

MASTER FILES  
ROOM C-525

0409

October 13, 1994

Statement by the Staff Representative on  
Collaboration with the World Trade Organization  
Executive Board Meeting  
October 19, 1994

The staff is taking the opportunity of the Board's consideration of the Regional Trading Arrangements paper to update Directors on some evolving aspects of Fund collaboration with the future World Trade Organization (WTO). Directors will have the opportunity for further consideration of these issues when the forthcoming paper on legal implications for the Fund of the Uruguay Round is available for Board discussion. 1/

During the Board consideration of the Comprehensive Trade Paper on August 24, 1994, Directors had a preliminary discussion on collaboration between the Fund and the WTO. They agreed at that time that "the requirements for future collaboration will be an evolving subject requiring periodic review" (the Acting Chairman's Summing Up at the Conclusion of the Discussion on the Comprehensive Trade Paper, Buff 94/82, August 30, 1994). Since the Board discussion, senior staff level discussions were held in Madrid on collaboration issues with the GATT Secretariat in both bilateral and trilateral meetings (the latter among Bank/Fund/GATT staff). 2/ Fund staff also discussed these issues informally in Geneva with the Chairman of the WTO Preparatory Committee's Subcommittee on Institutional, Procedural, and Legal Matters. 3/

This buff provides the staff's further thinking on the elements of future cooperation between the Fund and the WTO, drawing on the above-mentioned Board discussion and informal consultations with senior GATT officials. It is intended to prepare the groundwork for an eventual draft framework on Fund/WTO collaboration. The elements considered here build on existing channels of collaboration with GATT; they may need to be elaborated or modified in the light of further consideration of cooperation issues in the respective institutions (including discussion of the forthcoming legal paper), and as the collaborative relationship between the Fund and the WTO evolves. Bank staff have prepared a similar note on Bank/WTO collaboration.

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1/ This note does not prejudice consideration of jurisdictional issues that are the focus of the legal paper.

2/ Several meetings were held in Madrid during the Annual Meetings with Mr. J. Seade, GATT Deputy Director General, and Mr. G. Sampson, GATT Director of Regional and Preferential Trade, and Trade and Finance Division.

3/ The Subcommittee, which is in charge of collaboration issues, is currently considering observer status for international organizations in various WTO committees/bodies. The Chairman has asked GATT delegations to reflect on the manner of dealing with coherence/collaboration issues between the WTO and the Bretton Woods institutions; discussions on this topic are at an early stage.

### Balance of payments consultations

An existing channel of Fund/GATT collaboration is through the Fund's participation in the consultations of the GATT Committee on Balance of Payments Restrictions. In the WTO, the role of the Fund in balance of payments consultations will be expanded to cover both goods and services. The Fund should stand ready to provide timely information and assessments of the consulting member's balance of payments situation, so as to enable the WTO Committee on Balance of Payments Restrictions to assess the appropriateness of the member's trade restrictions on goods and/or services maintained for balance of payments purposes.

### Consistency of policy advice

The basic objectives of the Fund and the WTO are mutually consistent, although the two institutions have different mandates and emphasis. The WTO's charter calls for the achievement of greater coherence in global economic policy making. The Fund, given its responsibilities in the macroeconomic policy area, including with respect to exchange rates, is well placed to assess issues of coherence between macroeconomic and trade policies. <sup>1/</sup> To help ensure consistency in the implementation of the respective surveillance functions of the two institutions and avoid duplication, Fund staff should place greater emphasis on specific macroeconomic/trade linkages of mutual interest--including particularly those where WTO staff or members have expressed concern--and bring them to the attention of Executive Directors as necessary.

Under the Uruguay Round, many countries have taken on more extensive commitments than in the past. Against this background, Fund staff need to be even more vigilant to ensure that recommended policy measures and program conditionality are consistent with obligations under the WTO. To promote economic efficiency, Fund policy advice often encompasses features that require reforms that are consistent with (though they may go beyond) a member's undertakings in the WTO. In some cases where economic efficiency considerations may conflict with WTO obligations, Fund staff should encourage the member to consult with the WTO to resolve the issue. Cross conditionality should be avoided.

### Staff contacts

Existing channels for staff contacts between the Fund and the GATT/WTO should be enhanced, and possibly supplemented by staff exchanges, with a view to assuring effective cooperation and interaction among the two staffs. The Fund's Geneva office will continue to provide liaison between the Fund and the WTO on an ongoing basis. This should be supplemented by periodic

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<sup>1/</sup> Directors will recall, for example, that at the request of the Director General of the GATT in the 1980s, the Fund prepared a study on possible linkages between exchange rate volatility and trade flows.

meetings (at least annually) between appropriately senior staff of the institutions to review issues of mutual interest and/or concern and possible solutions. It is anticipated that part of these meetings would be held jointly with senior Bank staff. Furthermore, in cases involving important trade policy issues, there should be more active use of informal Fund staff visits to exchange views with WTO staff, for example en route to Article IV and/or UFR consultations. Similarly, WTO staff should be encouraged to visit Fund headquarters periodically to informally discuss specific country cases or policy issues. Such strengthened informal staff contacts would help the respective staffs to exchange views in areas of mutual interest and concern. Meetings at head of institution level would continue to be arranged as needed.

#### Representation

No major changes appear needed at this time regarding formal arrangements for representation. The Director-General of GATT has been regularly invited to the Interim and Development Committees and has made presentations to them. Arrangements for GATT's attendance at Bank/Fund Annual Meetings as an observer have been resumed. The Fund enjoys observer status and may make statements at almost all official GATT bodies. The question of observer status in the various WTO bodies/committees is under consideration in the WTO Subcommittee on Institutional, Procedural, and Legal Matters.

#### Document exchange

Current procedures for document exchange involve the receipt by Fund staff of most GATT documents on a confidential basis. On the basis of formal arrangements approved by the Board, the Director-General of GATT is provided Article IV Consultation reports regarding common members. The Fund also transmits to the GATT Balance of Payments Committee the latest RED report on the consulting member (in addition to a Fund statement where relevant). While these procedures have worked well thus far, Fund staff should stand ready to explore the need for strengthening document exchange as necessary. For example, there may be a need to provide WTO staff with Article IV Consultation reports regarding Fund members that are seeking accession to the GATT/WTO. This may require instituting additional procedures for transmittal of documents; provided that Directors agree to this approach, the staff would seek such transmittal authority as needed. Fund staff should also ensure that an up-to-date assessment of a country's macroeconomic situation is available to WTO staff at the time of preparation of the latter's Trade Policy Review Mechanism (TPRM) reports <sup>1/</sup> or as needed; where there is a considerable interval between the Article IV discussion and the TPRM, Fund staff should be able to provide WTO staff updated factual information on the macroeconomic situation.

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<sup>1/</sup> TPRM reports feature, inter alia, the macroeconomic situation of the concerned country.

Research and information exchange

Fund and WTO staffs should, at an early stage of preparation, seek each others' views on staff reports in which international trade policy issues are prominently featured. This would help keep each informed of the other's activities, identify issues of common interest and potentially increase the coherence between their positions. Joint studies on topics of mutual interest should be considered from time to time. The feasibility of better access to each other's databases should also be explored. For example, access to GATT's Integrated Database would benefit Fund staff in its analysis of the economic impact of the implementation of the Uruguay Round on individual countries.