the recent past and that a major contributing factor to this is the more liberalized trading environment. Not surprisingly, the GEP notes that countries will benefit more from globalization to the extent that their own economies are (credibly) open to trade with the rest of the world.

10. The Secretariat commented on an early draft of the GEP, particularly with reference to the role of the WTO. As with the WEO, our involvement with the GEP helps the Secretariat in its own evaluation of trading conditions and contributes to a common appreciation among our three organizations of the way developments in each interact with those in the others. This in turn helps us to provide our Members with better-informed advice.

11. The Secretariat recently attended an IMF Executive Board meeting that discussed a possible amendment of the IMF's Articles of Agreement, to make the promotion of capital account liberalization a specific purpose of the IMF and to give the IMF appropriate jurisdiction over capital movements. A change in the IMF's Articles of Agreement is clearly a matter of great interest to the WTO since the WTO Agreements include references to the IMF and its Articles. The IMF is fully aware of this interest. Indeed, Mr Camdessus and I agreed that the WTO Secretariat and IMF staff should keep closely in touch on the issue. In this spirit, the IMF's General Counsel has taken up contact with the Director of our Legal Affairs Division on various points regarding the WTO Agreements. Ambassador Lafer, as Chairman of the General Council, has been kept fully informed and consulted on all issues in this matter. The Secretariat, in its communications with the IMF's General Counsel, has stressed that only the General Council interprets the WTO Agreements. The matter of an amendment of the IMF's Articles of Agreement remains before its Executive Board and is unlikely to come to a resolution before Spring 1998. The Secretariat's involvement in this matter is thus ongoing and I will continue to consult fully on it with the Chairman of the General Council.

12. In October 1997, the Secretariat was represented at an IMF Executive Board discussion of *trade liberalization in the context of IMF-supported programmes*, and in November we were present at the Board's consideration of developments in the *Ugandan economy*, where trade liberalization has been an important factor in the country's adjustment effort.

13. Prospective plans for attendance at meetings of the IMF and World Bank Executive Boards are limited. Applying a restrictive policy on our part, if only for human and travel resource considerations, the Secretariat can be expected to observe the IMF Executive Board discussions of important trade and related matters, including possibly in the case of countries that are also on the WTO schedule of Trade Policy Reviews. With respect to the World Bank, I expect that early next year the Secretariat will observe its Executive Board meeting on the World Development Report 1998, and perhaps on foreign direct investment flows; it is also possible that we might be present for the Board's consideration of developments in a country where trade or related policies have played an important role. I should note that we did not attend an early-September Bank Board discussion on preparations for the World Development Report 1998 - which on this occasion is to feature Knowledge For Development - as we were constrained by budgetary considerations.

14. The IMF and the World Bank have frequently been represented by members of their staffs as observers at WTO meetings. On a number of occasions this has resulted in requests from WTO bodies for information from these organizations. Thus the staff of the World Bank has submitted reports on Bank work related to Customs Valuation, Intellectual Property Rights, Preshipment Inspection, and Trade and Investment. The staff of the IMF has made similar submissions on Intellectual Property Rights and on Trade and Investment.

15. In accord with GATT Article XV and GATS Article XII, the IMF has a formal presence in the WTO Committee on Balance-of-Payments Restrictions. The IMF provides background economic information on Members consulting in the Committee and in the event of full consultations it presents a statement, which is the official view of the IMF. In the past year such statements have been made in consultations with Bulgaria, the Czech Republic, India, Nigeria, Pakistan, the Slovak Republic and Tunisia. The IMF role in the Committee has invariably proved valuable in helping the Committee to arrive at its conclusions.

#### Exchange of views and information

16. Primary under this heading is the *coherence* mandate. Ministers instructed the Director-General of the WTO to address, with the IMF and the World Bank, the issue of coherence in global economic policy making. Indeed, Article III.5 of the Agreement Establishing the WTO makes direct reference to greater coherence in global economic policymaking. Such coherence may be viewed as efforts by our three institutions, individually and collectively, to work toward harmonious implementation of our common and complementary objectives. In this regard, the WTO Agreements with the IMF and the World Bank were important advances. The unprecedented opportunities for formal consultations, and participation in key formal meetings at the Executive Boards of the IMF and the World Bank as described above, are also important in this regard.

17. Substantive as these advances are, all three organizations recognize that the WTO's coherence mandate refers to a fuller range of themes. In this respect an active process of exchange of views has been underway among the Secretariat and the staffs of the IMF and of the World Bank, aimed at establishing an informal common framework on the matter of coherence. I will certainly keep you fully informed on any further progress in this important area.

18. An important element under this heading is *coherence at the national level*, which is, of course, in the sovereign domains of your Governments. As I have noted previously,<sup>1</sup> in the course of our work we may come upon policy measures that have been proposed by the IMF or the World Bank

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<sup>1</sup>"Statement by the Director-General on Consultations and Coherence", WTO document WT/L/194/Add-1.

- or that they are considering - that may not be obviously consistent with agreed rights and obligations under the WTO. I am glad to say that no such instances have come to our attention during the period since the coming into effect of the Agreements and hence there has been no need for the relevant consultations, neither with a Member or Members, nor with the IMF or the World Bank.

19. The actual flow of information between our organizations has also improved under the implementation of the Agreements. The IMF provides the Secretariat with factual information which is invaluable especially in the preparation of the Secretariat reports for the Trade Policy Review Body and the Committee on Balance-of-Payments Restrictions. We, of course, also receive copies of the IMF's World Economic Outlook, Annual Reports and a variety of statistical series. In turn, the IMF and the World Bank receive copies of our reports and publications and have access to the Integrated Data Base.

20. In accord with our Agreement, the World Bank recently sent us copies of each of their new electronic products, the *World Development Indicators 1997 (WDI) CD-Rom* and the *Global Development Finance 1997 (GDF) CD-Rom*. The two, which will be regularly updated, provide the Secretariat with ready access to key data series used by the staff of the World Bank. The World Bank also provides the Secretariat with copies of a variety of reports and publications, including the World Development Report, Global Economic Prospects and the World Bank Atlas.

21. The Secretariat and the staffs of the IMF and the World Bank also consult frequently, and usually very informally, on purely technical matters. Thus, for example, a country desk at the IMF or the World Bank might approach the Trade Policy Review Division to review for factual accuracy the desk's information on trade measures maintained by the country. Similarly, a WTO officer might seek clarification from an IMF or World Bank staff member on data in country reports. Somewhat more formally, the Secretariat has worked closely with staff of the IMF and the World Bank in the context of the U.N. Task force on International Merchandise Trade Statistics, to revise the concepts and definitions for statistics on trade flows. WTO statisticians will also work with the IMF's Department of Statistics to improve the detail and collection of service statistics, a matter of clear importance for an improved understanding of trade in services.

22. The WTO provided a forum for a public presentation in mid-September on the World Bank's World Development Report. The report is an important annual publication of the World Bank. Its theme this year was The State in a Changing World. The presentation, to which all WTO delegations and observers were invited, was made by the editor of the report, Mr A. Chhibber. Attendance was very good and the subsequent questions and debate very lively. I look forward to expanding this type of interaction with the Bank and indeed with other institutions.

#### Technical cooperation

23. Technical cooperation with the IMF and the World Bank has advanced on a number of fronts and holds great promise for the future, much to the benefit of all our Members. The IMF and the World Bank are two of the five organizations that most directly cooperated with the WTO in the organization of the High-Level Meeting for Least-Developed Countries' which we convened in late October.<sup>2</sup> This, as you will recall, resulted from the Comprehensive and Integrated WTO *Plan of Action for the Least-Developed Countries* adopted by WTO Ministers in Singapore in December 1996 at their first Conference. Pursuant to this we have started a process of applying on a country-specific basis the Integrated Framework for the provision, inter alia, of trade-related technical assistance, including human and institutional capacity-building, for the support of trade-related activities in least-

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<sup>2</sup>The five agencies referred are the IMF, ITC, UNCTAD, UNDP and the World Bank.

developed countries and the enhancement of their supply response. The High-Level Meeting was therefore a first and critical step in an envisaged long-lasting programme of technical assistance in which the IMF, the World Bank and the WTO will play complementary and mutually supportive roles.

24. A new area of cooperation with enormous potential is our project with the World Bank on Information Technologies for Development (ITD). The project uses information technologies to better enable ministers and officials in developing countries to understand and to make use of the rules and mechanisms of the WTO for the benefit of their countries. The project will enable them to have permanent electronic access to training, education and information tools and to maintain an ongoing interactive electronic contact with the WTO. Integral to the project is the creation of a library of interactive electronic guides, including guides on the WTO; the Uruguay Round and Developing Countries; WTO Schedules; Services; Goods; Regionalism; and Dispute Settlement.

25. The project is a joint undertaking with the Economic Development Institute of the World Bank, with whom we recently signed a formal letter of agreement but with which we have had a working arrangement since December 1996. Under the project, we launched in June 1997 an Internet web-site, the Trade and Development Center ([www.itd.org](http://www.itd.org)), which was fully operative at the time of the High-Level Meeting. At that time, too, the initial electronic guide - on the WTO - was operational and a second - on the Uruguay Round and Developing Countries - was available in print form. Also, in October we equipped the Trade Ministries of Benin, Burkina Faso, Côte d'Ivoire and Ghana with the necessary electronic hard- and soft-ware to access the Internet; we also provided the required training to decision makers. Before the end of the year we plan to provide this equipment and training also to Kenya, Tanzania and Uganda. We hope to extend these facilities to 29 developing-country members of the WTO. Funding for the ITD project is provided by the World Bank, the WTO and the Governments of the Netherlands and Norway.

26. The Cyber-Café that was set up for the duration of the High-Level Meeting allowed officials to see at first hand how we are making use of these new technologies to aid developing countries in their efforts to bring themselves into the mainstream of the global trading system. The new technologies, of which our joint web-site with the World Bank is an outstanding example, are a gateway to development, in that they provide *knowledge*, the most important resource for raising living standards. Our new system provides access to basic information that is critical to policy making and business planning. It will also allow officials the use of on-line forums to consult WTO and World Bank staff on trade matters and learn about emerging developments in the trading system.

27. In a further cooperative effort, we recently agreed to join the IMF and the World Bank, as well as some other major organizations, as co-sponsors of the Joint Vienna Institute (JVI).<sup>3</sup> The Institute provides specialist training in economic and financial management and in administration to public officials and private-sector executives from countries of Central and Eastern Europe and the former Soviet Union, as well as from the previously centrally-planned economies in Asia. As a co-sponsor of the JVI we participate in shaping, designing and implementing what is perhaps the most comprehensive and successful technical assistance programme offered to countries in transition. It is likely that the WTO will initially take responsibility for the trade component of the JVI's comprehensive course in applied market economics; this is given twice a year, with the trade part taking about 1½ weeks of each 18 week course. We will of course retain our own courses for officials from transition countries but may inform JVI brochures of their existence for additional exposure. The financial set-up of the JVI relies heavily on the contributions of the host country, Austria, and on additional assistance from other donor

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<sup>3</sup>The JVI has the following sponsoring agencies besides the IMF, World Bank and now the WTO: the Bank for International Settlement (BIS), the European Bank for Reconstruction and Development (EBRD) and the Organization for Economic Cooperation and Development (OECD).

countries. Our resource commitment would be through the provision of Secretariat officials for the trade part of the courses.

28. We have also worked closely with the staff of the World Bank in the context of Information for Development (INFODEV), a World Bank-managed donor programme. In the period June 1996 to February 1997, stage I of INFODEV provided funds to help pay for WTO Secretariat members (and a small group of consultants) to provide technical assistance to interested Governments to draft offers for the negotiations on Basic Telecommunications. In this manner some 26 countries were assisted, either directly or through regional conferences. This undoubtedly contributed to the successful conclusion of the negotiations. Under stage II of INFODEV, to run from September 1997 to the late summer 1998, funds are to be available to help finance technical assistance by WTO Secretariat members (and some consultants) to: interested Governments who want to make late commitments, by December 1997, in Basic Telecommunications; countries in the process of accession to the WTO who wish to draft offers on Basic Telecommunications; and countries who seek help with the implementation of their commitments in Basic Telecommunications, in both the market access and regulatory areas.

29. Lastly, the WTO Secretariat further collaborates with the IMF and the World Bank by providing experts on WTO Agreements and mechanisms for seminars organized by these organizations on trade and related matters. Thus, for example, the Secretariat participated in a World Bank seminar in Senegal in May 1997 on The GATT/WTO System and its implications for Trade Policy in West Africa. This and similar seminars are valuable for integrating countries into the multilateral system. The Secretariat also intends to organize with our colleagues in the World Bank two regional seminars in Africa on the implementation of the Agreement on Agriculture and recently accepted an invitation by the World Bank for a Secretariat member to join their mission to assist a country in the process of accession to the WTO.

### Conclusion

30. The implementation of these Agreements has started on the right track. We will continue to develop our collaboration with the IMF and World Bank always taking fully into account the concerns expressed by you at the time the Agreements were approved. I will, of course, also continue to keep you fully informed of developments in our relationship with the IMF and the World Bank. Even at this early stage in the implementation process, we can already see it bearing fruit. I look forward to the continuing development of this cooperative effort to the benefit of all WTO Members.