

MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND

RESTRICTED

MTN.GNG/NG14/W/21
22 March 1988

Special Distribution

Group of Negotiations on Goods (GATT)

Negotiating Group on Functioning
of the GATT System

Original: English

PROPOSAL BY CANADA

The following communication has been received from the delegation of Canada with the request that it be circulated to members of the Group.

A PROPOSAL FOR INCREASED GATT/IMF/IBRD COOPERATION

The Punta del Este Declaration fully recognizes the close interrelationship between trade and finance policies. The objectives of the negotiations refer to the need to "strengthen the role of the GATT" and to "increase the responsiveness of the GATT system to the evolving international economic environment". The final objective cited is to "foster concurrent co-operative action at the national and international levels to strengthen the interrelationship between trade policies and other economic policies affecting growth and development, and to contribute towards continued, effective and determined efforts to improve the functioning of the international monetary system and the flow of financial and real investment resources to developing countries".

The mandate of the negotiating group on the Functioning of the GATT System gives expression within the negotiating framework to these commonly agreed objectives.

The Declaration specifically cites a number of means of achieving the objectives, including "enhancing the relationship of the GATT with the relevant international organisations". The mandate of the FOGS group in this regard commits countries to develop understandings and arrangements in three areas, including "to increase the contribution of the GATT to achieving greater coherence in global economic policy-making through strengthening its relationship with other international organizations responsible for monetary and financial matters".

The GATT, the IMF and the IBRD share a common birth and common goals, namely a stable and healthy economic system based on free, non-discriminatory trade, freely convertible currencies, stable and predictable exchange rates and effective domestic policies that take account of changing economic conditions and the need to engage other economies on the basis of comparative advantage.

Institutional cooperation involves basically two levels: between the staff of the institutions involved and between the national representatives to the three institutions who determine the policy course of their respective institutions.

The success of increased institutional cooperation is predicated on agreement in the other two aspects of the negotiating mandate for this group to strengthen the GATT significantly. The GATT must be given an important policy function based on an effective surveillance of members' individual trade policies and measures and on the necessary economic and analytical capacity to carry out that function. The GATT Secretariat must also have the ability to conduct broader trade policy analysis which is of value to the international community and will enable the GATT to fulfill the objective of contributing to the better management of the international economic system.

Greater Cooperation at Staff Level

The substance of enhanced cooperation between a strengthened GATT and the IMF and the IBRD must be based on closer communication and working relationships at the staff level. Such improved contacts would greatly assist each of the institutions in the surveillance and analysis of member countries' trade and exchange policies. In particular, it would strengthen the capacity to provide an objective assessment of the economic costs of protectionist measures both for the country concerned and for the international community and to identify alternative policy measures to deal with particular economic challenges.

There are a number of ways in which enhanced cooperation at the staff level could be achieved:

- establishment of a GATT liaison office in Washington
- consultations amongst staff of the three institutions prior to country consultations/surveillance/program visits
- exchange of views on various aspects of staff reports falling within the competence of one or other of the institutions
- sharing of services (e.g., computer databases)
- staff exchanges/secondments
- attendance by the heads of research to key meetings of other institutions (e.g. CG 18 or equivalent on GATT side/meetings of IMF/IBRD Executive Boards) when issues involving areas of primary responsibility to a particular institution are involved, including the possibility of placing a standing item on the agenda to facilitate this exchange of information and views
- more formal and frequent senior management contacts

The last point is needed to ensure that possible varying interpretations of technical issues and data can be resolved and the analyses of each institution structured so as to benefit all users to the greatest extent. There is also the need to keep staff of each institution abreast of activities and views of the other on areas and issues of common interest.

Consideration should be given to the creation of an ad hoc management committee at fairly senior level (possibly involving the GATT Deputy Director-General responsible for economic analysis/surveillance, the Deputy Managing Director for the IMF and the Senior Vice-President of the IBRD). The frequency and the actual level of representation at particular meetings would need to be flexible depending on requirements, though at a minimum the committee should meet once a month alternating between Geneva and Washington.

The extent of trade-finance linkages, however, goes beyond analytical or technical issues. There is a need for a more formal means to exchange views

between institutions on broad issues. Such a mechanism should be dynamic and, based on the professionalism and resources of the staffs of the three institutions, could examine general issues that arise from the day to day work as to their broader implications for existing and future cooperation. This mechanism would be more able to focus on the challenges posed by the trade/finance interface, as opposed to simply approaching it as one aspect of a trade or a finance issue.

Such a joint mechanism could effectively serve as a type of joint study group to examine and report on matters of common interest referred to it by either or all of the three institutions.

An example of the type of issues which could be referred to this joint special group is ways and means to incorporate trade liberalization measures undertaken by countries in the context of Fund/Bank lending programs within the GATT framework, ensuring that such actions are "credited" in future trade negotiations. This study could examine ways of resolving possible conflict between specific GATT obligations (e.g. tariff bindings) and more general efforts to adjust in the context of IMF/IBRD assistance programs (e.g. simplification of tariff levels).

Consideration should, thus, be given to the creation of a special joint group on trade-finance involving the three institutions, staffed at senior management level (GATT Director-General; Bank President and the Fund's Managing Director). The head of the GATT trade policy surveillance body would need to be included to more properly match the range of responsibilities possessed by the heads of the Fund and the Bank. Issues could be referred to this group either by the ad hoc management committee or by the relevant decision-making bodies of the three institutions, jointly or separately (presumably there would be informal consultations in any case). The special joint group would report to all three institutions, the contents of the report being its sole responsibility.

Policy-level Cooperation

Several suggestions have been made for greater formal links between trade and finance ministers. These suggestions recognize the importance for guidance from the political level in the increasing sphere of trade/finance interrelationships. Given such interrelationships, it cannot be realistic to expect each institution to deal with the challenges they raise on an individual basis. Effective responses to certain issues will require enhanced communication between political leaders responsible for the three institutions.

There are likely to be difficulties in trying to run joint or even concurrent meetings of trade and finance ministers which are tied to meetings established for other purposes.

Consideration could be given to a specific forum for joint trade and finance ministers meetings, alternating between Geneva and Washington, distinct from ministerial level meetings in the separate institutions. It is open how

frequently such a body should meet and whether it should be based on a restricted group of ministers (such as for the Interim and Development Committees and the small group proposed for the GATT) or all ministers or some combination of both.

A question arises how issues should be fed into the ministerial body. One option is to leave it to each institution to suggest items for the agenda, or to have the special joint group, composed of the heads of the three institutions, carry out this function, reporting, in effect, directly to ministers. The first option would not seem to provide the necessary cooperation for successful meetings of trade and finance ministers. The second would seem to be at odds with the more analytical and objective role envisaged for the joint special group on trade and finance.

Consideration could also be given to a third body which would exist between the special joint committee on trade-finance and the ministerial committee on trade and finance. This would enable the work of the former to be relayed to ministers following senior-level policy input from representatives of members of the relevant institutions. This would also encourage national trade and finance bureaucracies to cooperate and develop common views on issues of common interest.

The desirability of further action at the political level is clear. Actual proposals in this regard will need, of course, to take account of the discussions in this group on ministerial involvement.

The attached table sets out the various proposals in more graphic form.

It is recognized that the attainment of the common objective of the Punta del Este Declaration for increased institutional cooperation in the trade and finance area will be one of action over time. The ideas put forward above represent both concrete initial steps and a road-map for future action.

**FRAMEWORK FOR ENHANCED INSTITUTIONAL COOPERATION
INVOLVING THE GATT, IMF AND IBRD**

GATT**IMF/IBRD**

Staff	<-- discussions prior to missions -->	Staff
	<-- exchange of drafts of reports -->	
	<-- sharing of services -->	
	<-- staff exchanges/secondments -->	
	<-- liaison offices -->	
Head, Research	<-- attendance at key policy mtgs -->	Heads, Research
	of each others' institutions	
Deputy Dir-Gen.	<--AD HOC MANAGEMENT COMMITTEE -->	Deputy Mg.Dir./ Senior V.-P.
Director General	[<--JOINT SPECIAL GROUP ON TRADE AND --> FINANCE]	Mg. Director/ President
Head, Sur- veillance Body		

* The question of greater cooperation at ministerial level, as well as the issue of any necessary support structure for such a mechanism, will need to be examined in the light of discussions on ministerial involvement in the GATT.

ANNEX**THE GATT IN THE EVOLVING WORLD TRADE AND FINANCE SYSTEM:****SEARCHING THROUGH THE FOG****I Introduction**

The current international trade and financial system was born in a world radically different from that of today. The degree of interdependence of economies has increased. The foreign sector in domestic economies has more than doubled from 20% on average in the 1940's to over 40% in the 80's. Rapid growth in international trade has been outstripped by the internationalisation of financial markets. Trade and financial issues including investment have become intertwined. In the policy-making area we have become much more aware of the need for structural adjustment to facilitate macroeconomic adjustment and support economic growth. The institutions created some 40 years ago to ensure world economic stability and growth have not, however, adjusted to keep up with these changes. Our ability to handle the current highly interdependent world and its problems is doubtful without institutional reform. This was clearly recognized by Ministers at Punta del Este.

The MTN provides a real opportunity to re-examine the basic tenets of the GATT to see which are wanting, which worth retaining. It also provides the opportunity, as the Declaration states, to strengthen the GATT and transform it into a trade policy institution in keeping with the growing importance of trade, the increasing risks of protectionism, and the complex interlinkages of trade with other economic policies.

This paper examines why it is impossible to neatly separate trade and finance, and the implications of the growing rather than diminishing degree of interconnection between them for the international institutions set up to deal with these policy areas, the GATT/IMF/IBRD. It identifies areas of interlinkage which require the attention of policy makers and proposes new arrangements to ensure cooperation. Simultaneously, it is important to note that the international financial institutions, i.e., the IMF and the IBRD, are also re-examining how they can better meet their objectives in a changing world.

II Basis of the Current Institutions

The idea of separate organisations to handle international financial (exchange rate/balance of payments) matters and trade matters seems to have come from convention, taking the national model with split jurisdiction between finance ministries and trade/commerce ministries. The 1942 U.S. Treasury proposal for the IMF saw it with rather far-reaching trade responsibility: conduct of multilateral trade negotiations, control over new trade barriers and over direct and indirect subsidies on the export of goods and services.

In the end, the IMF mandate did not include responsibility for trade policy issues. This responsibility was to be handled by the International Trade Organization as proposed by the U.S. State Department in 1946. However, the close link between trade and finance issues was recognized in the basic

purposes and objectives of the two organizations. In addition, the essential purpose of both the IMF and the ITO, as with the World Bank, was to promote stability to enable national economic growth and employment to prosper.

The three institutions share the same basic philosophy regarding international economic growth and development generally and on the importance of an open trade and payments system in achieving this goal. However, institutional cooperation to date has not fully reflected the complex interlinkages between trade and finance policies.

The commitment to international economic cooperation faces two major bridges: that between the international trade and finance institutions and that between the international institutions and national economic policy bodies. Underlying all of this is the need to address the relationship between monetary/fiscal policy management which is the realm of finance ministries and that of adjustment particularly at the microeconomic level and which includes trade policy and is the realm of several government ministries.

III Extent of Existing Institutional Cooperation

a) Formal Links

The essence of the current cooperation lies in the GATT provisions relating to the use of trade restrictions for balance of payments reasons. These provisions preserve the responsibility of the IMF in exchange rate and balance of payments determinations. The GATT is also required to notify the IMF on exchange or transfer restrictions relating to imports maintained by its members inconsistent with GATT rules on quantitative restrictions. GATT members are also restrained from using exchange measures to frustrate the intent of the GATT or trade measures to frustrate the intent of the IMF.

There are no corresponding provisions in the IMF (or IBRD). Thus, while the IMF was given a direct say in the GATT process, the GATT has no corresponding say in the IMF decisions on exchange restrictions which can have important consequences for trade and for members' adherence to GATT obligations. The influence of the IMF, in practice, was relatively high in the early years of the GATT, particularly with industrial countries, but has since waned with the breakup of the par-value system and a shift in use from Article XII to the less constraining disciplines of Article XVIII.B.

In light of the GATT balance of payments provisions, the IMF early on established one of the few permanent committees of the Executive Board, the Committee on Liaison With the Contracting Parties to the GATT (CGATT). In early years, CGATT was actively involved and the Fund delegation to GATT balance of payments consultations was headed by the Chairman. Because of other procedures established to approve IMF statements to be submitted to the GATT Balance of Payments Committee, the CGATT has not formally met in recent years, although most recently suggestions have been made for a more active role for the Committee.

Unlike the IMF, the World Bank has no formal institutional link with the GATT and no formal input into GATT decision-making despite its increasingly important role in structural adjustment and trade policy.

b) Informal

While there have been occasions in the past of informal contacts at the staff level, these have tended to be in response to particular requirements, such as the report on trade and exchange matters called for by the 1982 GATT Ministerial. The GATT Director-General used to be invited to observe Annual Meetings of the Fund's Board of Governors until fairly recently, but is now only invited to observe the meetings of the Interim and Development Committees. The IMF is invited to send observers to GATT Council and CP sessions. The IMF is also an observer to various bodies set up to conduct the Uruguay Round as was the case during the Tokyo Round of multilateral trade negotiations.

Like the IMF, the Bank is represented as an observer in sessions of the GATT Council and CP's as well as at the periodic trade negotiations. The GATT Director-General is present as an observer only at meetings of the Development Committee, the joint meeting of the IMF and IBRD Boards of Governors.

c) IMF/IBRD Cooperation

Thus, at the informal level, contact between the GATT on the one hand and the two international financial institutions, the IMF and the IBRD on the other, has been sporadic and limited. This is in contrast to the fairly close working relationships that the IMF and the Bank are trying to develop, particularly in response to the recent increased overlap between these two institutions due to the real broadening of their mandates which has occurred because of their lead and catalytical role in dealing with economic problems of developing countries in the 80's. In many countries, the same Minister is on the Board of Governors of both the IMF and the IBRD.

It is useful to ask why informal contacts have not grown in the face of increasing overlap in the work of the GATT on the one hand and the IMF/IBRD on the other. The answer seems to lie mainly in the nature of the GATT to date.

The IMF/IBRD working relationship until recently was based mainly on three factors: a) a shared responsibility for financial assistance, divided somewhat artificially, if reasonably practically early on, between short-term balance of payments and longer-term lending/sectoral structural adjustment assistance; b) a common birth - Bretton Woods - and acceptance of a shared destiny reflected in their location (Washington, D.C.), a degree of sharing of facilities/services, and more recently joint meetings of the Board of Governors; and c) a similar organizational structure which served to create a complementarity in the knowledge/research base and a strong and accepted analytical capability d) acceptance by governments and the international business community of their lead role in programs for balance of payments and development problems.

The first two factors are mainly historical and less relevant than the last two. However, it is interesting to note that while early on there was a general reticence to formally increase the degree of cooperation, this changed in response to the evolving monetary system and the increasing overlap in the work of the two institutions, such as the 1966 agreement on staff liaison, particularly regarding missions, and on primary and shared areas of responsibility, as well as the decision in the mid-seventies to establish a joint ministerial committee (Development Committee) and the 1980 decision of both Executive Boards on the need for closer collaboration.

Increased formal cooperation to a large degree reflected and was made effective by the last two factors relating to organization and their complementary program roles in dealing with financial and development problems. The staff of both the IMF and the Bank are structured in part on a geographic basis. At the same time, the staff of the Fund have developed an expertise in certain areas relating to the macroeconomic performance of an economy while the Bank staff have developed detailed knowledge of the micro-economy (transportation, industrial sectors, etc.). The Fund and the Bank have increasingly looked to each other to fill in the gaps in their respective knowledge bases created by their broadened mandates involving adjustment and structural reform. Each has decided to accept the views of the other where it had the primary responsibility (based on the 1966 agreement). Where there is a shared responsibility, the staff are required to acquaint themselves with the views of the other institution.

Another organizational factor in the fairly close working ties between the two institutions lies in their common role in providing policy advice and delivering financial assistance. A policy and program role demands considerable resources for economic analysis and policy formulation not all of which is always available internally. To the extent the Bank or the Fund could draw on the resources/expertise of the other this would usually be preferred to expanding internal resources. That the two institutions have increasingly drawn on each other reflects the quality and availability of their respective knowledge bases as well as the complementary fashion in which they have evolved. The policy direction underlying financial assistance has been accepted by the international business community and become a source of confidence building in dealing with financial problems.

More recently, the most important factor driving closer cooperation has been the increased complementarity between the focus of the Fund and the Bank, i.e., a common split between creditor and debtor members, leading to a shared dual goal of promoting economic development/easing debt problems of developing countries while responding to the concerns of those supplying the funds to this end regarding the circumstances of lending. The recent establishment of the joint Enhanced Structural Adjustment Facility represents an example of this closer cooperation. The ESAF is based on a unified general view of economic prospects and policies in the poorest countries and provides a concrete mechanism for resolving particular differences of view at a practical, program/lending level. There is debate on whether this approach should be expanded to cover all countries.

IV Increasing Overlap

Since the second oil crisis and the worldwide recession of 1981-82, there has emerged a growing realization of the close interlinkages between financial and economic matters and trade. The traditional approaches and institutional responses are being openly questioned and new answers sought. What are the main issues facing the GATT, the IMF and the IBRD? Where is there or should there be overlap?

On the trade side, old issues have begged attention, new ones have emerged. There is a pressing need to deal in a more effective and far-reaching way with agricultural and other trade problems, dispute settlement, and to ensure greater involvement by new forces on the world trade scene. As well, the changing nature of trade and technology led to agreement for the Uruguay Round to deal with new areas - services, investment and intellectual property issues.

What is the interest of the IMF or the IBRD in these issues? The Fund is responsible for economic surveillance of its members. Its overriding economic objective is sustained economic growth. The necessary basis for this is sound macro- and microeconomic policies. In this context interlinkages are crucial. To be effective, exchange rates, interest rates and fiscal policies need to be supported by appropriate microeconomic policies favouring adjustment. In this regard, ensuring that trade measures or domestic measures impacting on trade are consistent with and support overall macroeconomic policy becomes crucial. For the Fund, increased cooperation with a strengthened and enhanced GATT should enable it to achieve a more effective surveillance, particularly of the major economies. The Bank is also concerned with economic development and growth and with supporting the necessary structural adjustment to this end. Its efforts would also be strengthened through greater institutional cooperation.

On the financial side, the unsustainable and unprecedented debts of many countries have led to a much more active involvement of the IMF and the IBRD from a program standpoint. It has also highlighted the interrelationship between trade policies both in the context of adjustment and access to markets. On a global basis, massive current account imbalances have been accompanied by unprecedented financial flows. The interrelationship of financial markets raises issues in the trade area as it pertains to services. The investment component of these flows has to be viewed and dealt with both as an item in the capital account but perhaps more so as the flip side of trade in the movement and production of goods and services.

IV State of Play: GATT/IMF/IBRD Interaction

The enhanced policy role of the Fund and the Bank in dealing with debt problems has meant a larger impact by these institutions on trade policy. The number of countries that have undertaken trade liberalisation measures in the context of lending programmes and stand-by arrangements is considerable. Many of these have also during this period been consulting with the GATT in the Balance of Payments Committee. The specific conditions of lending or stand-by

arrangements, however, are not made known to the GATT essentially for reasons of confidentiality.

Both the GATT and the IMF/IBRD share the same general objective of reducing restrictions on trade and payments. The role of the IMF/IBRD should be a positive contribution to the GATT's task.

However, the success of IMF/IBRD efforts has been partial. It has often been the case that countries have gone back on agreed and implemented trade liberalization policies once they no longer required IMF/IBRD assistance. The Fund and the Bank currently have an institutional structure that makes it difficult to monitor trade policy reforms in the long-term framework. At the same time, the IMF/IBRD lack the contractual nature of the GATT which binds countries to trade liberalisation once conceded in formal multilateral negotiations. Indeed, one compelling reason for and a profitable area of greater cooperation is to enable countries to receive credit in current or future trade negotiations for commitments entered into in the context of IMF/IBRD programs through their inclusion within the contractual framework of the GATT.

As noted earlier, with the recent emphasis on structural lending, both the IMF and the IBRD have concerned themselves more with trade policy and this has become an important part of the broader dialogue between them. This dialogue, however, has not, as yet, been extended to encompass the GATT. The IBRD has no formal link to the GATT which would provide an obligation to consult.

The lack of a formal cooperation agreement between the GATT and the IMF/IBRD has meant that changes in trade policy a country undertakes in the context of Fund/Bank lending programs are not brought within the purview of the organisation formally responsible for trade. Specifically, these trade liberalisation measures are not made "binding" through the contractual form of the GATT. At the same time, the scope for conflicting advice to countries involved in lending programmes and also consulting in the GATT is considerable. This often leads to several "layers" of import restrictions, each maintained for various reasons, e.g. exchange controls, balance of payments, economic development.

V Observations

Cooperation efforts to date seem to have fallen into two areas: efforts by the GATT, dependent on the IMF in balance of payments and exchange rate matters due to specific provisions in its Articles, to ensure greater links with that institution; efforts by the IMF and IBRD to ensure complementarity in their lending activities. What has been noticeably missing are real efforts to increase cooperation between the GATT and the IMF/IBRD. The need for greater cooperation was recognized at Punta del Este. The IMF for its part has debated, but not moved towards greater GATT involvement in its proceedings.

Various reasons can be deduced for the current correct, but generally inadequate and ineffective level of cooperation to meet the growing challenges. The most important factor would seem to lie in the as yet only

nascent trade policy and economic analysis function on the part of the GATT. The Secretariat has over the years produced useful work in the trade policy area, but it does not have the resources now required in view of the enhanced functions and world role envisaged for the GATT in the Punta del Este Declaration.

Connected to this, to some extent is the impression by those responsible for macroeconomic and financial issues that the GATT has been ineffective in stemming a trend towards protectionism, bilateralism and managed trade. The peculiar nature of the GATT as a contract for negotiating reciprocal trade concessions leads some to see it as essentially a mercantilist body, which they are reluctant to admit into the IMF or the IBRD sphere.

The IMF and IBRD influence on trade policy has been mainly exercised through lending programs designed to help countries adjust. The impact of the two institutions and particularly the IMF Article IV reports on not only trade policy but also other economic and financial policies has been much more limited. For effective cooperation to develop between the IMF/IBRD and the GATT a number of things will have to happen in terms of a commitment by member governments to more effective economic surveillance and changes in the powers of the two institutions and in the technical capacity of the GATT. There is already a recognized need for the IMF to examine how it can enhance its role in economic policy surveillance, particularly as regards industrial countries. This would enable the Fund to contribute actively to a trade policy dialogue in the GATT. Were such a discussion to be possible in the GATT, and were it to have an impact on trade policy, this in turn could facilitate the Fund's economic policy surveillance role, particularly involving industrial countries. Greater discipline on the trade policy front could be expected to support the structural adjustment and removal of protectionism that is needed for the Fund to achieve its broad economic surveillance objectives.

For any of this to happen it is the GATT that will need to change the most initially. The GATT, as noted earlier, is essentially a contract, with a limited Secretariat that evolved and was organized to service the needs of the contracting parties as they related to the various rights and obligations set out therein. The GATT does not contain a policy-making role and the Secretariat consequently does not have a significant economic/commercial analytical capacity. Thus, for a trade organization, the GATT is limited in what it has to offer others in the way of independent knowledge and expertise. The IMF and the Bank require in-depth information derived from a substantial and broad trade policy analytical base, not legal opinions relating to a member's contractual obligations/rights under the GATT. At the same time, the knowledge must be organized on a country basis to be of use, as IMF/IBRD activity is essentially geographically structured rather than horizontally (tariffs, subsidies, internal taxes etc.) as is the GATT even where it does produce analysis or engages in limited surveillance (e.g. subsidies, balance of payments).

VI Conclusions

Increased institutional cooperation is demanded by the rapidly changing nature of international economic relationships. There has always been an overlap in the mandates of the GATT and the international financial institutions, but this was relatively limited. The limited cooperation to date was, until fairly recently, tolerable.

However, the recent accentuation of the interrelationships between trade and finance policies and the increased strains on the management of the world economy have rendered the past approaches untenable. This is clearly recognized on the trade side by the Punta del Este Declaration, both in the mandate for organizational reform and the recognition of the link between debt and a healthy trading system. This is recognized, if less formally, by the IMF/IBRD in their increasing unease over policies designed to influence domestic trade policy and their most recent attempts to re-assess their roles in light of this policy shift.

What is unfortunately not so clear are the mechanics and substance of increased cooperation, or indeed agreement on the need for real, as opposed to optical and minimal cooperation.

The barrier to agreement on significantly increased and effective cooperation seems to be essentially and, in the first instance, the current nature and structure of the GATT. It is clear that cooperation between the GATT and the IMF/IBRD can only have substance based on a restructured and reinvigorated GATT.

Thus, the success of the third part of the FOCS mandate depends crucially on the success of the other two, in particular relating to surveillance. The GATT needs to become a policy-making body with substantially more resources devoted to economic analysis in the trade field. It needs to generate knowledge that is saleable. In effect, it should be producing the type of trade analysis that the IMF and IBRD are trying to generate. In return, it would be able to take from those institutions macro- and micro- economic knowledge required to fully comprehend the role of trade policy in a particular economy as well as within the world economy generally. Subsequently, its trade policy advice could play into the Fund's broader economic surveillance objectives particularly of the major economies, as well as assist the Fund and the Bank in carrying out their specific programs. It should be noted that the Bank is currently debating its policy surveillance role.

At the same time, depending on the outcome of negotiations on the GATT balance of payments provisions, there may be a need for changes in the way in which the IMF (and possibly the IBRD) organize themselves and their involvement in GATT deliberations in this area. Indeed, there are signs that the IMF/IBRD are also questioning their more active involvement in trade policy in the face of growing criticism from those directly affected. There also seems to be concern over the danger of increased controversy regarding the IMF's greater involvement in trade policy. This suggests that the IMF (and the IBRD) would prefer to "import" their trade policy component than to manufacture it themselves.