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**IMMEDIATE
ATTENTION**

EB/CW/DC/83/5

August 8, 1983

To: Members of the Committee of the Whole
on the Development Committee

From: The Acting Secretary

Subject: Development Committee - Linkages Between Trade and the
Promotion of Development

Attached for consideration by members of the Committee of the Whole on the Development Committee is a short note on linkages between trade and the promotion of development prepared by the Fund staff as background information for item 3(i) of the agenda for the Development Committee meeting on September 26, 1983.

The note is being circulated to Executive Directors with the request that comments, if any, may be forwarded directly to Mr. Anjaria, Chief, Trade and Payments Division (ext. 74996). To permit comments to be made after the end of the informal recess, it is suggested that they reach Mr. Anjaria by Wednesday, August 24, 1983. Thereafter, a revised draft incorporating the comments will be circulated, and, unless Executive Directors desire otherwise, it will be for lapse of time consideration before its circulation as one of the documents for the September 26 meeting of the Development Committee.

Att: (1)

Other Distribution:
Department Heads

August 5, 1983

Linkages between Trade and the Promotion of Development 1/

1. At its April 1983 meeting, the Development Committee welcomed the intensified efforts of the Bank and the Fund to encourage an expanding and open world trading system while remaining sensitive to the special needs of the developing countries. The Committee encouraged both institutions to collaborate with the GATT in keeping under careful review in the areas of their competence, the progress made, including inter alia the dismantling of barriers. Both institutions were encouraged to pursue their examination further, in the areas of their competence, on the linkages between capital flows, trade and development. This short note provides information on current Fund activities.

2. At the suggestion of the Fund's Executive Board, trade policy issues are now featured more prominently in the Fund's Article IV consultations with member countries, normally held once every 12 months with the major trading nations. Fund staff missions in the field take up trade issues during the consultation discussions with the authorities, and staff reports provide Executive Directors the basis for a critical appraisal of the trade policy stance of individual members during the Board discussion. Global issues of protectionism and the links between the adjustment efforts of Fund members and their access to markets are featured in the World Economic Outlook discussions on the basis of a report prepared by the staff. 2/

3. The stance of trade policy, along with the openness of payments systems, are important elements in assessments of the appropriateness of a country's adjustment policies under financial programs supported by the use of Fund resources. A number of current stand-by and extended arrangements include explicit policies and measures to rationalize and liberalize the trade system; in these cases, trade policy is monitored with particular attention. In the development of medium-term debt analysis and projections, the staff is examining carefully the implications for trade of external borrowing policies.

4. The Fund continues to maintain close links with the GATT. Fund findings form a key input for the GATT Balance of Payments Committee's assessment of the justification for trade restrictions maintained for balance of payments reasons by common members. In recent months, there has been extensive informal contact and exchange of views between the Fund and the GATT at management and staff levels on subjects of mutual concern.

1/ A background note prepared by the staff of the Fund.

2/ See World Economic Outlook, IMF Occasional Paper No. 21 (May 1983), esp. Chapter II and Appendix A-10.