

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

RESTRICTED

MTN.GNG/NG14/W/35

20 September 1989

Special Distribution

Group of Negotiations on Goods (GATT)
Negotiating Group on Functioning
of the GATT System

WAYS OF ACHIEVING GREATER COHERENCE IN GLOBAL ECONOMIC
POLICY MAKING THROUGH STRENGTHENED GATT RELATIONSHIPS
WITH OTHER RELEVANT INTERNATIONAL ORGANIZATIONS

Report by the Director-General

A. Introduction

1. On 12 April 1989 the CONTRACTING PARTIES, responding to a recommendation included in the Mid-Term Review decisions of the Trade Negotiations Committee regarding the Functioning of the GATT System (MTN.TNC/11, page 36), agreed (L/6490) to:

"(a) invite the Director-General to approach the heads of the IMF and the World Bank, as a first step, to explore ways to achieve greater coherence in global economic policy making through strengthening the relationship of GATT with other relevant international organizations; and

(b) request him to report back by 1 September 1989, and, in his report, to take into account the views, issues and proposals raised in the context of the Negotiating Group."

2. Following this decision, discussions at senior level took place between end-May and September 1989 between the GATT secretariat and the staffs of the International Monetary Fund and World Bank both in Geneva and in Washington. The Director-General also had meetings with Mr. Michel Camdessus, Managing Director of the Fund, and Mr. Barber Conable, President of the World Bank. The views and proposals¹ put forward in the Negotiating Group on the Functioning of the GATT System regarding a strengthened relationship between GATT and the other two institutions provided the basis for these discussions.

3. The present report is, as envisaged by the mandate given to the Director-General, exploratory in character. Most of the wide range of proposals it discusses will need further consideration by the staffs of the three institutions and in the framework of negotiations under the Uruguay Round, as well as, in due course, by the CONTRACTING PARTIES. The governing bodies of the Fund and Bank may also need to consider some of the

¹See Annex 1 for a list of relevant documents of the FOGs Negotiating Group.

proposals. Moreover, decisions on the shape and context of strengthened co-operation between the Fund and Bank, on one side, and GATT on the other, will in any case have to take account of the final results of the Round. It is hoped, however, that the report will help focus discussion on the broad possibilities of co-operation which flow from the shared concerns of the three institutions, notwithstanding their differing rôles and institutional structures.

B. Aims of strengthened relationships between GATT and other relevant international organizations

4. The mandate given to the Director-General for his discussions with the heads of the Fund and Bank has to be understood in the context of preoccupations voiced by governments. The Punta del Este Declaration which launched the Uruguay Round, includes among the central objectives of the Round

"to ... increase the responsiveness of the GATT system to the evolving international economic environment, through ... enhancing the relationship of the GATT with the relevant international organizations..." and "foster concurrent cooperative action at the national and international levels to strengthen the inter-relationship 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".²

In the preamble to the Montreal decision on Functioning of the GATT System (MTN.TNC/7(MIN), page 34), Ministers state as a "general orientation" for improved institutional relationships that these

"can be developed so as to promote a dialogue, within the sphere of competence of each institution, to facilitate policies and actions which enhance the complementarities that exist between them so as to improve the coherence of global economic policy making".

5. This report focuses on possibilities for action at the international level, through closer co-operation between GATT and the other international organizations. It should not be forgotten, however, that the Punta del Este text calls for action to strengthen the inter-relationship between trade policies and other economic policies at not only the international level, but also the national level. As noted later in this report (paragraph 30), better policy co-ordination at national level may be a precondition for effective international co-ordination.

² Ministerial Declaration of 20 September 1986, Part I, A (iii) and (iv).

6. The FOGS Group has provided a forum for governments to identify the "contradictions" or "inconsistencies" which they believe to exist between the aims pursued by monetary, financial and trade policies. Broad inconsistencies seen by them include:

- (a) the simultaneous deployment of international efforts to overcome the debt problem and of trade measures that limit the opportunities of the indebted countries to pay their way through export earnings;
- (b) the extension to developing countries of structural adjustment loans which favour measures to reduce, inter alia, the anti-export bias of their economies at the same time that limitations are applied on market access for their exports;
- (c) exchange rate fluctuations which inhibit trade liberalization because of the uncertainties which they generate regarding conditions of competition; and
- (d) the reliance by governments on trade restrictions to resolve economic difficulties for which the proper medium- or long-term remedy lies in adjustments in macroeconomic policies.

7. As regards issues directly linked to the operations of GATT and the international financial institutions, governments have mentioned:

- (a) a need for procedures by which developing countries reducing their levels of protection in the context of Fund or Bank programmes could obtain, in return for these market-opening efforts, concessions in GATT negotiations from their trading partners;
- (b) a need for assurance to developing countries that if they join in multilateral efforts to liberalize trade they can count on support to overcome financial pressures which may arise while their economies adjust to the trading shifts which follow;
- (c) in certain instances, a perceived lack of consistency between trade policy recommendations made by the Bank in the context of lending programmes and GATT requirements; and
- (d) more generally, the rôles of the GATT, the Fund and the Bank in assisting governments to achieve a better coherence of their policies at the national level, as a precondition for a better global coherence of economic policies.

8. The Director-General's discussions with the heads of the Fund and Bank have focused on these concerns and on how the three institutions might respond to the needs identified.

C. Possibilities for strengthened relationships between GATT, the International Monetary Fund and the World Bank

9. Any fruitful discussion of possibilities for strengthened relationships between GATT, the International Monetary Fund and the World Bank must take account of their differing rôles and character.³ Even at the risk of over-simplification, it seems worthwhile to underline some of these differences.

10. GATT is both a contract - the General Agreement and related undertakings - and an institution. As an institution, its principal tasks are to ensure respect of the contract, and to offer a multilateral framework for negotiations on international trade issues. In looking at the trade policies and practices of individual governments, its central concern is with their impact on the multilateral trading system as a whole. The GATT secretariat's rôle is to service the institution's efforts to ensure that the GATT rules and commitments are respected and that the trade policies of governments are kept under review, and to give substantive support for negotiations among governments on trade policy questions. Ministerial involvement in GATT work has in the past been intermittent and ad hoc in nature: this situation will change following the recent decision to hold Ministerial-level Sessions of the CONTRACTING PARTIES every two years. The Ministers concerned in providing policy guidance to GATT differ considerably from country to country in their positions in government: responsibility for trade policy (as distinct from export promotion) rests sometimes with trade ministers, sometimes with economy, foreign or finance ministers, and almost always touches on the interests of other departmental ministers as well.

11. The Fund is concerned with the impact of national policies on the international monetary system of which it is the guardian, and on other countries as well as with the global economic environment. But in addition, and to a much greater extent than has up to now been the case for GATT, it is involved in the policies of its individual member countries. Its responsibilities as regards these countries are centred on the short- and medium-term. The Fund is also more operational in character than GATT, particularly in the sense that its staff and Executive Directors are largely engaged in consultations or negotiations with individual governments on the structure and management of national economic policies. The Fund is answerable to a governing body made up principally of finance ministers and central bank governors.

12. The operations of the Bank, to a much greater extent than those of GATT and the Fund, are directed towards the developing world. Its lending, like the development programmes for which its loans are made, is long-term. Like the Fund, and unlike GATT, it is essentially an operational

³ MTN.GNG/NG14/W/6 includes notes on the mandates of GATT, the Fund and the Bank.

institution, whose staff and Executive Directors are largely engaged in working with individual governments. It is answerable to a governing body consisting mainly of finance and development ministers and central bank governors.

13. The Bank has resident representatives in many countries; the Fund in several. GATT has none: all its activities are served from its headquarters in Geneva.

14. One special feature of GATT arises from the fact that some major trading countries have gone much further in integrating their trade policies than they have in the financial and monetary areas. Because they have a common external trade policy, the twelve members of the European Community, accounting for a large proportion of world trade, are represented in GATT by the European Communities Commission. In the Fund and the Bank, the twelve countries are represented individually.

15. Against these differences, however, must be set large areas of common concern. The work of all three institutions is deeply affected by what happens in the field of responsibility of the others, and particularly by issues of the kinds mentioned in paragraphs 6 and 7 above. Each is inevitably drawn to see its own activities in the context of the work of the others.

16. These linkages are inescapable at the levels of both international and national policy.

17. In the case of GATT, the CONTRACTING PARTIES have year by year been drawn increasingly to examine in their annual sessions how trade policies - and thus the rights and obligations of individual countries under the General Agreement - interact with the evolution of international monetary, financial and other economic policies. This interaction has been tracked over the years in the GATT secretariat's annual report on international trade. The twice-yearly special sessions of the GATT Council have necessarily placed international trade policy developments in their macroeconomic context; the same will be true of the annual global review of trade policy to be introduced in the Council as part of the new Trade Policy Review Mechanism.

18. Nor can GATT ignore the monetary and financial policies of individual contracting parties when these policies are critical to an assessment of national trade policy. Such assessment is central to the procedures for consultations with contracting parties invoking the balance-of-payments provisions (Articles XII and XVIII:B) of the General Agreement. (In these consultations, the IMF has an established status, based on the provisions of Article XV, as the source of specific findings and determinations.) The Trade Policy Review Mechanism, which will introduce reviews of each contracting party's policies, will widen GATT's need for background information about national macroeconomic policies, even though the review assessments will focus on trade policies as such.

19. From their side, the Fund and Bank, through the Ministerial-level Interim and Development Committees and through statements and reports of their executive heads and staffs, have frequently spoken out about the effects of inappropriate macroeconomic and structural policies in generating demands for protection and about the dangers which misguided trade policies, and particularly protectionism, pose for the effective operation of monetary and financial policy. Both the Fund and the Bank are also heavily engaged in advising their individual member governments on those aspects of trade policies which have an impact on economic policy as a whole.

20. In the case of the Fund, all its member governments are subject to regular and searching reviews of their policies under the terms of Article IV of the Fund's Articles of Agreement. In addition, when the Fund makes resources available to a member country facing balance-of-payments difficulty, it is concerned that that country should follow macroeconomic and structural policies which will help to correct the problems encountered, and will usually set specific policy conditions to this end. Review of trade policies is an integral part of Article IV consultations. In Fund-supported programmes, trade policies generally constitute an important element of the policy package. All programmes have a standard "standstill" clause on avoidance of new, or intensification of existing, import restrictions for balance-of-payments purposes, and many programmes incorporate trade reform and liberalization. Policy commitments of the member in this (and other) respects are usually monitored through selected performance criteria, benchmarks, or review clauses. In some cases, trade liberalization measures are implemented as prior actions before the programme is approved by the Fund Board. Moreover, the trade policies of the member country's trading partners are of obvious relevance to its prospective export earnings.

21. In the case of the World Bank, trade policies are an important focus of its structural adjustment loans. Trade policies, both of the borrowing country and of its trading partners, are also relevant to project loans by the Bank, where these are directed to export-oriented or import-competing projects.

22. These differing rôles, but shared concerns, shape the response which the Fund, the Bank and GATT itself can make to the specific proposals put forward in the FOGS Group for closer co-operation.

D. Proposals for co-operation

23. The starting point in discussion by the heads of the three institutions of proposals for closer co-operation between GATT and the Fund and the Bank has been the central objective of improving the coherence of trade, monetary and financial policies. For this purpose, it has been found helpful to look at these proposals as they relate to one or other of three aspects of trade policy:

- the international context of trade liberalization;

- links between national trade policy and the multilateral process of trade liberalization; and
- multilateral resources available to support the process of trade liberalization.

(i) The international context of trade liberalization

24. Of the "inconsistencies" which governments have identified between monetary, financial and trade policies, listed in paragraphs 6 and 7 above, many concern the global macroeconomic environment in which trade liberalization takes place. Whatever their specific views on these matters (and the heads of the Fund and Bank have noted in particular that they cannot associate themselves with the argument raised in paragraph 5(c)), the heads of the three institutions are in broad agreement that problems of this kind are among those least amenable to improvement through actions by the international agencies themselves. This conclusion appears to be supported by the proposals put forward in the FOGs Group, which as regards these issues tend to rely on co-operation at government level, especially through meetings of Ministers.

25. Among the three institutions, there is virtual identity of view about the interconnections between trade policies on one side, and financial and monetary policies on the other. The inconsistencies noted under 6(a) and 6(b) above, for example, have as already noted prompted the heads of the Fund and Bank to underline the risks that protectionism poses for a resolution of the debt servicing problem and for successful structural adjustment. For his part, the Director-General has frequently drawn attention to the way in which the debt service burden has depressed imports by the affected countries, and has compromised their future export performance. He has also referred to the concern of those in charge of trade policies with the impact of currency instability on business planning and investment, as well as on the process of trade liberalization.

26. The three agency heads agree on the need for them to remain in touch on these and similar issues, and to make their constituents in the trade and financial communities, both in government and in the private sector, aware of such policy interlinkages. They are also conscious of the need to keep one another informed of the importance attached by their constituents to developments in the area of responsibility of the other agencies.

27. Continuous contact between the heads and staffs of the Fund and Bank, on the one hand, and the head and secretariat of GATT on the other, should also help to alert each side to national trade, financial and monetary developments that may have an impact on the economic and trade interests of other countries. The Trade Policy Review Mechanism is seen by the heads of the Fund and Bank as an important innovation, not least because it promises greater transparency in the trade policies of countries which are major markets for the rest of the world.

28. Proposals in the FOGS Group have suggested that regular discussions between trade and finance Ministers might encourage greater coherence of international economic policies, and thereby improve the international context for trade liberalization. Several such proposals have envisaged co-operation between Ministers in charge of GATT matters, possibly brought together in a small standing group, and the limited but representative groupings of finance ministers constituted by the Fund's Interim Committee and the Bank-Fund Development Committee. In addition to broad exchanges of views on policy trends, such meetings between GATT ministers and ministers responsible for the Fund and Bank might, it has been suggested, provide a source of political leadership for initiatives in many of the areas discussed above.

29. As mentioned earlier (in paragraph 5), a frequently-overlooked point regarding inconsistencies in international economic policies is that policy co-ordination begins at home. The easiest way by which national trade and finance ministries can ensure the coherence of the policies for which they are respectively responsible lies in co-ordinating the efforts of ministries in their own capitals. Indeed, efforts to promote co-ordination at the international level should serve as a stimulus to governments to achieve closer harmonization of policies at the national level.

(ii) Links between national trade policy and the multilateral process of trade liberalization.

30. Many of the specific proposals made for closer GATT co-operation with the Fund and Bank recognize that each of the three institutions has a legitimate concern about areas of national policy which fall mainly within the field of responsibility of the others.

31. One such proposal has focused on the desirability of consultation with GATT in the formulation of trade reform objectives in Fund and Bank loan programmes. The heads of the three institutions consider that this proposal has merit. If the CONTRACTING PARTIES are interested in pursuing it, the heads of the Fund and Bank would be ready to explore it further, in accordance with their respective procedures. In the Director-General's view, the proposal offers advantages in several respects. The GATT secretariat is the most qualified institutional source of advice about present requirements of the General Agreement and related instruments, as well as regarding new or altered obligations which may be currently under negotiation in the Uruguay Round. While the broad thrust of trade reforms under programmes supported by the Fund and Bank has been towards liberalization, an opportunity for the GATT secretariat to comment on the desirable content of trade policy reform programmes before they are formalized would help ensure that reforms are fully consistent with GATT obligations. GATT's broad experience of sectoral trade problems and disputes also equips it to provide advice on particular market access problems that an investment programme may need to address. The launching of the Trade Policy Review Mechanism, by developing a country-orientated

approach in GATT proceedings, will increase the competence of the CONTRACTING PARTIES to comment, with the assistance of the GATT secretariat, on national trade policies.

32. Much interest has been shown by FOGS Group participants in the possibility that developing countries might obtain negotiating credit in GATT for trade policy reforms introduced by them under Fund or Bank programmes. This interest is shared by the heads of the Fund and Bank, and their staffs have enquired about the modalities which governments intend to adopt for granting negotiating credit. Although such reforms will generally be fully justified by their favourable effects on the economy of the country which undertakes them, they can serve a double purpose if they also provide negotiating credit which can secure market-opening concessions from a country's trading partners. For this to be possible, the reforms must take a form which can provide assurance that the liberalization will be lasting in character and in conformity with the GATT rules, i.e., they must be "GATTable" in nature. Moreover, the negotiating credit potentially available can probably only be realized if the country introducing the reforms enters into GATT negotiations, and offers them as bound concessions or otherwise provides assurance that they will not be withdrawn without due process. A few countries, not contracting parties to the GATT at the time trade reforms were undertaken by them under Fund or Bank programmes, have been able to gain negotiating benefits by binding the reforms in the course of negotiating for accession to the GATT. For other countries which have undertaken similar reforms, the Uruguay Round has been recognized as offering an exceptional opportunity to obtain counterpart concessions from their trading partners. The FOGs Group is only one among several negotiating groups which are considering the practical requirements for realizing these opportunities. (The others are Tariffs, Non-tariff Measures, Tropical Products and Agriculture.) The fact that the Uruguay Round has little more than a year to run lends particular urgency to this issue.

33. The Director-General of GATT, and the heads of the Fund and the Bank, are agreed that they should strengthen their co-operation to ensure that trade reforms under Fund and Bank programmes should be prepared with full consideration of the requirements of the General Agreement; that they should seek that in supporting trade programmes, current and prospective problems in international trade relations are taken into proper account; and that they should assist governments to obtain recognition in GATT for the reforms they have undertaken. To this end, the three institutions intend to intensify their contacts at the working level to ensure that Fund and Bank staff are more fully aware of GATT rules and of the requirements for GATT negotiating credit, and that GATT staff are better informed of the trade policy content of programmes supported by the Fund and Bank. These contacts, which could take place both in Geneva and Washington, might include discussion of specific proposals, more general briefings, seminars and training, and exchanges of documentation. The details of this collaboration will be worked out among the three institutions.

34. For their part, the Fund and Bank have shown great interest in the Trade Policy Review Mechanism, and have expressed willingness to co-operate with GATT to ensure its success. Both have stated their readiness to assist countries, on request and in appropriate cases, in preparing their reports. The Fund management has offered to explore the possibility of providing information, as appropriate, on economic policies in the context of the reviews. The supply of data from the Fund and Bank, to the extent that considerations of confidentiality permit, could clearly be of value to the GATT secretariat in preparing its own reports.

35. Some preliminary conclusions regarding possible institutional arrangements and the exchange of data and documentation are presented in a later section of this report.

(iii) Multilateral resources available to support the process of trade liberalization

36. Proposals have been made for financial support by the Fund and Bank to assist the process of liberalization through multilateral negotiations in the GATT. One such proposal envisages the establishment of contingency arrangements which would provide assurances of support, if required, for developing countries which are interested in using multilateral trade negotiations to achieve a major liberalization of their trade régimes, but fear the transitional effect of such liberalization on their balance of payments. Another suggestion has been that structural adjustment loans should be linked to multilaterally-agreed liberalization in the same way as they are often at present associated with unilateral trade policy reforms. In the Negotiating Group on Agriculture, concern has been expressed about the impact on the balance of payments of some food-importing countries of a possible rise in world market prices caused by reduced subsidies for agricultural products; delegations have suggested that these countries may require supplementary finance to offset the rise in their food import costs.

37. The head of the Fund stated that the Fund already provides support for trade liberalization measures adopted by a member in the context of its overall programme. The Fund also has in place special facilities to deal with various contingencies including temporary shortfalls in export earnings, and excesses in cereal import costs. The Bank, which is already engaged in support of unilateral trade liberalization, has assured the Director-General of its readiness to consider financing adjustment needs resulting from the Uruguay Round. Among such potential needs it recognizes, in particular, those arising for a country as a result of undertaking significant tariff reductions, or from the need to encourage a supply response in food-importing countries affected by higher world prices for previously subsidized agricultural products.

38. Technical co-operation in support of trade liberalization has also been discussed with the heads of the Fund and the Bank. The Director-General has drawn their attention to the need of some countries, and especially the least- developed countries, for strengthened capacity to

conduct trade policy. GATT itself has for many years been providing assistance for this purpose both through its training programmes in trade policy and the support provided by its Technical Co-operation Division. The Bank, which regards institution building as an important element in its lending, has stated its readiness to finance technical assistance to build up the capacity of governments to analyze multilateral trade policy issues. The Bank intends to pursue its present technical support for participants in the Uruguay Round, including the further development and distribution of software programmes for analysis of the practical implications of negotiating proposals.

39. Technical co-operation between individual contracting parties and the three agencies, as well as among the agencies themselves, will be required if the best results are to be achieved from the effort to obtain appropriate concessions in GATT for liberalization undertaken in a Fund or Bank context.

40. One aspect of technical support for liberalization is the possible scope for joint research by the three organizations on issues of common concern. An example is their shared interest in identifying the most effective pace and sequencing of trade liberalization in the context of national stabilization or adjustment programmes. Conclusions in this respect would have immediate practical implications for Fund and Bank programmes which include trade reform packages. The Fund and the Bank have undertaken considerable research in the area of the appropriate design and sequencing of trade reform, and this work could be carried further.

E. Practical aspects of co-operation

(i) Documentation and data

41. GATT, the Fund and the Bank already exchange a great deal of information. Most documents of GATT (including, in future, those related to the Trade Policy Review Mechanism) and of the Uruguay Round are available to the Fund and Bank staffs. The GATT secretariat receives many unpublished reports and other documents of the Fund and Bank. Although the Bank has recently withdrawn from an exchange arrangement with GATT for publications, a similar arrangement with the Fund continues. Possibilities of further expanding exchanges of documentation have been explored in the recent consultations. The heads of both the Fund and the Bank have offered to make additional, or earlier, information available, although requirements governing the transmission of confidential information set limits on what they can provide. Similar limitations affect information available in the GATT secretariat. Data bases maintained or under development in each organization are also of mutual interest: for instance, one GATT division is already making use of the Bank's Economic and Social Database (BESD), and as such is BESD's first user outside the Bank. Both the Fund and Bank have expressed the hope that the CONTRACTING PARTIES will provide them with access to the Integrated Data Base (IDB) currently under development in GATT. The Director-General hopes that this matter will be given early and favourable consideration by delegations.

(ii) Research and staff exchanges

42. Proposals in the FOGs Group have suggested that co-operation between GATT and the two other organizations should include shared research efforts and exchanges of staff. Both suggestions have been favourably received. The Bank has suggested co-operation in the preparation of trade projections, and would be interested in joint research projects on subjects of common interest. The head of the Fund also saw merit in exploring possibilities for short-term exchanges of staff.

(iii) Institutional arrangements

43. Many of the proposals put forward by governments in the FOGs Group for achieving greater coherence in global economic policy making have focused on new or improved institutional arrangements. While these proposals have been touched upon in the exploratory discussions with the Fund and Bank, they have not been discussed in detail, mainly because all three agency heads wish to consider how to make the best use of existing avenues, and to identify substantive opportunities for enhanced co-operation, before looking at the scope for institutional changes. Nevertheless, some preliminary comments can be made on the FOGs proposals.

44. As regards meetings of Ministers, the main thrust of the proposals put forward by governments has already been described above (in paragraph 28). The Director-General's discussions with the heads of the Fund and Bank suggest that present possibilities of joint Ministerial meetings may be limited. It is not easy to see how the current representative meetings of finance ministers, in the Interim and Development Committees and the Annual Meetings of the Fund/Bank Boards of Governors, could be combined with additional meetings with trade ministers. Nor has GATT a counterpart Ministerial body. An issue in any inter-Ministerial meeting would be how to accommodate the situation of members of the European Communities, who have a shared external trade policy but distinct monetary and financial policies. The proposals will require further consideration.

45. An alternative suggestion in the FOGs Group has been that the agency heads should represent their membership in meetings of the governing bodies of the other organizations. As far as GATT meetings are concerned, this opportunity already exists, and has been taken up on past occasions both by the Managing Director of the Fund and by the President of the Bank. The future regular Ministerial-level meetings of the CONTRACTING PARTIES will offer particularly suitable occasions for interventions by the Fund and Bank heads. In the other direction, the Director-General is able to attend meetings of the Interim and Development Committees, and to intervene at the latter. However, GATT, like most other international organizations, is unable to attend the Annual Meetings of the Fund and Bank. The Director-General has noted that this anomalous situation is a matter of preoccupation for some GATT contracting parties.

46. The head of the Fund has suggested that the Fund Board's Committee on Liaison with CONTRACTING PARTIES to the GATT could provide a continuing avenue for exchanges of views with the Director-General on matters of

common interest. Further, if the CONTRACTING PARTIES so wished, Fund management would explore with its Board attendance by GATT staff at Executive Board discussions of general trade policy papers. There are not at present any corresponding general discussions of trade policy in the Board of the Bank. In the opposite direction, the Fund and Bank already have observer status in virtually all official meetings of GATT bodies. They are also invited to follow certain meetings of a negotiating character. These include the Trade Negotiations Committee of the Uruguay Round and several of its subsidiary groups.⁴ Both the Fund and the Bank have made the point that their ability to offer technical co-operation in the context of the Uruguay Round would be enhanced if they were able to participate in all negotiating groups.

47. Both the Director-General and the heads of the Fund and Bank would prefer that arrangements for meetings between themselves and between their staffs should be kept on an informal basis. Contacts are already frequent and constructive, and it is not felt that good purpose would be served by requiring that they conform to a fixed schedule. In Geneva, continuous contact between staffs already takes place through the established Geneva offices of the Fund and Bank. The Fund has recently enlarged the mandate of its representation there, and the Bank will shortly also do so. As regards the proposal that GATT should establish a Washington office, the heads of the Fund and Bank recognize that the decision is one for the CONTRACTING PARTIES to take in the light of an assessment of its potential value.

F. Concluding comments

48. As previously noted, none of the preceding observations on the practicability and desirability of the many proposals made for closer co-operation between GATT and the Fund and Bank can be regarded as the last word on the subject. However, the discussion so far suggests that, in a number of areas, increased co-operation between the GATT and the Fund and Bank could offer useful opportunities for contributing to the coherence of global economic policy making, especially through support for national efforts aimed at trade liberalization. These opportunities will be followed up in the coming months. The discussion also suggests that in other areas, and in particular in those which would involve the participation of Ministers and possibly the establishment of new institutional arrangements, it will be necessary to allow for further consideration by governments of the issues involved.

49. Both the Managing Director of the Fund and the President of the Bank have stated their readiness for such further consultations with the Director-General as may prove desirable during the remainder of the Uruguay Round negotiations to clarify and develop possibilities of strengthening co-operation between their two institutions and the GATT.

⁴Group of Negotiations on Goods, Group of Negotiations on Services, and negotiating groups on Trade-Related Investment Measures, Functioning of the GATT system, and (Fund only) GATT Articles.

Annex 1

Uruguay Round Negotiating Group on the Functioning of the GATT System:
documents relevant to negotiating objective (iii)

A. Reports of substantive discussion in the Group on objective (iii)

MTN.GNG/NG14/1	Meeting of 7 April 1987	paragraphs 9-10
MTN.GNG/NG14/3	Meeting of 28 September 1987	paragraphs 2-6
MTN.GNG/NG14/4	Meeting of 30 November 1987	paragraphs 16-20
MTN.GNG/NG14/5	Meeting of 25-28 January 1988	paragraphs 13-17
MTN.GNG/NG14/6 (and Corr. 1)	Meeting of 21-23 March 1988	paragraphs 8-19
MTN.GNG/NG14/7	Meeting of 2-3 May 1988	paragraphs 2-11
MTN.GNG/NG14/8	Meeting of 20-22 June 1988	paragraphs 3-20
MTN.GNG/NG14/9	Meeting of 26-30 September 1988	paragraphs 3-13
MTN.GNG/NG14/10	Meeting of 24-28 October 1988	paragraphs 18, 26-29

* "Negotiations shall aim to develop understandings and arrangements: [...] (iii) "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" (Punta del Este Declaration of 20 September 1986, Part I, E(iii)).

B. Working documents

MTN.GNG/NG14/W/6	GATT, The International Monetary Fund and The World Bank: Mandates, Institutional Relationships and Fund-Bank Arrangements for Ministerial Involvement (Secretariat)
MTN.GNG/NG14/W/7	Communication from Switzerland
MTN.GNG/NG14/W/9	Communication from the United States
MTN.GNG/NG14/W/10	Communication from Canada
MTN.GNG/NG14/W/110	Communication from Jamaica
MTN.GNG/NG14/W/12	The 1954/55 Review Session (Secretariat)
MTN.GNG/NG14/W/17	Communication from the Nordic Countries
MTN.GNG/NG14/W/20	Communication from the European Community
MTN.GNG/NG14/W/21	Proposal by Canada
MTN.GNG/NG14/W/22	Communication from the Delegation of Jamaica
MTN.GNG/NG14/W/24	Proposal by the Delegation of Canada
MTN.GNG/NG14/W/26	Proposal by the Delegation of Mexico
MTN.GNG/NG14/W/27	Submission by the Delegation of Jamaica
MTN.GNG/NG14/W/28	Communication by the European Communities
MTN.GNG/NG14/W/29	Statement by the Delegation of Jamaica