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THE WORLD BANK

Washington, D.C.

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WORLD TRADE
ORGANIZATION

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WORLD TRADE ORGANIZATION

June 28, 1995

Note to Ms. Atsuko Horiguchi

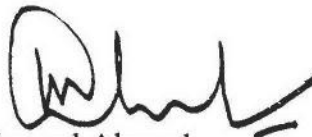
Atsuko,

Re: Briefing Material for July 6 Meeting with Mr. Ruggiero et al.

I understand that you requested Alan Winters to send up the draft briefing note and related material that we have prepared in anticipation of the July 6 meeting. This material is attached.

As he mentioned to you, we are still awaiting inputs from both Gary Sampson and our colleagues in the Fund on the issues they would like to table at the meeting. So the attached drafts will need to be modified in the light of these inputs closer to the date. If you get any feedback from Gary directly on suggested agenda items, please let us know and we can then prepare additional briefing material as required.

Regards,



Masood Ahmed

Attachments

cc: Messrs. Kaji (o/r), Bruno (o/r), Baird, Winters

**BRIEFING NOTE FOR CAMDESSUS-RUGGIERO-WOLFENSOHN
MEETING/DINNER, JULY 6, 1995**

As yet, neither Fund staff nor the WTO Secretariat has given any indication of issues which they may wish to raise at this meeting. I have asked counterparts in each organization to let me know as soon as they have done so. This note, therefore, considers only the issues which you may wish to raise.

1) **Bank-WTO collaboration.** Earlier this month Mr. Ruggiero said he hoped that he would be able to present the WTO's proposals for Bank-WTO collaboration to the WTO Council on July 11. The most important item of business for the July meeting is to determine what progress has been made towards that goal. This has a procedural element--for example, whether a draft memorandum has been prepared, whether it has been subject to internal discussion within the WTO Secretariat and/or informal discussion with delegations. It also has a substantive component--namely to ensure that issues of importance to the Bank are adequately provided for. These are spelt out in the staff paper provided to you previously (attached as Appendix 1).

The most contentious issue now looks likely to be Bank observership at the Disputes Settlement Body. This is important both substantively and symbolically. Substantively, Bank economists need to understand the issues debated and the positions taken at the DSB, because this is where definitive rulings are made on the interpretation of the Uruguay Round and other trade agreements. Symbolically it is important because to exclude the Bank from this Body would represent a diminution of Bank observership relative to what was granted under the GATT and explicit discrimination against the Bank relative to what will be offered to the Fund. In return for Bank observership on the DSB, the WTO will be looking for observership on the Bank's Executive Board when international trade and trade policy are discussed. This, of course, is a matter for the Board, but the reactions of Fund Directors to the proposals for WTO observership at this Board suggests that it is unlikely to present great difficulties when presented.

We expect the Secretariat to be given a mandate to negotiate the details of the Bank-WTO collaboration on Friday, June 30. This should parallel almost precisely a draft mandate prepared for negotiations with the Fund which has been transmitted to us informally and which is attached as Appendix 2. It seems sensible and uncontentious, although we shall, of course, have to see how the WTO Secretariat interprets it. We should seek Board advice on the mandate and press ahead with formal negotiations as soon as possible, and are now scheduling a Board Seminar for mid-July.

Appendix 3 to this note offers a brief history of the rather convoluted discussions between WTO and Bank staff on collaboration. Appendix 4 contains a recent letter to Mr. Sampson of WTO seeking confirmation of the information in this paragraph and his reply to it.

2) **Consistency**. The consistency of Bank advice on trade policy with countries' WTO obligations has been one area of concern in discussions with the WTO. Our belief has been that despite a small number of past instances of inconsistent advice being offered, this has never been a major problem and that recent changes in Bank procedures have further reduced the scope for problems. Mr. Sampson of the WTO, however, whom you met with Mr. Ruggiero in June, professes to the opposite opinion. We asked him informally in December and formally after the June meeting to detail the cases which caused him concern but to date we have had no reply.

Until we have Mr. Sampson's reply it is difficult to advise on the magnitude or the sensitivity of the issue. Once the history is resolved, however, we can review with the WTO steps to try to ensure that consistency is no longer a source of friction. These will hinge around improved procedures in the Bank to ensure that operations' staff have sufficient information to offer WTO-consistent advice in the form of access to a country's WTO commitments, regular seminars on WTO requirements, a checklist of potentially inconsistent policies, and access to expert advice from economists in the International Trade Division (IECIT) and, where appropriate, specialists in the WTO. Such procedures would build upon the tradition of informal staff contact between GATT and Bank staff and seem far more efficient than establishing extra layers of policy review within the Bank.

IECIT will prepare a note on consistency as discussions with the WTO Secretariat develop.

3) **Coherence**. It would be desirable to reassure Mr. Ruggiero that we are interested in exploring means to ensure the coherence of global economic policy. On the other hand, it would seem premature to do so until the mundane details of day-to-day collaboration have been agreed upon. Thereafter, it may be appropriate to establish a group to study the matter of ensuring coherence while first avoiding cross-conditionality and second respecting each institution's mandate.

4) **Africa**. As you informed Mr. Ruggiero in June, the Bank has considerable capability to undertake analysis relevant to African economies. It may be useful to reaffirm this and to state that where appropriate Bank staff would be delighted to cooperate with staff from the WTO Secretariat. The Bank's Africa region and

International Trade Division are developing a proposal to explore barriers to African trade. This is in the context of the UN's Initiative for Africa and would lend itself ideally to WTO-Bank, and possibly UNCTAD, cooperation.

IECIT/27-Jun-95

Modalities for WTO-World Bank Cooperation

The World Bank looks forward to the close cooperation with the WTO that is envisaged in Article III:5 of the Marakesh Agreement. As a basis and starting point for cooperation, Bank staff and WTO staff have discussed the following matters:

Observership:

The agreement already in place between the World Bank and the GATT on observership has served both institutions well. Discussions have concentrated on continuing this pattern of observership and extending it cover the subject areas that have newly come under the ambit of the WTO.

Following this line of thought, the WTO would be granted observership at the Bank's Executive Board in a form parallel to the Fund--that is, by invitation, intervening as requested, and whenever an item in which the WTO has a material interest is discussed. In addition, the GATT's rights of observership at the Development Committee and Annual Meetings would continue.

Continuing the pattern of observership that the World Bank enjoyed at the GATT, and extending it to new issues now included in the WTO implies that the Bank would observe the WTO Ministerial Conference, the General and three sectoral Councils and

their subsidiary bodies, the Disputes Settlement Body, the Trade Policy Review Body and the Committees on Trade and Development, Balance of Payments, and Trade and Environment (and their subsidiary bodies).

Consistency of Advice:

Discussions between Bank and WTO staffs suggested that the most important medium for maintaining consistency in the application of World Bank and WTO policies is to continue the extensive informal consultation between Bank and WTO staffs. This process has worked well in the past. Where appropriate and where their schedules permit, Executive Directors and Delegation Heads might be represented. Consultations would take place as early as practicable in the discussion of an issue: the need for consultation would be identified by staff in the initiating institution. Particular efforts would be made to ensure coherence in the advice given to aspiring accedants to the WTO.

Bank-WTO staff discussions recognized that Bank conditionality will frequently ask governments to undertake actions permitted but not required by their WTO commitments (e.g., reducing a bound tariff). In discussing policies with governments, staff of both institutions should distinguish explicitly between policies required by WTO commitments (or prospective commitments in the case of accedants) and those permitted by the WTO which are desirable for other reasons.

These discussions anticipated that Bank conditionality would not require that countries act contrary to their existing WTO commitments.

If an occasion arose in which a series of related reforms being considered in negotiations with the Bank would require modification of a country's WTO commitments, the Bank would inform the WTO informally, and warn the government that adoption of such policies would entail (1) their seeking a time-limited WTO waiver of the relevant WTO commitment, or (2) their following WTO procedures to renegotiate the relevant commitment.

As well as periodic Head of Institution meetings there should be regular (annual or more frequent) senior staff meetings between the WTO, Fund and Bank to identify areas where consistency problems may arise, discuss issues of common interest, initiate joint activities and generally review the progress of cooperation and coherence.

Research and Information Exchange:

Bank-WTO staff discussions have considered a full exchange of information that is relevant to the policies over which both institutions have responsibilities. Such an exchange would imply that the WTO receive complete access to the Bank's macro-

economic and socio-economic databases. The Bank would receive complete access to the Integrated Database (IDB). The Bank has already made significant contributions to the development of this data base. Software now used by the WTO Secretariat and by national delegations to manage and to analyze the IDB has been developed by Bank staff. In this regard, the Bank would be consulted about further development of the IDB.

The complementarity between the Bank and WTO in research and training should continue to be exploited. Practices such as addressing each other's conferences and training courses should be continued. Furthermore, Bank and WTO staffs should consult at an early stage over projects and papers in which there is a common interest.

Least Developed and Net Food Importing Countries:

The Bank confirms, with reference to the Marrakesh decision on the possible negative effects of the agricultural reform program, that it is able to offer financial support to countries adjusting to trade liberalizations when requested in the context of a viable program. It does not need new instruments to do so.

20.6.95

WTO RELATIONSHIP WITH THE IMF

The Heads of Delegation request the Director-General to pursue the invitation given to him by Ministers in the Declaration on the Contribution of the World Trade Organization in Achieving Greater Coherence in Global Economic Policymaking keeping in view paragraph 5 of Article III of the Agreement Establishing the WTO.

The Director-General, while implementing his mandate in accordance with the criteria contained in the Declaration, is invited to give the necessary attention to possible means for cooperation in global economic policymaking and specific policies followed by each international institution within their respective area of competence.

As to the means to achieve greater coherence in global economic policymaking, the Heads of Delegation recall that the interlinkages between the different aspects of economic policy require that the international institutions with responsibilities in each of these areas follow consistent and mutually supportive policies.

The WTO and the IMF will pursue and develop the cooperation maintained in the past between the GATT and the IMF. In this respect, the following should be taken into account:

1. The formalization of the current provisional arrangement, and the contribution of the IMF to balance-of-payments consultations, both in goods and services, as well as the IMF participation in meetings of the Committee on Balance of Payments Restrictions. The possibility of consultations with the IMF on other finance and exchange matters should be provided for. This should include, *inter alia*, a joint follow-up of relevant provisions contained in the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Countries, as well as consultations with the IMF on matters related to the establishment

of special exchange agreements for countries which are WTO Members but not IMF members.

2. The IMF would be granted observer status at meetings of the General Council, Dispute Settlement Body, TPRB, the three sectoral Councils and other relevant subsidiary bodies of the four Councils. The WTO would be granted observer status at meetings of the Executive Board; WTO-IMF Liaison Committee; bi-annual Interim Committee Meetings, IMF/World Bank bi-annual Development Committee Meetings as well as IMF/World Bank Annual Meetings.

3. The WTO and IMF will provide each other with access to their respective documentation and databases (including the IDB). The necessary confidentiality shall be respected.

The Heads of Delegation request the Director-General to keep them informed of the evolution of the discussions with the IMF and to present a draft Memorandum of Understanding for approval to the General Council.

BANK-WTO COLLABORATION: A VERY BRIEF HISTORY

Internal consideration of Bank-WTO collaboration began in February 1994, and following the formal signing of the Marrakesh Agreement in April, IECIT produced a draft paper in June 1994. This was subject to review and consultation within the Bank and a new version produced in September 1994. The basic content of the document has not changed since then. It contained a significant section on the consistency of Bank advice with WTO agreements, and smaller sections on financial support to developing countries facing adjustment difficulties arising from the Uruguay Round, information exchange and research collaboration, and consultation and representation.

The September document was shared informally with the IMF, who, at that time, had not yet begun to consider their position. Indeed their initial work was based partly on the Bank document.

During the summer of 1994, there were also informal contacts with staff of the GATT, and at the Annual Meetings in Madrid (October 1994) the issue and the Bank's document was discussed in a meeting comprising Messrs. Bruno and Ahmed (Bank), and Seade and Sampson (WTO), as well as IMF staff. The broad outlines of the paper appeared to command fairly general acceptance, although it

was clear that details would need to be discussed and that the GATT Secretariat were constrained to move fairly slowly. First, it was difficult for them to discuss matters for their successor organization, and, second, there has always been tension in the GATT over whether it is for the Secretariat or for the Contracting Parties themselves to settle matters of this nature. This tension has continued under the WTO.

Following the Annual Meetings, the Fund became concerned that it was getting left behind and moved very rapidly to produce documentation and to discuss matters with their Executive Directors. In addition, the GATT Secretariat started to express reservations about the level at which they were dealt with in the Bank. Specifically, they felt that day-to-day contacts should occur between Messrs. Seade and Bruno and between Sampson and Ahmed.

Following further informal consultations within the Bank and with staff at GATT and the IMF, a version of the paper was prepared for presentation to the Board, who were starting to press for it. Senior management felt it best, however, to delay this until the WTO had been created, and the note was finally circulated, in the form of a draft note for staff which was being copied to the Board for comment, in February 1995. Several minor comments were received along with requests for a Board Seminar on the matter. The Seminar has been agreed in

principle but not scheduled. The note for staff has been held in abeyance until the Seminar has occurred.

Over the winter continuing discussions with the WTO/GATT Secretariat revealed a number of issues that needed to be resolved. First, the view was expressed that Bank advice was not infrequently at odds with countries' commitments under the GATT. In December 1994, Mr. Winters informally asked Mr. Sampson for details of such cases, but to date none have been received. Second, a view emerged among some of the delegations of the Contracting Parties/Members of WTO that the Bank be excluded from the Disputes Settlement Body (DSB). This would represent a step backwards from the Bank's position under the GATT, for until the end of 1994 the Bank observed all GATT Council proceedings, including those when it was doing work now falling under the DSB. Third, there were suggestions that WTO should have observership at every Executive Board Meeting and receive every Bank document. Although some parts of the Secretariat recognized immediately that this was not feasible or desirable, other parts (supported, we understand, by some delegations) continued to press for it.

During the first quarter of 1995 the WTO position became paralyzed by the disagreement about whether it was the Secretariat or the delegations which would

handle this matter. At the same time, the Secretariat decided that it would concentrate on settling matters with the Fund before the Bank, largely because that relationship is deeper and more formal. Despite a number of contacts (including one meeting between Messrs. Seade and Bruno) all substantive discussion ceased. In March 1995, Messrs. Ahmed and Winters received an invitation from Ambassador Kesavapany--Singapore's Ambassador to the WTO and current chairman of the WTO Council--to discuss Bank-WTO relations informally. We visited him in mid-April and also met Ambassador Rossier (of Switzerland), who by that time had been charged with chairing a working group of delegates on the subject. These conversations confirmed the priority that was being given to settling with the Fund, but also revealed (a) a willingness to settle matters with the Bank at more or less the same time, and (b) that there were very few substantive differences between the Bank's staff paper and the views of the parties at WTO. Following these contacts the Secretariat briefly expressed rather more interest in dealing with the Bank, and expressed informally a concern that direct contact between the Bank and the delegations could undermine the Secretariat's claim to negotiate this issue. Basically, we sympathize with the latter's concerns, for it is clearly more appropriate (not least for reasons of confidentiality) that Bank staff deal with the Secretariat than with staff in the (national) delegations. Consequently, other than offering to provide a briefing for Ambassador Rossier's

group on the Bank's procedures, we did not pursue matters with Rossier and Kesavapany.

By May 1995 both the Secretariat and Rossier's working group were moving slowly towards settling their positions on the Bank-WTO collaboration and we were expressly advised by Mr. Sampson that there was nothing that we could do to move matters along. We were also advised by him that he saw little substantive disagreement between the Bank and WTO positions. In the course of May, however, it proved impossible to discuss with Mr. Sampson either substantive issues on WTO-Bank collaboration or, indeed, to engage him on the subject of the agenda for Mr. Wolfensohn's first meeting with Mr. Ruggiero. Given that matters seemed to be in a reasonably good shape substantively and that we hoped that Mr. Ruggiero would be able to slice through the bureaucratic difficulties at WTO, it did not seem necessary to brief Mr. Wolfensohn on the continuing difficulties and frustrations of this relationship.

In June, two things have happened. First, the Rossier working group has summarily disbanded itself, passing to the Secretariat a mandate to negotiate the modalities of collaboration with the Bank and the Fund. The mandate for negotiations with the Fund appears to offer the Fund all that the Bank would require, and we are informed that the mandate for the Bank is likely to be very

similar.¹ When he met Mr. Wolfensohn in June, Mr. Ruggiero had expressed the hope that the WTO's proposals on collaboration would be completed in time for a paper to be put to the General Council meeting on July 11.

The second development in June has been increased emphasis by Mr. Sampson on the issue of the consistency of Bank advice with WTO obligations. He has still not produced a list of cases, but has apparently been saying in certain circles that consistency is a major problem. Until we hear from him what his concerns are, it is difficult to respond to this, but IECIT is developing plans to try to reduce even further future frictions on this score. These entail improved procedures in the Bank to ensure that operations' staff have sufficient information to offer WTO-consistent advice, such as access to a country's WTO commitments, regular seminars on WTO requirements, a checklist of potentially inconsistent policies, and access to expert advice from economists in the International Trade Division (IECIT) and, where appropriate, specialists in the WTO. Such procedures would build upon the tradition of informal staff contact between GATT and Bank staff and seem far more efficient than establishing extra layers of policy review within the Bank.

[k:jdwwto.doclaw\27-Jun-95]

¹ It has just emerged, however, that there is continuing resistance by the EU to our observing the DSB, although our view, and that of at least some members of the Secretariat, is that this will be overcome.

The World Bank
Washington, D.C. 20433
U.S.A.

MASOOD AHMED
Director
International Economics Department

June 21, 1995

Mr. Gary Sampson
Director
Development Division
World Trade Organization
Centre William Rappard
Rue de Lausanne 154
CH-1211 Geneva 21
SWITZERLAND

Dear Gary,

In preparation for the July 6 dinner meeting among Messrs. Ruggiero, Camdessus and Wolfensohn, I thought it would be useful to touch base and see if there is any substantive issue that you or your colleagues would like to put on the agenda for discussion. There are also a couple of items that we would like to flag.

Collaboration. Based on our various conversations, our understanding is that work on defining the collaborative arrangements with the Fund and the Bank is now proceeding more rapidly and that your assessment is that, even if the initial work is done on the case of the Fund because of the additional legal relationship, this should be followed quickly by similar work on the relationship with the Bank. I am also still guided by your advice that at this stage there is nothing additional that the Bank can do to accelerate the pace of this work. Finally, I understood from Mr. Ruggiero's remarks at the June 13 meeting here in Washington that he was aiming for getting agreement on this issue at your next General Council meeting in mid-July. If this understanding needs to be modified in any way, please let me know so that I can alert Mr. Wolfensohn accordingly.

Consistency of World Bank advice with WTO obligations. I understand from Atsuko Horiguchi that you felt that the problem of WTO consistency of Bank operational advice is more serious than I had implied in the June 13 meeting. As you know, we have discussed this issue on a number of occasions, but our efforts to identify specific instances of inconsistent advice have so far produced the same two or three cases. If you do have additional more recent examples of this problem, I would again be grateful for that information which we could then use to follow up with our regional colleagues here and to also alert the Bank's Senior Management.

- 2 -

Finally, I would appreciate if you could let me have the details of the location and timing for the proposed dinner which we could then pass on to Mr. Wolfensohn's office.

Sincerely,

A handwritten signature in black ink, appearing to be 'Masood Ahmed', with a long horizontal stroke extending to the right.

Masood Ahmed

bcc: Ms. Atsuko Horiguchi, EXC
Mr. Alan Winters, IEC

ORGANISATION MONDIALE
DU COMMERCE

ORGANIZACIÓN MUNDIAL
DEL COMERCIO

WORLD TRADE ORGANIZATION

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TELEFAX

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Date: 26/6/95

To:
Mr. Masood Ahmed
Director
International Economics Dept.
The World Bank
Washington D.C.

FAX No: 00 1 202 477 0881

From:
Gary P. Sampson
Director
Development Division

Reference: 27-let

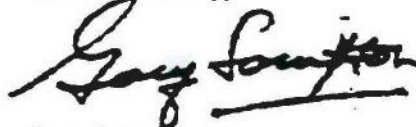
Signature:

Dear Masood,

Thank you for your fax of 21 June 1995. I have not yet discussed with Mr. Ruggiero what he has on his agenda for the meeting on 8 July 1995. We will, however, be doing this in the coming days and I will certainly keep you informed of what will be the priorities from our side. It seems fair to say, however, that we will carry forward the discussions which we had in Washington. That is to say, matters relating to Africa, the Agreement in the Rossier Group etc.

As soon as we have a clearer idea I will, of course, let you know.

Yours sincerely,



Gary P. Sampson

MICHAEL BRUNO
Vice President Development Economics
and Chief Economist

June 5, 1995

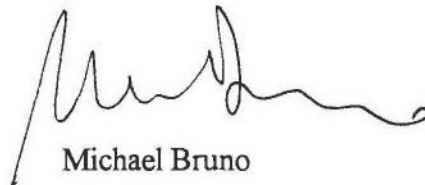
Mr. James D. Wolfensohn

Update on Bank-Fund-WTO Collaboration

Jim,

As promised, attached is an update on issues of Bank-Fund-WTO Collaboration. This may be relevant to your lunch with Mr. Camdessus on June 6.

I suggest that we spend 15 minutes between now and lunch tomorrow for a quick briefing on more likely issues that may come up at the lunch.



Michael Bruno

Attachment

cc: Managing Directors
Ms. Horiguchi

6/5
Asked - Jane A.
not to give
this to J.W.
Replaced by M. Camdessus
note of 6/5. K

Bank-Fund-WTO Collaboration: An Update

Although we have had no communication from the WTO Secretariat about your meeting with Mr. Ruggiero on June 13, we understand that the Fund have received an indication of the issues Mr. Ruggiero wishes to raise at the corresponding meeting with Mr. Camdessus. We understand that Mr. Camdessus hopes that the Bank and the Fund will be able to maintain largely common positions in their dealings with WTO, and that as a result he may raise some of these issues when you meet him on June 6. There should be no difficulty in reaching a common understanding with Mr. Camdessus.

The WTO Secretariat has suggested that the following four issues may arise:

- (a) Mr. Ruggiero is likely to suggest that the WTO play an active role in the Development Committee and that the latter become the principal locus for dealing with coherence in global economic policy making.

We would counsel against this. As you know, there is a growing consensus that the role of the Development Committee needs to be

rethought. However, it is not obvious that broadening it further is the right way to go. Moreover, it seems sensible to define coherence before locating it. Effective, as opposed to ceremonial, treatment of coherence seems far likelier to be achieved through staff and management interaction than in a political body such as the Development Committee.

- (b) Mr. Ruggiero will suggest that a joint Bank-Fund-WTO communiqué be issued prior to the Halifax meeting.

Mr. Camdessus is expected to reply that this is neither a traditional nor an effective way of communicating with the G-7. We agree.

- (c) Mr. Ruggiero wishes to discuss the reform of the G-7, possibly arguing that it should be made more broadly representative and that the Bank, Fund and WTO should have greater direct input.

Mr. Camdessus is unsympathetic to this proposal, favoring, in particular, a more prominent role for the Fund and its Interim Committee. It is not clear that the Bank has a direct interest in either of these proposals, and we suggest that you should be noncommittal

about both. Since Mr. Ruggiero's (predicted) views are unlikely to prevail, and since, if they did, they would doubtless entail the promotion of WTO interests above those of the Bank, it seems particularly desirable not to become associated with that.

- (d) Consideration will also be given to the state of discussions about cooperation between the Fund and WTO. These are formally somewhat more advanced than discussions between the Bank and WTO, but are still held up by significant differences both between the Fund and the Secretariat and between the Secretariat and the member governments of WTO. Fund staff keep us informed of the progress of their discussions, which we appreciate, and they are also sympathetic to our view that Fund-WTO and Bank-WTO discussions on cooperation should proceed broadly in parallel. It may be useful to reaffirm this with Mr. Camdessus.

Mr. Camdessus may suggest that he and Mr. Ruggiero issue a press statement to the effect that discussions on collaboration between the staffs and managements of the two institutions are progressing well and that they will shortly present to their Board and General Council a draft agreement. It would unfortunate if such a statement were made and we were unable to match it. It

would be desirable if Mr. Camdessus expressed the wish that the Bank also be party to such a statement and would lend his weight to persuading Mr. Ruggiero that the Secretariat should be forthcoming enough in its discussions with us to allow us honestly to subscribe to such a statement.

[IECIT\c:\jwb\brief3.doc(1-Jun-95)]

MICHAEL

RE ATTACHED, I THINK EXC SHOULD
DIRECT ALL SUCH CORRESPONDENCE
TO YOU, AS VP. AT PRESENT, THE
NEW PRESIDENT'S OFFICE SEEMS TO
SEND THINGS DIRECTLY TO WHOEVER.
THIS HAS OBVIOUS DISADVANTAGES.

ko

6/7

I fully agree.

(How is it not done?)

Maybe let Mark talk to Atsuko?

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: June 8, 1995 03:09pm EST

TO: Masood Ahmed - IECDR (MASOOD AHMED)

FROM: Nancy Barrett, EXC (NANCY BARRETT)

EXT.: 80444

SUBJECT: Wolfensohn-Ruggiero Meeting - June 13

This is to confirm Mr. Ruggiero's appointment with Mr. Wolfensohn on Tuesday, June 13, at 5:30 to 6:00 pm in the President's office.

Please advise the names and positions of those attending, as well as the briefing materials, unless provided to Josie Bassinette already. It would be helpful for us to have this information tomorrow in order to provide the materials to Mr. Wolfensohn in advance of his meeting.

Thank you.

CC: Atsuko Horiguchi (ATSUKO HORIGUCHI @A1@WBWASH)
CC: JOSIE BASSINETTE (JOSIE BASSINETTE @A1@EDSEL)
CC: JANE ARMITAGE (JANE ARMITAGE)

AL - I N - 1 N O T E

DATE: 08-Jun-1995 10:27pm

TO: L. Alan Winters

(L. ALAN WINTERS)

FROM: Masood Ahmed - IECDR, IECDR

(MASOOD AHMED)

EXT.: 33800

SUBJECT: let's discuss re attached

Alan,
could you pls check with gAry if someone from the WTO staff will
be accompanying Mr Rugeiro.
Let's also discuss who should join meeting from our side.
Masood

CC: Michael Bruno

(MICHAEL BRUNO)

0508

The World Bank
Washington, D.C. 20433
U.S.A.

MASOOD AHMED
Director
International Economics Department

95 MAY 15 AM 9:46

RECEIVED
DEVELOPMENT ECONOMICS
V.P. & CHIEF ECONOMIST

May 12, 1995



Mr. Gary Sampson
Director
Development Division
World Trade Organization
Centre William Rappard
Rue de Lausanne 154
CH-1211 Geneva 21
Switzerland

Dear Gary,

This is just to confirm your conversation with Sarwar Lateef. Mr. Wolfensohn would be delighted to meet with Mr. Ruggiero on Tuesday, June 13, 1995 at 5:30 p.m. in Mr. Wolfensohn's office, Room E-1227. I will receive Mr. Ruggiero at the entrance to the E Building which is located on 701 19th Street, at 5:25 p.m.

We will be in touch with you shortly about the issues to be discussed between Mr. Ruggiero and Mr. Wolfensohn.

Sincerely,

bcc: Messrs./Mmes. Bruno, Baird, Vieira da Cunha (DECVP);
Armitage, Barrett (EXC); Bassinette (SECBO);
Raphaeli (OPRPG); Winters (IECIT)

→ Michael Bruno
for info.

RECEIVED 3-28-95

ANSWERED _____

FILE _____

RENATO RUGGIERO
95 APR 10 PM 4-29

RECEIVED
DEVELOPMENT ECONOMICS
V.P. & CHIEF ECONOMIST

~~S. Sandstrom~~
G. Kaji
R. Frank

Rome, 25th march 1995

TO : JAMES D. WOLFENSOHN
FROM : AMB. RENATO RUGGIERO

WB
~~M. [unclear]~~ - Sven and
MS: for your info

Dear James,

thank you for your message and for the strong support you gave to my candidacy.

I am very glad that my appointment will give me the possibility of keeping with you a very close relationship and I hope seeing you soon.

Sincerely,

Renato Ruggiero

cc. M. Bannet - Acting
M. Ahmed o/r.
A. Winters

The World Bank
Washington, D.C. 20433
U.S.A.

MASOOD AHMED
Director
International Economics Department

May 2, 1995

Ambassador William Rossier
Head of the Swiss Delegation to the
World Trade Organization
9-11 rue de Varembe
1211 Geneva 20, Switzerland

Dear Ambassador Rossier,

Future WTO-Bank Cooperation

Thank you for breaking your busy schedule to meet Messrs. Croome and Winters and me last month. I found our meeting most illuminating and was grateful to be able to sketch out for you Bank staff thinking on future WTO-Bank relations. Given the special relationships between the WTO, Fund and Bank foreseen in Marrakesh, this is something which we take most seriously.

Based on our discussions to date, it seems that it should be fairly straightforward to settle the broad outlines of an agreement on the mechanics of WTO-Bank cooperation, and we hope that we can do so fairly quickly. This would not only allow us to demonstrate timely and tangible follow up to the declarations at Marrakesh, but clear the decks so that we could get on with the business of substantive cooperation and coherence. As we discussed, to facilitate this process, I will send you shortly a brief, informal note summarizing the current staff thinking on the mechanics for cooperation which could then form the basis for continuing discussions. I will also send copies of this note to Ambassador Kesavapany and our counterparts in the Secretariat. As we discussed, we hope we might have broad agreement in time for your July Council and our Annual Meetings in October.

Among the points that the non-paper will make are that the Bank staff seek to preserve the status quo (1994) on the topics which it may observe in the WTO; that it will seek to extend the WTO's right of observership beyond the status quo (based on the form of the current arrangements with the IMF); that we shall seek to build upon the current excellent informal collaboration between the

May 2, 1995

staffs of the WTO Secretariat and the Bank; and that there should be periodic senior level meetings between staffs of the WTO, Fund and the Bank.

In addition, per your request, we are arranging to make a presentation to your working group on the operating procedures that lead to the Bank's trade policy recommendations and the role that trade policy plays in the Bank's overall set of activities. We hope to be able to do this by mid-May.

Thank you, once again, for devoting your personal attention to this matter.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'W. Rossier', with a stylized flourish extending to the right.

bcc: Messrs. Michael L. Bruno, L. Alan Winters, John Croome

The World Bank
Washington, D.C. 20433
U.S.A.

MASOOD AHMED
Director
International Economics Department

May 2, 1995

Ambassador K. Kesavapany
World Trade Organization
Centre William Rappard
Rue de Lausanne 154
Geneva 21
SWITZERLAND

Dear Ambassador Kesavapany,

Future WTO-Bank Cooperation

Thank you for breaking your busy schedule to meet Messrs. Croome and Winters and me last month. I found our meeting most illuminating and was grateful to be able to sketch out for you Bank staff thinking on future WTO-Bank relations. Given the special relationships between the WTO, Fund and Bank foreseen in Marrakesh, this is something which we take most seriously.

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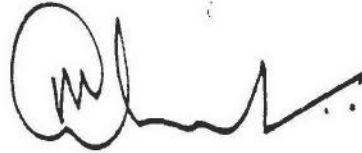
May 2, 1995

staffs of the WTO Secretariat and the Bank; and that there should be periodic senior level meetings between staffs of the WTO, Fund and the Bank.

In addition, we are arranging to make a presentation to Ambassador Rossier's group on the operating procedures that lead to the Bank's trade policy recommendations and the role that trade policy plays in the Bank's overall set of activities. At Ambassador Rossier's request, we will attempt to do this by mid-May.

Thank you, once again, for devoting your personal attention to this matter.

Yours sincerely,

A handwritten signature in black ink, consisting of a large, stylized initial 'M' followed by a series of connected loops and a long horizontal stroke ending in a small upward tick.

bcc: Michael L. Bruno, L. Alan Winters, John Croome

OFFICE MEMORANDUM

File

DATE: April 27, 1995

TO: Mr. Gautam ~~Kaji~~, EXC

FROM: Michael Bruno, DECVP *MB*

EXTENSION: 33774

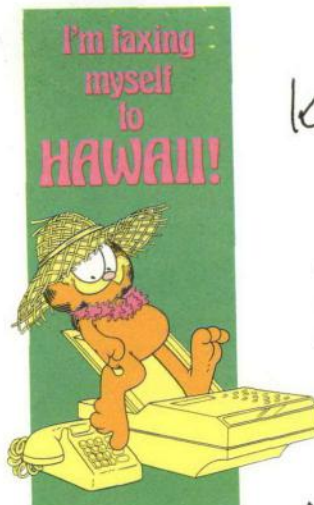
SUBJECT: **Reply to Mr. Sutherland**

1. I attach a brief reply to Mr. Sutherland's letter suggesting prior consultation between WTO and Bank staff before publishing research results.
2. Mr. Sutherland's letter was not commenting on the substance of our statements on agriculture, so we have focused explicitly on the consultation issue. We have had some difficulty engaging the Secretariat in serious discussion about Bank-WTO relations, and we hope to use this opportunity to address Mr. Sutherland to speed up progress.
3. Tomorrow is Mr. Sutherland's last day as Director-General, and it would be very good if this letter could be sent by fax to him before he leaves.

Attachment

c.c. M. Ahmed, IECADR; L.A. Winters, IECIT

*DONE
4/28
MB*



JTM DAVIS

4/28

Kate,
we spoke.
I faxed copy to Switzerland today. Cheers.
Have a nice W.E.
Lisa

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

Office of the President

April 28, 1995

Mr. Peter D. Sutherland
The Director-General
World Trade Organization
154 Rue de Lausanne
1211 Geneva 21, Switzerland

Dear Mr. Sutherland,

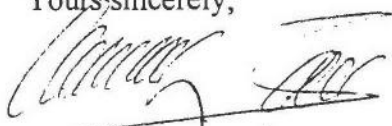
Thank you for your letter of April 21 addressed to Mr. Preston.

I agree with you that initial staff consultation is necessary, especially where issues of policy are concerned. On the specific instance you quote, there was extensive--and in our view, successful--consultation and collaboration. Bank and GATT staff discussed the data, methodology and results of our research frequently, starting in July 1994. Several GATT staff received copies of the papers on agriculture and several also attended the conference in January where the results were discussed. Indeed, the Bank's research on the Uruguay Round and the Developing Countries has benefited greatly from WTO input. Unfortunately more consultation cannot guarantee balanced coverage in the press. In this particular case we made a very positive statement about the new rules for agriculture, but it did not receive the same press coverage as our analysis of the specific concessions made.

Turning to the future, I propose that we move forward with the greatest possible expedition to establish modalities for regular consultation and cooperation between our respective staffs and organizations. From the staff consultations that have already taken place, most recently during a visit to Geneva by my colleagues two weeks ago, I have every expectation that these modalities can be finalized in an initial memorandum of understanding before the end of the summer.

May I take this opportunity on behalf of Mr. Preston and the World Bank, to express our appreciation for the invaluable contribution that you have made as the Director General of the WTO and to wish you all the best in your future endeavours.

Yours sincerely,



Gautam Kaji
Acting President

WORLD TRADE ORGANIZATION

PETER D. SUTHERLAND
THE DIRECTOR-GENERAL

154, RUE DE LAUSANNE
1211 GENEVA 21, SWITZERLAND
TEL. (41-22) 739 51 00
FAX (41-22) 731 54 60

GENEVA, 21 April 1995

Lew.
Dear Mr. Preston,

Media coverage of recent World Bank studies on the results of the Uruguay Round on Agriculture has prompted me to write to you on the co-operative arrangements which, I believe, it would be in the interests of both our organizations to follow in the future.

As you are no doubt aware agriculture is a particularly sensitive issue and one that engages a wide and diverse range of national interests. It is therefore particularly important that the new rules under the Uruguay Round Agreement on Agriculture, as well as the specific concessions and commitments that have been negotiated, should be assessed on a comprehensive and integrated basis as befits the nature of the outcome itself.

My specific suggestion would be that, where studies or reports dealing directly with matters within our respective operational competence are under preparation, there should be an opportunity to comment on any factual, legal or technical aspects before the report or study in question is finalized. This of course would have to be on the basis that it is fully recognized that both the content and the conclusions of its own reports are essentially matters for each organization to decide.

With best personal regards,

Yours sincerely,



Peter D. Sutherland

Mr. Lewis T. Preston
President
World Bank
1818 H Street N.W.
Washington D.C. 20433

Mr. M Ahmed

Re attached

Masood,

Could you please prepare a
reply for Gautam's signature by
c.o.b. 4/27.

Thanks

Michael

4/25

0303

WORLD BANK OFFICE TRACKING SYSTEM
OFFICE OF THE PRESIDENT
Routing and Action Transmittal Sheet

95 APR 25 AM 10: 08

RECEIVED
DEVELOPMENT ECONOMICS
AND FINANCE

TO:	Mr. Bruno (S-9035)	DATE:	4/21/95
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SUBJECT DOCUMENT:

From: Peter D. Sutherland, Director-General, WTO
 To: ltp
 Dated: 4/21/95 Reference No.: EXC950421002

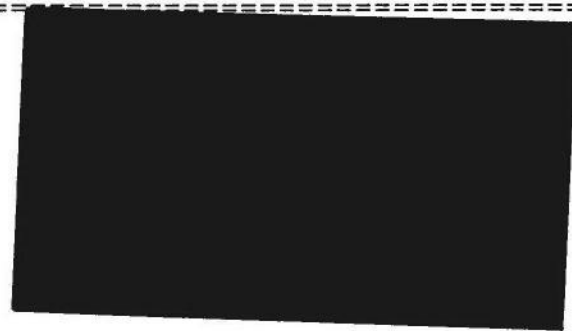
Topic: World Trade Org. - re results of the Uruguay Round on Agriculture
 suggesting that their org. & WB comment on rpts. before finaliz.

ACTION INSTRUCTIONS: | DUE DATE: |

- _____ HANDLE
- _____ REVIEW AND RECOMMEND
- _____ FOR YOUR INFORMATION
- _____ DISCUSS WITH _____
- _____ AS WE DISCUSSED
- ___XXX___ PREPARE RESPONSE FOR _GK'S_ SIGNATURE
- _____ FOR YOUR FILES
- _____ RETURN TO _____
- _____ OTHER: _____

4/28/95

Remarks: Please prepare response for Mr. Kaji's signature as Acting Pres.
 by DUE DATE. Thank you. (Chitra Wimalasiri)
 cc: MDs and Mr. Choksi



WORLD TRADE ORGANIZATION

*Mr. M. Bruno
acting Pres
Pres. resp. for
Mr. Keji*

PETER D. SUTHERLAND
THE DIRECTOR-GENERAL

154, RUE DE LAUSANNE
1211 GENEVA 21, SWITZERLAND
TEL. (41-22) 739 51 00
FAX (41-22) 731 54 50

*cc. GK
AChakSi*

GENEVA, 21 April 1995

Lew.
Dear Mr. Preston,

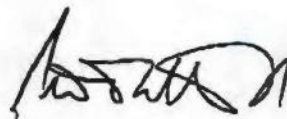
Media coverage of recent World Bank studies on the results of the Uruguay Round on Agriculture has prompted me to write to you on the co-operative arrangements which, I believe, it would be in the interests of both our organizations to follow in the future.

As you are no doubt aware agriculture is a particularly sensitive issue and one that engages a wide and diverse range of national interests. It is therefore particularly important that the new rules under the Uruguay Round Agreement on Agriculture, as well as the specific concessions and commitments that have been negotiated, should be assessed on a comprehensive and integrated basis as befits the nature of the outcome itself.

My specific suggestion would be that, where studies or reports dealing directly with matters within our respective operational competence are under preparation, there should be an opportunity to comment on any factual, legal or technical aspects before the report or study in question is finalized. This of course would have to be on the basis that it is fully recognized that both the content and the conclusions of its own reports are essentially matters for each organization to decide.

With best personal regards,

Yours sincerely,



Peter D. Sutherland

Mr. Lewis T. Preston
President
World Bank
1818 H Street N.W.
Washington D.C. 20433



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001		
Document Date April 28, 1995	Document Type Memorandum			
Correspondents / Participants To: Mr. Ibrahim Al-Assaf, EDS22 From: Jean-Daniel Gerber, EDS24; Julio Nogues, EDS08				
Subject / Title World Bank- WTO				
Exception(s) Communications of Executive Directors' Offices				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date May 18, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date May 18, 2017
Withdrawn by Shiri Alon	Date May 18, 2017			

International Bank for Reconstruction and Development
FOR OFFICIAL USE ONLY

DECLASSIFIED
MAY 17 2017
WBG ARCHIVES

SecM95-145

FROM: The Acting Secretary

February 7, 1995

Guidelines for Staff Cooperation with the World Trade Organization

1. Attached as requested by the Executive Directors is a draft note which provides guidelines for future interaction between the staffs of the Bank and the World Trade Organization (WTO). The note has been discussed with staff of the GATT, and their comments incorporated. It has also been discussed with the staff of the Fund who have proposed similar guidelines to their Board.
2. Comments on this note may be sent to Mr. Ahmed (X33800) or Mr. Winters (X33845).

Distribution:

Executive Directors and Alternates
Office of the President
Senior Management, Bank, IFC and MIGA

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

GUIDELINES FOR STAFF COOPERATION WITH THE WORLD TRADE ORGANIZATION

1. The Agreement concluding the Uruguay Round called upon the Director-General of the World Trade Organization (WTO) to consult with the heads of the Fund and the Bank on enhanced inter-institutional cooperation, especially with a view to achieving greater coherence in global economic policymaking.¹ This note proposes guidelines for Bank staff involved in such cooperation between the Bank and the WTO. It builds upon the existing close but informal cooperation between the staffs of the Bank and the GATT, on existing arrangements for cooperation between the Bank and the Fund, and on discussions between the three parties during the Uruguay Round.* The Fund is developing similar guidelines for collaboration with the WTO. While recognizing that the Bank and the Fund have different roles vis-a-vis the WTO, it is desirable that Bank/WTO and Fund/WTO arrangements maintain a degree of parallelism where they might interact.

2. While we should not prejudge the evolution of the WTO, it seems likely to be a stronger institution than the GATT, with a greater role in policy formulation and monitoring. Moreover, in addition to their growing role in the world economy, the developing countries will be more fully

¹ "Declaration on the Contribution of the World Trade Organization (WTO) to Achieving Greater Coherence in Global Economic Policymaking," appended to the Final Act of the Uruguay Round.

* Appended to this note for Executive Directors, but not for circulation within the Bank, is a paper by the GATT Secretariat for the Preparatory Committee of the WTO. It gives an account of earlier talks and includes a preliminary discussion of cooperation by the Secretariat.

engaged in the WTO than they were in the GATT, both in terms of their substantive commitments and their expectations of benefits. These changes suggest the need for more intensive cooperation and interaction between the Bank and WTO than applied heretofore between the Bank and the GATT.

3. Cooperation between the two staffs may be considered in terms of the following four broad areas:

- i) Consistency of Bank conditionality and policy advice with WTO agreements;
- ii) Financial support to developing countries during the trading shifts caused by WTO agreements;
- iii) Research and information exchange;
- iv) Consultation and representation.

Consistency

4. In respect of international trade, the basic objectives of the Bank and of the WTO are entirely consistent, although the two institutions have different mandates and different emphases in trade policy. The WTO's emphasis is on the legal rights and obligations of countries--the rules of the

trading system--while the Bank's focus is more directly on economic policy--i.e., encouraging good policies which do better than simply meeting international agreements.

5. The WTO agreements are intricate and can easily be misunderstood. Bank staff advising a country on trade reforms need to be well informed about the international obligations of the country and about trade policies in the main trade partners. They should ensure that the policy changes or conditionalities that are agreed with country authorities are not contrary to the latter's WTO commitments.* In very rare instances, policy reforms may entail country authorities making use of WTO provisions for seeking waivers from or the renegotiation of prior commitments: for instance, within the context of an overall trade liberalization, they may need to raise bound tariffs on a few tariff-lines in order to reduce the dispersion of the tariff structure or to allow the orderly removal of quantitative restrictions. Bank staff should agree to or propose such steps only where there is no economically sound alternative. In that circumstance they should advise the national authorities to take the matter up with the WTO expeditiously and require them to inform the Bank of the steps they take in that regard.

6. The consistency of Bank advice with WTO commitments will be achieved by means of consultation within the Bank and between the Bank

* The consistency of Bank advice with the WTO is also raised in the Secretariat's paper; this statement coupled with the procedures set out in footnote 2 below appear to address their concerns.

and the WTO staffs. The focal point for the Bank side of such consultations will be the International Trade Division (IECIT) of the International Economics Department, assisted as appropriate, by other relevant Departments such as the Legal Department.² On occasion there may also need to be direct discussions between Operations' task managers and relevant WTO staff in the context of their operational work.

7. Trade policy is an important element of development policy, which is the Bank's primary focus. In the construction of appropriate policy packages, especially in the context of conditionality, the Bank's mandate will frequently require it to encourage member country governments not only to meet, but to improve upon, the minimum standards required by the WTO.

8. Both the Bank and WTO will need to comment on their members' trade policies. To reduce the possibility of mistaken perceptions of conflict between them, it is important that both organizations make a clear distinction between advice pertaining to the consistency of a trade policy with a country's legal obligations under the WTO and that pertaining to the economic advisability of a policy. Drawing this distinction and recognizing the differing institutional emphases in the two dimensions will help to allay

² Operational Directive OD 8.60 (December 1992) states that "Care should be taken to ensure that conditionality on trade reform is consistent with any international agreements to which the country concerned may be a party."⁵

⁵ "5. When a possible conflict is identified, the Chief, International Trade Division, International Economics Department, and the Legal Department, International Law Adviser, should be consulted."

concerns of member governments about the compatibility of advice received from the two institutions.

Financial Support

9. Bank staff recognize that, on occasion, financial support may be required to facilitate adjustment following unilateral or multilateral trade liberalization. The Bank's lending policies are flexible and responsive enough to take these considerations into account--along with those pertaining to the general policy stance and regulatory environment--without the creation of new instruments.

Research and Information Exchange

10. The Bank has long been recognized as a leading center for research and analysis in trade policy issues. The GATT's expertise, on the other hand, has traditionally lain more in the legal implementation and documentation of policies. Thus there is significant complementarity and scope for cooperation between Bank and WTO staff in trade policy research. This is already being actively exploited: for example, GATT staff addressed a series of IECIT seminars for regional staff on the outcome of the Uruguay Round in November 1994, and contributed extensively to IECIT's conference on the Round in January 1995; IECIT staff have addressed GATT training courses over several years. In future the Bank and WTO staffs should, at an early stage, seek each others' views on their

research papers and reports in which international trade or trade policy is a major component. This will inform each staff of the other's activities, identify issues of common interest and potentially increase the coherence between their positions.

11. Arrangements for information and data exchange are also in effect at present, but they have never been systematized. Bank staff will seek deeper cooperation by regularizing, codifying and automating them. As at present, the Bank expects to receive completed WTO secretariat documents and formal submissions by governments to the various WTO bodies including the General Council and its substantive sub-bodies as well as the Trade Policy Review Body and the Dispute Settlement Body, while the WTO should receive Bank documents and publications. IECIT and WTO staff will cooperate to develop appropriate guidelines for managing the exchanges of these documents. The Bank and WTO staff will work to offer each other unrestricted access to certain databases--specifically the GATT's Integrated Database and the Bank's macroeconomic and socioeconomic database.

12. Both the Bank and the WTO will, of course, commit to respect the confidentiality constraints implicit in transfers of unpublished information.

Consultation and Representation

13. To date Bank/GATT interaction and consultation has been mainly at the working level, supplemented by periodic contact between Heads of Institutions. Staff links should be enhanced, and possibly supplemented by staff exchanges, with a view to establishing effective networking and interaction among the two staffs. Meetings will be held at least annually between appropriate WTO, IMF and Bank managers/senior staff to examine the coherence of policies, identify issues of common concern in the area of trade policy and discuss the Institutions' (possibly different) approaches to these issues.*

14. No major changes are envisaged in the formal arrangements for representation. The Director-General of GATT has been regularly invited to the Interim and Development Committees, and has made statements at the Development Committee. GATT has now been re-admitted as an observer to the Bank's Annual Meetings. The Bank enjoys observer status and is allowed to make statements at most official GATT bodies. It will seek to extend this to substantive WTO bodies, including the Ministerial Council, the various Councils, and their Committees and Sub-Committees.

* These meetings would develop proposals from both sides concerning modes of cooperation, including those in the Secretariat's paper appended herewith.



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001	
Document Date October 31, 1994	Document Type Paper		
Correspondents / Participants GATT Secretariat			
Subject / Title WTO Cooperation with the IMF and The World Bank and Greater Coherence in Global Economic Policy-making - presented to the Preparatory Committee of the WTO during November 1994.			
Exception(s) Information Provided by Member Countries or Third Parties in Confidence			
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by Shiri Alon	Date May 18, 2017



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001	
Document Date March 10, 1995	Document Type Memorandum		
Correspondents / Participants To: Michael Bruno, DECVP From: Eveline Herfkens, EDS19			
Subject / Title Bank -WTO			
Exception(s)			
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by Shiri Alon	Date May 18, 2017



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001	
Document Date March 16, 1995	Document Type Memorandum		
Correspondents / Participants To: Mr. Julio Nogués, EDS08 From: Masood Ahmed, IECDR			
Subject / Title Guidelines for Staff Cooperation with the World Trade Organization			
Exception(s)			
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by Shiri Alon	Date May 18, 2017

OFFICE MEMORANDUM

DATE: March 21, 1995

TO: Mr. Gautam Kaji, EXC

FROM: Michael Bruno, DECVP *MB*

EXTENSION: 33774

SUBJECT: **Relations with the WTO**

1. We have now received comments on our distribution to the Board from Ms. Herfkens, Mr. Good, Mr. Evans and Mr. Nogués. We have replied individually to them and are incorporating their comments into a revised version of the paper where appropriate. Our intention is, after clearance from you, to circulate the revised note to staff and also to the Board for information. In the cover note to the Board we will observe that we are continuing discussions with the WTO and also with the Fund; that the WTO's comments on this and the previous draft were only informal; and that we will inform the Board of progress as appropriate. Mr. Evans requested that the Board have a chance to discuss the matter at an appropriate time, and, indeed, this is likely to be necessary since WTO observership at the Board is an issue. It does not seem desirable, however, to say what "an appropriate time" will be at this stage.

2. I met Mr. Seade, one of the Deputy Directors General of the WTO, for a frank discussion on March 7. He suggested that the WTO should have the rights of observership and address at every Bank Board meeting and that means should be found whereby the WTO could comment on all the Bank's trade policy programs. I advised him that while the Bank's management and Board would consider any proposal which he made, the present one was extremely unlikely to find any favor. In particular, I noted that it suggested more favorable treatment for the WTO than the IMF currently receives.

3. Last week the WTO Contracting Parties met to discuss relations with the Bank and received and endorsed a note from their Chairman--Ambassador Kesavapany from Singapore--suggesting WTO Secretariat observership at the Board "in meetings dealing with matters of direct concern to the WTO." This seems a more sensible proposal and would pose no difficulties from a staff perspective. It would probably entail attendance at no more than six Boards per year. Moreover, it is broadly similar to what the Fund has proposed [will propose], so far as their main Board is concerned. (They will also offer selective attendance at their CGATT--the Committee which handles GATT matters.) Parallelism between the Fund and the Bank seems desirable wherever appropriate.

4. Kesavapany's note also suggests early consultation between the WTO and the Bank on Bank programs "of relevance to WTO members." It would be quite impossible for the WTO Secretariat to process all Bank and Fund documents, and so unless we are to reject this proposal out of hand, we shall need to devise some means of selectivity. By a large margin, the best approach would be an informal one, whereby issues of principle are dealt with in an annual tripartite senior-level meeting and specific country aspects dealt with ad hoc when Bank staff identify a major trade component or a particularly difficult trade issue. It seems best for the first tripartite meeting to work out how to operationalize this consultation process.

5. Messrs. Ahmed and Winters will visit Geneva on April 12 and will meet (at his suggestion) Ambassador Kesavapany. I suggest that they indicate informally that the staff would support proposals along the lines above and that there was a good chance that the Board would concur. Do you agree?

Mr. Gautam Kaji

-3-

March 21, 1995

b.c.c. M. Ahmed, IECDR; L.A. Winters, IECIT

OFFICE MEMORANDUM

DATE: March 21, 1995

CONFIDENTIAL

TO: Mr. Michael Bruno, DECVP

FROM: Masood Ahmed, IECDR

DECLASSIFIED

EXTENSION: 33800

MAY 17 2017

WBG ARCHIVES

SUBJECT: **Relations with the WTO**

1. I attach a draft memo from yourself to Gautam on relations with the WTO. It describes the history and next steps of the note that was circulated to the Board. It also briefly describes our meeting with Seade and contrasts his proposals with those which have emanated from the Contracting Parties. It concludes by asking Gautam's agreement that Alan and I should indicate to people at the WTO that observership at selected Board meetings coupled with an agreement to develop modalities for selected consultation with the WTO on Bank trade advice would be likely to be acceptable to Bank management, although it would require consultation and approval by the Board..

2. The situation in Geneva is quite complex. The Secretariat and the Contracting Parties appear to have rather different agendas and rather different perceptions of their relations with the Bank and the Fund. The proposal that Jesús Seade made at our March 7 meeting (right of observership at all Board meetings with the WTO deciding which ones to attend), goes considerably further than the paper that the Contracting Parties produced for internal review. The Secretariat apparently believes that it is making very good progress with the Fund over mutual observerships and consultation, while the Contracting Parties are, by the account of the Fund and also of people in the US Treasury, rather hostile. We have not yet met any representatives of the Contracting Parties, but as the note to Gautam suggests, they appear to be proposing something very similar to what we would think reasonable. On the other hand, John Croome, who observes WTO affairs for us, has detected distinct hostility towards the Bank on the part of Jesús Seade. Apparently Seade felt our meeting on March 7 unproductive and prickly, and that we are unable or unwilling to respond quickly or productively to their overtures. Alan and I find this a somewhat odd characterization of our relations, for I believe that the initiative for contact has generally come from our side of the water and that we have been frustrated by the Secretariat's inability to make commitments or even consider issues independently. On the other hand, the Fund does have four people permanently based in Geneva which must provide for much

greater day-to-day contact. And there is some reason to believe that Seade would like to be posted to Washington as the WTO representative, which would obviously be easier to justify if their presence were a routine feature at all Board meetings.

3. All this suggests that our planned trip to Geneva on April 12 will be a good occasion to try and understand better what the lay of the land is and how we can move this issue further towards a satisfactory conclusion.

c.c. L.A. Winters, IECIT

OFFICE MEMORANDUM

DATE: March 21, 1995

CONFIDENTIAL

TO: Mr. Michael Bruno, DECV

DECLASSIFIED

FROM: Masood Ahmed, IEC

MAY 17 2017

EXTENSION: 33800

WBG ARCHIVES

SUBJECT: **Relations with the WTO**

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3. All this suggests that our planned trip to Geneva on April 12 will be a good occasion to try and understand better what the lay of the land is and how we can move this issue further towards a satisfactory conclusion.

c.c. L.A. Winters, IECIT

OFFICE MEMORANDUM

DATE:

DRAFT

TO: Mr. Gautam Kaji, EXC

FROM: Michael Bruno, DECVP

EXTENSION: 33774

SUBJECT: **Relations with the WTO**

1. We have now received comments on our distribution to the Board from Ms. Herfkens, Mr. Good, Mr. Evans and Mr. Nogués. We have replied individually to them and are incorporating their comments into a revised version of the paper where appropriate. Our intention is, after clearance from you, to circulate the revised note to staff and also to the Board for information. In the cover note to the Board we will observe that we are continuing discussions with the WTO and also with the Fund; that the WTO's comments on this and the previous draft were only informal; and that we will inform the Board of progress as appropriate. Mr. Evans requested that the Board have a chance to discuss the matter at an appropriate time, and, indeed, this is likely to be necessary since WTO observership at the Board is an issue. It does not seem desirable, however, to say what "an appropriate time" will be at this stage.

2. I met Mr. Seade, one of the Deputy Directors General of the WTO, for a frank discussion on March 7. He suggested that the WTO should have the rights of observership and address at every Bank Board meeting and that means should be found whereby the WTO could comment on all the Bank's trade policy programs. I advised him that while the Bank's management and Board would consider any proposal which he made, the present one was extremely unlikely to find any favor. In particular, I noted that it suggested more favorable treatment for the WTO than the IMF currently receives.

3. Last week the WTO Contracting Parties met to discuss relations with the Bank and received and endorsed a note from their Chairman--Ambassador Kesavapany from Singapore--suggesting WTO Secretariat observership at the Board "in meetings dealing with matters of direct concern to the WTO." This seems a more sensible proposal and would pose no difficulties from a staff perspective. It would probably entail attendance at no more than six Boards per year. Moreover, it is broadly similar to what the Fund has proposed [will propose], so far as their main Board is concerned. (They will also offer selective attendance at their CGATT--the Committee which handles GATT matters.) Parallelism between the Fund and the Bank seems desirable wherever appropriate.

4. Kesavapany's note also suggests early consultation between the WTO and the Bank on Bank programs "of relevance to WTO members." It would be quite impossible for the WTO Secretariat to process all Bank and Fund documents, and so unless we are to reject this proposal out of hand, we shall need to devise some means of selectivity. By a large margin, the best approach would be an informal one, whereby issues of principle are dealt with in an annual tripartite senior-level meeting and specific country aspects dealt with ad hoc when Bank staff identify a major trade component or a particularly difficult trade issue. It seems best for the first tripartite meeting to work out how to operationalize this consultation process.

5. Messrs. Ahmed and Winters will visit Geneva on April 12 and will meet (at his suggestion) Ambassador Kesavapany. I suggest that they indicate informally that the staff would support proposals along the lines above and that there was a good chance that the Board would concur. Do you agree?



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001		
Document Date March 10, 1995	Document Type Memorandum w/attachment			
Correspondents / Participants To: Michael Bruno From: Eveline Herfkens, EDS19				
Subject / Title Bank -WTO				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date May 18, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date May 18, 2017
Withdrawn by Shiri Alon	Date May 18, 2017			

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: February 28, 1995 02:43pm EDT

TO: Michael Bruno (MICHAEL BRUNO)

FROM: L. Alan Winters, IECIT (L. ALAN WINTERS)

EXT.: 33845

SUBJECT: Meeting with Jesus Seade

Dear Michael,

Jesus Seade (Deputy Director General, WTO) is in town on March 7 and 8 to address the IMF's seminar on trade policy. I understand that he has some free time on the afternoon of the 7th, and Masood and I felt that it might be a good opportunity for him to meet you. It will be useful to take stock of where we stand on Bank-WTO relations and to smooth some possibly ruffled feathers over previous consultations. In addition, we are keen to get a clear understanding that we shall definitely receive unfettered access to the Integrated Database of trade and tariff data.

You may recall that Seade has been very sensitive about the level at which he interacts with the Bank. This looks like a relatively low cost means for him to have the contact he desires with you, and may also give us an opportunity to work out sensible modalities for future interactions between Bank and WTO staff.

Alan

CC: Kate Oram

(KATE ORAM)

CC: Masood Ahmed - IECIDR

(MASOOD AHMED)

Briefing Notes for meeting between
Mr. Bruno and Mr. Seade

March 7, 1995

Relations between the Bank and WTO

Both IEC and the WTO Secretariat have prepared notes on the possible future relationship between the Bank and WTO. Ours has been circulated to Board members and has elicited few comments. The Secretariat's has been circulated to Contracting Parties, but we do not know whether it has been discussed or commented upon. In addition, the Fund staff have also prepared documents and discussed them with their Board.

High on the WTO's agenda is **coherence** between various international economic policies, which the WTO was expressly urged to take up with the Bank and the Fund in the Marrakesh Agreement. To date there is no agreement about what coherence means nor how to bring it about. Thus while we should not be dismissive of the idea, it is important not to commit too much until the notion and modalities for achieving it become clearer.

At a more mundane level the Bank and the WTO need to evolve means of **cooperation over trade policy**. The most important policy dimension of this is to keep

a clear distinction between what is required by Treaty obligations under the WTO and what is desirable in the name of sensible economic policy. We should defer to the WTO on the former but vigorously maintain our right to comment on the latter. While we should make every effort to avoid recommending policies that are contrary to WTO commitments, we should be freely able to recommend those that go beyond what is required by the WTO--for example, lowering tariffs below bound rates, abolishing QRs, and foregoing the use of antidumping duties. We do not seek to constrain the WTO from commenting on the advisability, as opposed to the legality, of countries' trade policies, but we should be conscious that the nature of that organization is such that it is difficult for them to press formally for progress inside the WTO-legal set. It is also important that both the WTO and the Bank distinguish in their dealings with client countries between when they are advising on WTO-consistency and when they are advising on economic management. The complaint is apparently made to the WTO that the Bank seeks to push acceding countries further towards liberalization than the GATT accession negotiations apparently require; our position should be that this is perfectly legitimate, it is merely one of correct labeling by the two organizations.

Until the end of 1994 the Bank and the Fund had **observership** on nearly every substantive GATT body, while offering GATT observership only at the Annual Meetings in return (and even this was suspended for a period). The WTO has not

formally dealt with this issue yet and has made ad hoc arrangements for the Bank, Fund, UN and UNCTAD observers which offer less complete coverage than previous arrangements. Certain Contracting Parties are apparently keen to restrict observership until the Bank and the Fund offer reciprocal arrangements. The Fund is about to offer observership on their CGATT (a Committee of the Board which deals with matters on which the GATT (WTO) and the Fund interact) and also observership by invitation at the Board when trade policy figures significantly in the discussion. It is almost inevitable that the Bank will have to follow suit, and I would suggest that once the Fund has moved on this, we seek appropriate approval from our Board to offer observership by invitation to meetings of the Board when trade policy is an important issue--for example, discussion of Global Economic Prospects, and papers such as those on Regional Trading Blocs and the Asian Miracle. At this stage, you might simply alert Mr. Seade of our intentions.

We should seek initially to limit WTO observership to trade policy in the generic sense, excluding country-specific discussions even when trade policy figures large in the conditionality. The Secretariat may ask for the latter, for their paper has suggested that they review Bank trade policy recommendations before they are formally agreed with member countries. Purely for practical reasons--the Secretariat could not possibly handle the volume of work that it would generate--we should resist this. We can handle

matters of WTO-consistency as we do at present: it is the responsibility of department directors to ensure that their recommendations are WTO-consistent (or to behave in a particular fashion if they are not) and they may seek advice from the chief of IECIT and informal consultation with Geneva.

While rejecting country-by-country consultation with the WTO on trade policy, we should encourage the creation of a senior-level **tripartite meeting** (Bank-Fund-WTO) to discuss issues of common interest in the area of trade policy. These would supplement the continuing extensive informal contacts between the two staffs that exist at present. The senior-level meetings could consider future modalities for cooperation such as staff exchanges, cross-staffing of missions, joint research, etc. Despite currently good informal links, IEC (and also Fund staff) have reservations about entering formal commitments on these issues at present.

Seade and Sampson (Director of Development Policy, WTO) have expressed great sensitivity about the level at which they are dealt with by the Bank, apparently feeling that their counterparts are yourself and Masood, respectively. As a practical matter this does not reflect the location of the Bank's work on Bank-WTO matters, which is IECIT. This meeting will probably need to address the question of levels, and we suggest the following: that the working-level contacts should be between Sampson

and Winters, and that the formal relationship (including the tripartite meetings) should be between Seade and Bruno, with the possibility of Ahmed substituting for Bruno on occasion.

A possibly contentious issue is the **Integrated Data Base**. The Bank and the GATT agreed that in return for the Bank developing software to make this data base available on personal computers the Bank would receive unfettered and unconditional access to the data. The software is largely finished and test versions have been delivered, but to our knowledge no steps have been taken to ensure the Bank's access. Access to the data for the purpose of analyzing the Uruguay Round proceeded on the basis that contributing countries made explicit one-off concessions that the Bank could see their data for this purpose. Future use would require, at present, a further round of such permissions. IEC is most anxious that the agreement be honored, and would be inclined to be uncooperative about handing over the software if it is not satisfactorily addressed.

One final sensitive issue may be the WTO's reaction to the cover memo on our note to the Board. They felt that we had overstated the degree of consultation between the Secretariat and Bank staff--in particular, that discussions on our paper had been only informal whereas our note could be read to imply a more formal process. We are

probably somewhat remiss on this, although there was a meeting of Messrs. Bruno, Ahmed, Seade and Sampson in Madrid on the draft paper and we did incorporate more detailed additional comments Mr. Sampson sent following the meeting. Nonetheless, we have expressed regret and assured the Secretariat that the next issue of the note will make clearer to the Board the nature of their input. We hope that the matter will not come up at your meeting, but that is not certain.

L. Alan Winters

3/3/95

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: February 28, 1995 02:43pm

TO: Michael Bruno (MICHAEL BRUNO)

FROM: L. Alan Winters, IECIT (L. ALAN WINTERS)

EXT.: 33845

SUBJECT: Meeting with Jesus Seade

Dear Michael,

Jesus Seade (Deputy Director General, WTO) is in town on March 7 and 8 to address the IMF's seminar on trade policy. I understand that he has some free time on the afternoon of the 7th, and Masood and I felt that it might be a good opportunity for him to meet you. It will be useful to take stock of where we stand on Bank-WTO relations and to smooth some possibly ruffled feathers over previous consultations. In addition, we are keen to get a clear understanding that we shall definitely receive unfettered access to the Integrated Database of trade and tariff data.

You may recall that Seade has been very sensitive about the level at which he interacts with the Bank. This looks like a relatively low cost means for him to have the contact he desires with you, and may also give us an opportunity to work out sensible modalities for future interactions between Bank and WTO staff.

Alan

CC: Kate Oram (KATE ORAM)
CC: Masood Ahmed - IECIDR (MASOOD AHMED)

ROUTING SLIP		Date 2-27-95	
Name		Room No.	
Mr. Michael Bruno (o/r)			
<input type="checkbox"/>	URGENT	<input type="checkbox"/>	Comment
<input type="checkbox"/>	Appropriate Disposition	XX	Information/Discard
<input type="checkbox"/>	Approval/Clearance	<input type="checkbox"/>	Note and Return
<input type="checkbox"/>	File	<input type="checkbox"/>	Per Our Conversation
Per Your Request			
Returned			
See My E-Mail			
Signature/Initial			
RE: WTO			
REMARKS			
Please see attachment.			
From Masood Ahmed		Room No. S-8055	Ext. 33800

The World Bank
Washington, D.C. 20433
U.S.A.

MASOOD AHMED
Director
International Economics Department

February 24, 1995

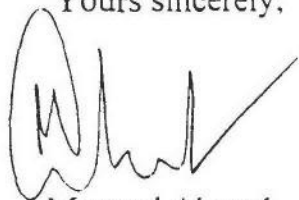
Mr. Gary Sampson
Director
Development Division
World Trade Organization
Centre William Rappard
Rue de Lausanne 154
CH - 1211 Geneva 21
SWITZERLAND

Dear Gary,

Thank you for your letter of February 23. I am sorry that the wording of our cover note has turned out to be a source of difficulty and I apologize for any embarrassment this may cause you. We certainly did not intend to imply that the Secretariat had formally reviewed, still less agreed, the document; rather we had just hoped to convey the fact that there had been several interactions, including the meeting in Madrid, on the substance of the note.

We have received a number of comments on the note from our Board and are revising it. In circulating the revision to our Board in the coming fortnight, we will explicitly clarify the nature of previous interaction with WTO staff and thus seek to set the record straight.

Yours sincerely,



Masood Ahmed
Director

bcc: Messrs. Bruno, Winters

**ORGANISATION MONDIALE
DU COMMERCE**

**ORGANIZACIÓN MUNDIAL
DEL COMERCIO**

WORLD TRADE ORGANIZATION

Centre William Rappard
Rue de Lausanne 154
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CH - 1211 Genève 21

Téléphone: (41 22) 739 51 11
Ligne directe: (41 22) 739 51 47
Téléfax: (41 22) 731 42 08
Télex: 412 324 OMC/WTO CH
Télégramme: OMC/WTO, GENÈVE

Référence: REL/556

23 February 1995

Dear Masood,

I have just received from Alan Winters the note you have circulated to your Board on guidelines for future interaction between the staffs of the Bank and WTO.

In the covering note it states that "the note has been discussed with staff of the GATT, and their comments incorporated"

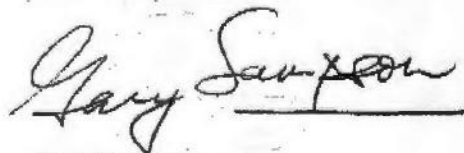
I am most surprised to see that you have adopted this course of action in spite of the fact that in sending comments, I made very clear that:

"I would like to underline the fact that these comments should not be considered as any formal or informal proposal by the GATT Secretariat to draft terms of reference for future relationship between the WTO and the World Bank, but only as an informal reaction to your draft."

The approach you have adopted will create serious difficulties for us as a Secretariat as this matter - including the desirability of having any guidelines of this nature - has not yet been addressed by members of the WTO. Indeed, next week the Heads of Delegation are meeting to address this matter for the first time.

May I therefore ask you to make a copy of this letter available to the Board when it meets to consider this matter, and/or issue a clear notification to the same effect.

Yours sincerely,



Gary P. Sampson
Director
Development Division

Mr. Masood Ahmed
Director
International Economics Dept. (IEC)
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

*cc
Alan
John Ball
next 5/1/95
@*

0941

THE WORLD BANK/IFC/MIGA

OFFICE MEMORANDUM

DATE: March 1, 1995

TO: Mr. Gautam Kaji, EXC

THROUGH: Mr. Lyn Squire, Acting DECVP *LS*

FROM: Masood Ahmed, IECDRM *M.A.*

EXTENSION: 33800

SUBJECT: **Guidelines for Staff Cooperation with the World Trade Organization**

95 MAR -2 AM 9: 52
RECEIVED
DEVELOPMENT ECONOMICS
V.P. & CHIEF ECONOMIST

1. The Board has now had our staff note on "Cooperation with the World Trade Organization" for two weeks. We have received comments from Mr. Good and Mrs. Herfkens and have been told that Mr. Nogués and Mr. Evans may be making comments shortly. Our intention is to wait until the end of this week and then prepare a revised version of the note. The latter will be circulated to staff, and will also be sent to the Board for information accompanied by a summary of the comments and a note of how they have been included. In addition, the note to the Board will say that the Secretariat of the WTO had asked us to inform the Board that their comments on previous drafts of our paper were only informal. They were concerned that our original cover note suggested too great a degree of complicity in the circulated version.

2. In order to try to reinvigorate discussions between the Bank and WTO, Mr. Winters (Chief, of the International Trade Division) and I intend to visit Geneva within the next six weeks. Ambassador Kesavapany (Chairman of the WTO Council) has expressed the desire to meet us to discuss relations and we shall also, of course, seek to meet Messrs. Seade (Deputy Director General) and Sampson of the Secretariat. In addition we hope to arrange a meeting between Mr. Bruno and Mr. Seade when the latter visits Washington briefly next week.

3. Mrs. Herfkens' comment requires a specific reply, a draft of which I attach for your advice and approval. You will recall that our original thoughts on the Geneva office were excised at the last moment at Mr. Stern's suggestion. I would especially appreciate your specific guidance on the reply proposed.

Attachment

cc: Messrs. Bruno, Baird (DECVP); Winters (IECIT)



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001		
Document Date March 1, 1995	Document Type Memorandum w/attachment			
Correspondents / Participants To: Ms. Eveline Herfkens, EDS19 From: Lyn Squire, Acting DECVP				
Subject / Title Guidelines for Staff Cooperation with the World Trade Organization (WTO)				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date May 18, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date May 18, 2017
Withdrawn by Shiri Alon	Date May 18, 2017			



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001		
Document Date February 17, 1995	Document Type Memorandum			
Correspondents / Participants To: Timothy Thahane From: Ms. Eveline Herfkens, EDS19				
Subject / Title Guidelines for Staff Cooperation with the World Trade Organization				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date May 18, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date May 18, 2017
Withdrawn by Shiri Alon	Date May 18, 2017			

**ORGANISATION MONDIALE
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DEL COMERCIO****WORLD TRADE ORGANIZATION**

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Telefax: (41 22) 731 42 06
Telex: 412 324 OMC/WTO CH
Telegram: OMC/WTO, GENÈVE
Direct line: (41 22) 739 55 00
Direct fax: (41 22) 739 57 78

TELEFAX

Total number of pages: [1]
(including this preface)

Date: 2/3/95

To:
Ms. Kate Oram
Assistant to Mr. Michael Bruno
Office the Vice President and Chief Economist
World Bank

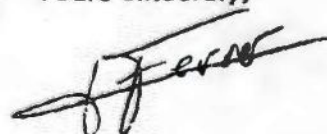
FAX No: (00-1-202) 477 0549

From:
Irma Ferrer, Administrative Assistant to
Jesús Seade
Deputy Director-General
WTO

Thank you for your fax of 28 February.

Mr. Seade will be happy to meet with Mr. Bruno as proposed, at 2.30 p.m. on Tuesday, March 7. Mr. Bruno's office? Please confirm.

Confirmed by phone, 3/2/95 Yours sincerely,



Irma Ferrer

WB DECVP 2024770549

(AUTO)

THE FOLLOWING FILE(S) ERASED

FILE	FILE TYPE	OPTION
026	MEMORY TX	

TEL NO.
901141227395761

PAGE	RESULT
01/01	OK

ERRORS

1) HANG UP OR LINE FAIL 2) BUSY 3) NO ANSWER 4) NO FACSIMILE CONNECTION

THE WORLD BANK
Office the the Vice President and Chief Economist
1818 H Street, Room S-9-035
Washington, D.C. 20433 U.S.A.
Tel. No. (202) 473-3774 • Fax (202) 477-0549•

FACSIMILE COVER SHEET AND MESSAGE

DATE:	February 28, 1995	NO. OF PAGES: {#} / (including cover sheet)	MESSAGE NO.: {#}
TO:	Assistant to Mr. J. Seade		
FAX:	(41-22) 739 5761		
FROM:	Kate Oram, Assistant to Mr. Michael Bruno		
SUBJECT:	Mr. Seade's Visit to Washington		

MESSAGE:

Mr. Bruno, who is currently on mission, has asked me if I could contact you to find out whether Mr. Seade would have time to meet with him when he comes to Washington next week. A good time for Mr. Bruno would be 2:30 p.m. on Tuesday,

THE WORLD BANK
Office the the Vice President and Chief Economist
1818 H Street, Room S-9-035
Washington, D.C. 20433 U.S.A.
Tel. No. (202) 473-3774 • Fax (202) 477-0549•

FACSIMILE COVER SHEET AND MESSAGE

DATE: February 28, 1995 NO. OF PAGES: {#} 1 MESSAGE NO.: {#}
(including cover sheet)

TO: Assistant to Mr. J. Seade

FAX: (41-22) 739 5761

FROM: Kate Oram, Assistant to Mr. Michael Bruno

SUBJECT: Mr. Seade's Visit to Washington

MESSAGE:

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With kind regards,

Sincerely,



Kate Oram

Transmission authorized by: authorization

If you experience any problem in receiving this transmission, inform the sender at the telephone or fax no. listed above.



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001	
Document Date March 6, 1995	Document Type Memorandum w/routing slip		
Correspondents / Participants To: Ms. Eveline Herfkens, EDS19 From: Michael Bruno			
Subject / Title Guidelines for Staff Cooperation with the World Trade Organization (WTO)			
Exception(s)			
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by Shiri Alon	Date May 18, 2017

0961

3/7
2:30 pm

Briefing Notes for meeting between
Mr. Bruno and Mr. Seade

March 7, 1995

Relations between the Bank and WTO

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High on the WTO's agenda is **coherence** between various international economic policies, which the WTO was expressly urged to take up with the Bank and the Fund in the Marrakesh Agreement. To date there is no agreement about what coherence means nor how to bring it about. Thus while we should not be dismissive of the idea, it is important not to commit too much until the notion and modalities for achieving it become clearer.

At a more mundane level the Bank and the WTO need to evolve means of **cooperation over trade policy**. The most important policy dimension of this is to keep

a clear distinction between what is required by Treaty obligations under the WTO and what is desirable in the name of sensible economic policy. We should defer to the WTO on the former but vigorously maintain our right to comment on the latter. While we should make every effort to avoid recommending policies that are contrary to WTO commitments, we should be freely able to recommend those that go beyond what is required by the WTO--for example, lowering tariffs below bound rates, abolishing QRs, and foregoing the use of antidumping duties. We do not seek to constrain the WTO from commenting on the advisability, as opposed to the legality, of countries' trade policies, but we should be conscious that the nature of that organization is such that it is difficult for them to press formally for progress inside the WTO-legal set. It is also important that both the WTO and the Bank distinguish in their dealings with client countries between when they are advising on WTO-consistency and when they are advising on economic management. The complaint is apparently made to the WTO that the Bank seeks to push acceding countries further towards liberalization than the GATT accession negotiations apparently require; our position should be that this is perfectly legitimate, it is merely one of correct labeling by the two organizations.

Until the end of 1994 the Bank and the Fund had **observership** on nearly every substantive GATT body, while offering GATT observership only at the Annual Meetings in return (and even this was suspended for a period). The WTO has not

formally dealt with this issue yet and has made ad hoc arrangements for the Bank, Fund, UN and UNCTAD observers which offer less complete coverage than previous arrangements. Certain Contracting Parties are apparently keen to restrict observership until the Bank and the Fund offer reciprocal arrangements. The Fund is about to offer observership on their CGATT (a Committee of the Board which deals with matters on which the GATT (WTO) and the Fund interact) and also observership by invitation at the Board when trade policy figures significantly in the discussion. It is almost inevitable that the Bank will have to follow suit, and I would suggest that once the Fund has moved on this, we seek appropriate approval from our Board to offer observership by invitation to meetings of the Board when trade policy is an important issue--for example, discussion of Global Economic Prospects, and papers such as those on Regional Trading Blocs and the Asian Miracle. At this stage, you might simply alert Mr. Seade of our intentions.

We should seek initially to limit WTO observership to trade policy in the generic sense, excluding country-specific discussions even when trade policy figures large in the conditionality. The Secretariat may ask for the latter, for their paper has suggested that they review Bank trade policy recommendations before they are formally agreed with member countries. Purely for practical reasons--the Secretariat could not possibly handle the volume of work that it would generate--we should resist this. We can handle

matters of WTO-consistency as we do at present: it is the responsibility of department directors to ensure that their recommendations are WTO-consistent (or to behave in a particular fashion if they are not) and they may seek advice from the chief of IECIT and informal consultation with Geneva.

While rejecting country-by-country consultation with the WTO on trade policy, we should encourage the creation of a senior-level **tripartite meeting** (Bank-Fund-WTO) to discuss issues of common interest in the area of trade policy. These would supplement the continuing extensive informal contacts between the two staffs that exist at present. The senior-level meetings could consider future modalities for cooperation such as staff exchanges, cross-staffing of missions, joint research, etc. Despite currently good informal links, IEC (and also Fund staff) have reservations about entering formal commitments on these issues at present.

Seade and Sampson (Director of Development Policy, WTO) have expressed great sensitivity about the level at which they are dealt with by the Bank, apparently feeling that their counterparts are yourself and Masood, respectively. As a practical matter this does not reflect the location of the Bank's work on Bank-WTO matters, which is IECIT. This meeting will probably need to address the question of levels, and we suggest the following: that the working-level contacts should be between Sampson

and Winters, and that the formal relationship (including the tripartite meetings) should be between Seade and Bruno, with the possibility of Ahmed substituting for Bruno on occasion.

A possibly contentious issue is the **Integrated Data Base**. The Bank and the GATT agreed that in return for the Bank developing software to make this data base available on personal computers the Bank would receive unfettered and unconditional access to the data. The software is largely finished and test versions have been delivered, but to our knowledge no steps have been taken to ensure the Bank's access. Access to the data for the purpose of analyzing the Uruguay Round proceeded on the basis that contributing countries made explicit one-off concessions that the Bank could see their data for this purpose. Future use would require, at present, a further round of such permissions. IEC is most anxious that the agreement be honored, and would be inclined to be uncooperative about handing over the software if it is not satisfactorily addressed.

One final sensitive issue may be the WTO's reaction to the cover memo on our note to the Board. They felt that we had overstated the degree of consultation between the Secretariat and Bank staff--in particular, that discussions on our paper had been only informal whereas our note could be read to imply a more formal process. We are

probably somewhat remiss on this, although there was a meeting of Messrs. Bruno, Ahmed, Seade and Sampson in Madrid on the draft paper and we did incorporate more detailed additional comments Mr. Sampson sent following the meeting. Nonetheless, we have expressed regret and assured the Secretariat that the next issue of the note will make clearer to the Board the nature of their input. We hope that the matter will not come up at your meeting, but that is not certain.

L. Alan Winters

3/3/95



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001		
Document Date February 17, 1995	Document Type Memorandum			
Correspondents / Participants To: Timothy Thahane From: Ms. Eveline Herfkens, EDS19				
Subject / Title Guidelines for Staff Cooperation with the World Trade Organization				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date May 18, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date May 18, 2017
Withdrawn by Shiri Alon	Date May 18, 2017			

A L L - I N - 1 N O T E

DATE: 17-Feb-1995 04:18pm

TO: Lyn Squire (LYN SQUIRE)

FROM: Masood Ahmed - IEC DR, IEC DR (MASOOD AHMED)

EXT.: 33800

SUBJECT: RE: Guidelines for WTO

Lyn,

Yes, fine; I'll keep you posted.

Masood

CC: Michael Bruno (MICHAEL BRUNO)

CC: Mark Baird (MARK BAIRD)

A L L - I N - 1 N O T E

DATE: 17-Feb-1995 02:45pm

TO: Michael Bruno (MICHAEL BRUNO)

FROM: Lyn Squire, PRDDR (LYN SQUIRE)

EXT.: 36099

SUBJECT: RE: Guidelines for WTO

Masood:

Can I leave this with you? Thanks.

Lyn

CC: Masood Ahmed - IEC DR (MASOOD AHMED)

CC: Mark Baird (MARK BAIRD)

1
2/23/95

A L L - I N - 1 N O T E

DATE: 17-Feb-1995 03:48pm

TO: Michael Bruno (MICHAEL BRUNO)

FROM: Masood Ahmed - IEC DR, IEC DR (MASOOD AHMED)

EXT.: 33800

SUBJECT: RE: Guidelines for WTO

Kate,

On Mr. Good's comments you have my response following up on the conversation with Gautam.

On this, you might fax to Michael for information and let him know we are drafting a response. But there's no urgency on this and it might be better to send him the comment with the draft response together next week.

Masood

CC: Lyn Squire (LYN SQUIRE)
CC: Mark Baird (MARK BAIRD)
CC: L. Alan Winters (L. ALAN WINTERS)



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001		
Document Date February 15, 1995	Document Type Memorandum			
Correspondents / Participants To: Mr. Timothy T. Thahane, SECVP From: Harald Rehm, EDS05				
Subject / Title Guidelines for Staff Cooperation WTO				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date May 18, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date May 18, 2017
Withdrawn by Shiri Alon	Date May 18, 2017			

A L L - I N - 1 N O T E

DATE: 17-Feb-1995 10:51am

TO: Gautam S. Kaji (GAUTAM KAJI)

FROM: Masood Ahmed - IECDR, IECDR (MASOOD AHMED)

EXT.: 33800

SUBJECT: Mr. Good's Comments on WTO Note

Gautam,

After our conversation I spoke with Mr. Good. He's happy with the approach we propose to take--i.e., Board documents will say so if there is an issue with the WTO but we will not have a proforma reference just because trade is part of the package.

Masood

CC: Michael Bruno (o/r) (MICHAEL BRUNO)



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001	
Document Date February 17, 1995	Document Type Memorandum		
Correspondents / Participants To: Timothy Thahane From: Eveline Herfkens, EDS19			
Subject / Title Guidelines for Staff Cooperation with the World Trade Organization			
Exception(s)			
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by Shiri Alon	Date May 18, 2017



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001
Document Date February 17, 1995	Document Type Memorandum	
Correspondents / Participants To: Timothy Thahane From: Eveline Herfkens, EDS19		
Subject / Title Guidelines for Staff Cooperation with the World Trade Organization		
Exception(s)		
Additional Comments Declassification review of this record may be initiated upon request. 2 copies		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.
Withdrawn by Shiri Alon		Date May 18, 2017



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001	
Document Date February 14, 1995	Document Type Memorandum <i>W/ATTACHMENT</i>		
Correspondents / Participants To: Executive Directors and Alternates From: Arnold Clift, Deputy Secretary			
Subject / Title Guidelines for Staff Cooperation with the WTO			
Exception(s)			
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by Shiri Alon	Date May 18, 2017



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001		
Document Date February 15, 1995	Document Type Transmittal w/attachments			
Correspondents / Participants To: Lyn Squire From: Kate				
Subject / Title Attached memoranda sent to Messrs. Ahmed/Winters re: Guidelines for Staff Cooperation with the WTO				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p> <table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date May 18, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date May 18, 2017
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Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001		
Document Date February 14, 1995	Document Type Memorandum <i>W/ATTACHMENT</i>			
Correspondents / Participants To: Executive Directors and Alternates From: Arnold Clift, Deputy Secretary				
Subject / Title Guidelines for Staff Cooperation with the WTO				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.		
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Withdrawn by Shiri Alon	Date May 18, 2017			

086

THE WORLD BANK GROUP

95 FEB 17 PM 3:16
RECEIVED
DEVELOPMENT ECONOMICS
& POLICY

ROUTING SLIP		DATE: February 17, 1995	
NAME		ROOM. NO.	
Mr. Micheal Bruno (o/r)		S 9031	
cc: Messrs. Baird, Squire, Winters			
URGENT		PER YOUR REQUEST	
FOR COMMENT		PER OUR CONVERSATION	
FOR ACTION		NOTE AND FILE	
FOR APPROVAL/CLEARANCE		FOR INFORMATION	
FOR SIGNATURE		PREPARE REPLY	
NOTE AND CIRCULATE		NOTE AND RETURN	
RE: Attached			
REMARKS:			
<p>I spoke with Gautam. We agreed that the final version of the guidelines would be amended to say that Board would be informed (in CAS, adjustment loan as appropriate) if there was a significant issue with the WTO, either in terms of special need for coordination or potential/actual disagreement. However, we would stress that this should not become a proforma reference just because trade was covered by the operation. I subsequently conveyed this to Mr. Good who was satisfied with this approach.</p>			
FROM Masood Ahmed		ROOM NO. S 8055	EXTENSION 33800



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001		
Document Date February 14, 1995	Document Type Memorandum			
Correspondents / Participants To: Executive Directors and Alternates From: Arnold Clift, Deputy Secretary				
Subject / Title Guidelines for Staff Cooperation with the WTO				
Exception(s)				
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Withdrawn by Shiri Alon	Date May 18, 2017			



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001	
Document Date February 14, 1995	Document Type Memorandum		
Correspondents / Participants To: Mr. T. Thahane From: Len Good			
Subject / Title Guidelines for Staff Cooperation with the WTO			
Exception(s)			
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by Shiri Alon	Date May 18, 2017

International Bank for Reconstruction and Development

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MAY 17 2017

WBG ARCHIVES

SecM95-145

FROM: The Acting Secretary

February 7, 1995

Guidelines for Staff Cooperation with the World Trade Organization

1. Attached as requested by the Executive Directors is a draft note which provides guidelines for future interaction between the staffs of the Bank and the World Trade Organization (WTO). The note has been discussed with staff of the GATT, and their comments incorporated. It has also been discussed with the staff of the Fund who have proposed similar guidelines to their Board.
2. Comments on this note may be sent to Mr. Ahmed (X33800) or Mr. Winters (X33845).

Distribution:

Executive Directors and Alternates
Office of the President
Senior Management, Bank, IFC and MIGA

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

GUIDELINES FOR STAFF COOPERATION WITH THE WORLD TRADE ORGANIZATION

1. The Agreement concluding the Uruguay Round called upon the Director-General of the World Trade Organization (WTO) to consult with the heads of the Fund and the Bank on enhanced inter-institutional cooperation, especially with a view to achieving greater coherence in global economic policymaking.¹ This note proposes guidelines for Bank staff involved in such cooperation between the Bank and the WTO. It builds upon the existing close but informal cooperation between the staffs of the Bank and the GATT, on existing arrangements for cooperation between the Bank and the Fund, and on discussions between the three parties during the Uruguay Round.* The Fund is developing similar guidelines for collaboration with the WTO. While recognizing that the Bank and the Fund have different roles vis-a-vis the WTO, it is desirable that Bank/WTO and Fund/WTO arrangements maintain a degree of parallelism where they might interact.

2. While we should not prejudge the evolution of the WTO, it seems likely to be a stronger institution than the GATT, with a greater role in policy formulation and monitoring. Moreover, in addition to their growing role in the world economy, the developing countries will be more fully

¹ "Declaration on the Contribution of the World Trade Organization (WTO) to Achieving Greater Coherence in Global Economic Policymaking," appended to the Final Act of the Uruguay Round.

* Appended to this note for Executive Directors, but not for circulation within the Bank, is a paper by the GATT Secretariat for the Preparatory Committee of the WTO. It gives an account of earlier talks and includes a preliminary discussion of cooperation by the Secretariat.

engaged in the WTO than they were in the GATT, both in terms of their substantive commitments and their expectations of benefits. These changes suggest the need for more intensive cooperation and interaction between the Bank and WTO than applied heretofore between the Bank and the GATT.

3. Cooperation between the two staffs may be considered in terms of the following four broad areas:

- i) Consistency of Bank conditionality and policy advice with WTO agreements;
- ii) Financial support to developing countries during the trading shifts caused by WTO agreements;
- iii) Research and information exchange;
- iv) Consultation and representation.

Consistency

4. In respect of international trade, the basic objectives of the Bank and of the WTO are entirely consistent, although the two institutions have different mandates and different emphases in trade policy. The WTO's emphasis is on the legal rights and obligations of countries--the rules of the

trading system--while the Bank's focus is more directly on economic policy--i.e., encouraging good policies which do better than simply meeting international agreements.

5. The WTO agreements are intricate and can easily be misunderstood. Bank staff advising a country on trade reforms need to be well informed about the international obligations of the country and about trade policies in the main trade partners. They should ensure that the policy changes or conditionalities that are agreed with country authorities are not contrary to the latter's WTO commitments.* In very rare instances, policy reforms may entail country authorities making use of WTO provisions for seeking waivers from or the renegotiation of prior commitments: for instance, within the context of an overall trade liberalization, they may need to raise bound tariffs on a few tariff-lines in order to reduce the dispersion of the tariff structure or to allow the orderly removal of quantitative restrictions. Bank staff should agree to or propose such steps only where there is no economically sound alternative. In that circumstance they should advise the national authorities to take the matter up with the WTO expeditiously and require them to inform the Bank of the steps they take in that regard.

6. The consistency of Bank advice with WTO commitments will be achieved by means of consultation within the Bank and between the Bank

* The consistency of Bank advice with the WTO is also raised in the Secretariat's paper; this statement coupled with the procedures set out in footnote 2 below appear to address their concerns.

and the WTO staffs. The focal point for the Bank side of such consultations will be the International Trade Division (IECIT) of the International Economics Department, assisted as appropriate, by other relevant Departments such as the Legal Department.² On occasion there may also need to be direct discussions between Operations' task managers and relevant WTO staff in the context of their operational work.

7. Trade policy is an important element of development policy, which is the Bank's primary focus. In the construction of appropriate policy packages, especially in the context of conditionality, the Bank's mandate will frequently require it to encourage member country governments not only to meet, but to improve upon, the minimum standards required by the WTO.

8. Both the Bank and WTO will need to comment on their members' trade policies. To reduce the possibility of mistaken perceptions of conflict between them, it is important that both organizations make a clear distinction between advice pertaining to the consistency of a trade policy with a country's legal obligations under the WTO and that pertaining to the economic advisability of a policy. Drawing this distinction and recognizing the differing institutional emphases in the two dimensions will help to allay

² Operational Directive OD 8.60 (December 1992) states that "Care should be taken to ensure that conditionality on trade reform is consistent with any international agreements to which the country concerned may be a party."⁵

⁵ "5. When a possible conflict is identified, the Chief, International Trade Division, International Economics Department, and the Legal Department, International Law Adviser, should be consulted."

concerns of member governments about the compatibility of advice received from the two institutions.

Financial Support

9. Bank staff recognize that, on occasion, financial support may be required to facilitate adjustment following unilateral or multilateral trade liberalization. The Bank's lending policies are flexible and responsive enough to take these considerations into account--along with those pertaining to the general policy stance and regulatory environment--without the creation of new instruments.

Research and Information Exchange

10. The Bank has long been recognized as a leading center for research and analysis in trade policy issues. The GATT's expertise, on the other hand, has traditionally lain more in the legal implementation and documentation of policies. Thus there is significant complementarity and scope for cooperation between Bank and WTO staff in trade policy research. This is already being actively exploited: for example, GATT staff addressed a series of IECIT seminars for regional staff on the outcome of the Uruguay Round in November 1994, and contributed extensively to IECIT's conference on the Round in January 1995; IECIT staff have addressed GATT training courses over several years. In future the Bank and WTO staffs should, at an early stage, seek each others' views on their

research papers and reports in which international trade or trade policy is a major component. This will inform each staff of the other's activities, identify issues of common interest and potentially increase the coherence between their positions.

11. Arrangements for information and data exchange are also in effect at present, but they have never been systematized. Bank staff will seek deeper cooperation by regularizing, codifying and automating them. As at present, the Bank expects to receive completed WTO secretariat documents and formal submissions by governments to the various WTO bodies including the General Council and its substantive sub-bodies as well as the Trade Policy Review Body and the Dispute Settlement Body, while the WTO should receive Bank documents and publications. IECIT and WTO staff will cooperate to develop appropriate guidelines for managing the exchanges of these documents. The Bank and WTO staff will work to offer each other unrestricted access to certain databases--specifically the GATT's Integrated Database and the Bank's macroeconomic and socioeconomic database.

12. Both the Bank and the WTO will, of course, commit to respect the confidentiality constraints implicit in transfers of unpublished information.

Consultation and Representation

13. To date Bank/GATT interaction and consultation has been mainly at the working level, supplemented by periodic contact between Heads of Institutions. Staff links should be enhanced, and possibly supplemented by staff exchanges, with a view to establishing effective networking and interaction among the two staffs. Meetings will be held at least annually between appropriate WTO, IMF and Bank managers/senior staff to examine the coherence of policies, identify issues of common concern in the area of trade policy and discuss the Institutions' (possibly different) approaches to these issues.*

14. No major changes are envisaged in the formal arrangements for representation. The Director-General of GATT has been regularly invited to the Interim and Development Committees, and has made statements at the Development Committee. GATT has now been re-admitted as an observer to the Bank's Annual Meetings. The Bank enjoys observer status and is allowed to make statements at most official GATT bodies. It will seek to extend this to substantive WTO bodies, including the Ministerial Council, the various Councils, and their Committees and Sub-Committees.

* These meetings would develop proposals from both sides concerning modes of cooperation, including those in the Secretariat's paper appended herewith.



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001		
Document Date October 31, 1994	Document Type Paper			
Correspondents / Participants GATT Secretariat				
Subject / Title WTO Cooperation with the IMF and the World Bank and Greater Coherence in Global Economic Policy- Making- presented to the Preparatory Committee of the WTO during November 1994.				
Exception(s) Information Provided by Member Countries or Third Parties in Confidence				
Additional Comments		<p>The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.</p>		
		<table border="1"><tr><td>Withdrawn by Shiri Alon</td><td>Date May 18, 2017</td></tr></table>	Withdrawn by Shiri Alon	Date May 18, 2017
Withdrawn by Shiri Alon	Date May 18, 2017			

2828

The World Bank
Washington, D.C. 20433
U.S.A.

cc. M. B...

GAUTAM S. KAJI
Managing Director

95 JAN 19 AM 9:59

January 18, 1995



Mr. Jaycox

RECEIVED
DEVELOPMENT ECONOMICS
303 & 304

File W TO

Kim --

SENEGAL: Country Assistance Strategy

The Senegal CAS is a clear, candid statement of a pertinent country assistance strategy. In finalizing the CAS, please incorporate the principal suggestions made in our recent discussion.

The encouraging progress in the implementation of difficult structural reforms, and the reasons behind these recent developments should be considered in tandem with Senegal's prior hesitant implementation record. This will give a more balanced account of the short-term risks and put into perspective IDA's efforts in the pursuit of the structural reform agenda in Senegal.

While the emphasis on the immediate reform challenges is understandable, the revised CAS should underscore Senegal's longer-term development agenda and include poverty reduction as an explicit government and Bank Group assistance strategy objective. The principle of selectivity should also be highlighted by explaining more clearly the role of other donors in the policy dialogue.

The composition of lending and ESW program is appropriate. However, as we agreed, the base case annual lending volume should not exceed the approved LAR amount of USD 195 million for FY96-98. Given Senegal's fragmented implementation record, and the continuing fragility of the reform process, you should be ready to move to the core lending program if macroeconomic management deteriorates or the structural performance stalls again.

The triggers for the high case scenario should be spelled out clearly, with acceleration of the reform effort, improved composition of public spending and clear evidence of higher and sustained levels of private sector investments being the key triggers.

cc: Messrs./Mme.

Bruno, Burki, Cheetham, Choksi, Fukui, Iida, Koch-Weser, Lindbaek, Linn, Raghavan, Rischard, Serageldin, Shihata, Thalwitz, Wood, Sarbib, Sandstrom, Stern, Kalantzopoulos

OFFICE MEMORANDUM

✓ Com'd to SS
16 ES
OK

1/4/95

DATE: January 3, 1995

95 JAN 18 AM 10: 05

TO: Mr. Gautam Kaji, EXC

RECEIVED
DEVELOPMENT ECONOMICS
1/18/95

FROM: Michael Bruno, DECVP MB

EXTENSION: 33774

SUBJECT: Relations Between the Bank and the World Trade Organization (WTO)

1. Following the request from the Board's Steering Committee we have prepared the attached note setting out our current thinking about the relationship between the Bank and the WTO. It comprises a draft internal document for Bank staff to guide their work and a note prepared by the GATT Secretariat for the Preparatory Committee of the WTO which the Board asked explicitly to see. The latter raises some issues of possible friction between the Bank and WTO, but since it has not yet been properly discussed by the GATT/WTO it does not represent their considered position. Accordingly we have not emphasized its presence in the package.

2. The covering note seeks verbal or written comments from members of the Board, but it is possible that they will request a seminar/discussion. If they do not, we would propose to circulate our note internally and communicate it informally to the WTO. It could provide the basis for negotiating a more formal relationship with the WTO in future, but under the present transitional circumstances it is unlikely that the Secretariat will be able to be very definite about the WTO's position. For this reason it seems best not to present our proposals to them in a fashion which appears to require a response.

3. The present draft has been agreed by the Legal and Secretary's Departments. In addition, most of the present draft was discussed with senior GATT staff--Messrs. Seade (Deputy Director General) and Sampson (Director)--in Madrid. It appears to be broadly acceptable to them, their comments having been incorporated. It was also discussed with Fund staff and modified in the light of their comments. They have prepared a roughly parallel document pertaining to Fund-WTO relations, which has now been circulated to Fund directors.

4. We would use the opportunity of sending a copy to the WTO to urge upon them the importance of the Bank obtaining observer status at the Dispute Settlement Body and of their offering, as previously agreed, unfettered access to their database of trade and tariff data. We have not yet received any encouraging signals on either of these important issues.

Michael
to you make up
my copy of the
document
1/13

See 1/13

5. I would appreciate your comments and agreement to our proceeding as suggested above.

Attachments

c.c. M. Ahmed (IECDR), L.A. Winters (IECIT)

Draft Note from Secretary to Executive Directors

Attached for review by the Executive Directors is a draft note which provides guidelines for future interaction between the staffs of the Bank and the World Trade Organization (WTO). The note has been discussed with staff of the GATT, and their comments incorporated. It has also been discussed with the staff of the Fund who have proposed substantively similar guidelines to their Board for their future interaction. Following the incorporation of any comments by the Executive Directors, this note would be circulated to the staff and transmitted informally to the Director General of the WTO.

Executive Directors are asked to send their comments to Mr. Masood Ahmed (ext. 33800) or Mr. L. Alan Winters (ext. 33845) by the close of business on January 13, 1994.

GUIDELINES FOR STAFF COOPERATION WITH THE WORLD TRADE ORGANIZATION

1. The Agreement concluding the Uruguay Round called upon the Director-General of the World Trade Organization (WTO) to consult with the heads of the Fund and the Bank on enhanced inter-institutional cooperation, especially with a view to achieving greater coherence in global economic policymaking.¹ This note proposes guidelines for Bank staff involved in such cooperation between the Bank and the WTO. It builds upon the existing close but informal cooperation between the staffs of the Bank and the GATT, on existing arrangements for cooperation between the Bank and the Fund, and on discussions between the three parties during the Uruguay Round.* The Fund is developing similar guidelines for collaboration with the WTO. While recognizing that the Bank and the Fund have different roles vis-a-vis the WTO, it is desirable that Bank/WTO and Fund/WTO arrangements maintain a degree of parallelism where they might interact.

2. While we should not prejudge the evolution of the WTO, it seems likely to be a stronger institution than the GATT, with a greater role in policy formulation and monitoring. Moreover, in addition to their growing role in the world economy, the developing countries will be more fully

¹ "Declaration on the Contribution of the World Trade Organization (WTO) to Achieving Greater Coherence in Global Economic Policymaking," appended to the Final Act of the Uruguay Round.

* Appended to this note for Executive Directors, but not for circulation within the Bank, is a paper by the GATT Secretariat for the Preparatory Committee of the WTO. It gives an account of earlier talks and includes a preliminary discussion of cooperation by the Secretariat.

engaged in the WTO than they were in the GATT, both in terms of their substantive commitments and their expectations of benefits. These changes suggest the need for more intensive cooperation and interaction between the Bank and WTO than applied heretofore between the Bank and the GATT.

3. Cooperation between the two staffs may be considered in terms of the following four broad areas:

- i) Consistency of Bank conditionality and policy advice with WTO agreements;
- ii) Financial support to developing countries during the trading shifts caused by WTO agreements;
- iii) Research and information exchange;
- iv) Consultation and representation.

Consistency

4. In respect of international trade, the basic objectives of the Bank and of the WTO are entirely consistent, although the two institutions have different mandates and different emphases in trade policy. The WTO's emphasis is on the legal rights and obligations of countries--the rules of the

trading system--while the Bank's focus is more directly on economic policy--i.e., encouraging good policies which do better than simply meeting international agreements.

5. The WTO agreements are intricate and can easily be misunderstood. Bank staff advising a country on trade reforms need to be well informed about the international obligations of the country and about trade policies in the main trade partners. They should ensure that the policy changes or conditionalities that are agreed with country authorities are not contrary to the latter's WTO commitments.* In very rare instances, policy reforms may entail country authorities making use of WTO provisions for seeking waivers from or the renegotiation of prior commitments: for instance, within the context of an overall trade liberalization, they may need to raise bound tariffs on a few tariff-lines in order to reduce the dispersion of the tariff structure or to allow the orderly removal of quantitative restrictions. Bank staff should agree to or propose such steps only where there is no economically sound alternative. In that circumstance they should advise the national authorities to take the matter up with the WTO expeditiously and require them to inform the Bank of the steps they take in that regard.

6. The consistency of Bank advice with WTO commitments will be achieved by means of consultation within the Bank and between the Bank

* The consistency of Bank advice with the WTO is also raised in the Secretariat's paper; this statement coupled with the procedures set out in footnote 2 below appear to address their concerns.

and the WTO staffs. The focal point for the Bank side of such consultations will be the International Trade Division (IECIT) of the International Economics Department, assisted as appropriate, by other relevant Departments such as the Legal Department.² On occasion there may also need to be direct discussions between Operations' task managers and relevant WTO staff in the context of their operational work.

7. Trade policy is an important element of development policy, which is the Bank's primary focus. In the construction of appropriate policy packages, especially in the context of conditionality, the Bank's mandate will frequently require it to encourage member country governments not only to meet, but to improve upon, the minimum standards required by the WTO.

8. Both the Bank and WTO will need to comment on their members' trade policies. To reduce the possibility of mistaken perceptions of conflict between them, it is important that both organizations make a clear distinction between advice pertaining to the consistency of a trade policy with a country's legal obligations under the WTO and that pertaining to the economic advisability of a policy. Drawing this distinction and recognizing

² Operational Directive OD 8.60 (December 1992) states that "Care should be taken to ensure that conditionality on trade reform is consistent with any international agreements to which the country concerned may be a party."⁵

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^{concerns of} ~~clear to~~ member governments the rejection of cross-conditionality.
^{on compatibility of} ~~active~~ ^{ICAT} ~~from the~~ ^{two} ~~with~~

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9. Bank staff recognize that, on occasion, financial support may be required to facilitate adjustment following unilateral or multilateral trade liberalization. The Bank's lending policies are flexible and responsive enough to take these considerations into account--along with those pertaining to the general policy stance and regulatory environment--without the creation of new instruments.

Research and Information Exchange

10. The Bank has long been recognized as a leading center for research and analysis in trade policy issues. The GATT's expertise, on the other hand, has traditionally lain more in the legal implementation and documentation of policies. Thus there is significant complementarity and scope for cooperation between Bank and WTO staff in trade policy research. This is already being actively exploited: for example, GATT staff addressed a series of IECIT seminars for regional staff on the outcome of the Uruguay Round in November 1994, and will contribute extensively to IECIT's conference on the Round in January 1995; IECIT staff have addressed GATT training courses over several years. In future the Bank and WTO staffs should, at an early stage, seek each others' views on their

research papers and reports in which international trade or trade policy is a major component. This will inform each staff of the other's activities, identify issues of common interest and potentially increase the coherence between their positions.

11. Arrangements for information and data exchange are also in effect at present, but they have never been systematized. Bank staff will seek deeper cooperation by regularizing, codifying and automating them. As at present, the Bank expects to receive all completed WTO secretariat documents and formal submissions by governments to the various WTO bodies including the General Council and its substantive sub-bodies as well as the Trade Policy Review Body and the Dispute Settlement Body, while the WTO should receive Bank documents and publications. IECIT and WTO staff will cooperate to develop appropriate guidelines for managing the exchanges of these documents. The Bank and WTO staff will work to offer each other unrestricted access to certain databases--specifically the GATT's Integrated Database and the Bank's macroeconomic and socioeconomic database.

12. Both the Bank and the WTO will, of course, commit to respect the confidentiality constraints implicit in transfers of unpublished information.

Consultation and Representation

13. To date Bank/GATT interaction and consultation has been mainly at the working level, supplemented by periodic contact between Heads of Institutions. Staff links should be enhanced, and possibly supplemented by staff exchanges, with a view to establishing effective networking and interaction among the two staffs. Meetings will be held at least annually between appropriate WTO^{IMF} and Bank managers/senior staff to examine the coherence of policies, identify issues of common concern in the area of trade policy and discuss the Institutions' (possibly different) approaches to these issues.* ~~It is anticipated that the Fund would join some of these meetings as part of its cooperation arrangements with the WTO.~~

14. No major changes are envisaged in the formal arrangements for representation. The Director-General of GATT has been regularly invited to the Interim and Development Committees, and has made statements at the Development Committee. GATT has now been re-admitted as an observer to the Bank's Annual Meetings. The Bank enjoys observer status and is allowed to make statements at most official GATT bodies. It will seek to extend this to substantive WTO bodies, including the Ministerial Council, the various Councils, and their Committees and Sub-Committees.

The Bank staff places considerable store on observing the Disputes

* These meetings would develop proposals from both sides concerning modes of cooperation, including those in the Secretariat's paper appended herewith.

~~Settlement Body, because this is the principal location at which the interpretation of the WTO agreement is subjected to analysis and decision.~~

15. As the WTO develops its own work program and procedures it may be appropriate for it to seek representation on certain Bank bodies. The Bank should review such requests as appropriate.

16. Undertaking the close interaction and cooperation between the Bank and the WTO that is envisaged by the Uruguay Round, must not be allowed to become bureaucratic and labor intensive. [Nevertheless, it will entail some internal redirection of resources within the Bank. For the moment, there does not appear to be the need to re-establish a Bank presence in Geneva but this will be re-examined in a year when the working modalities of the new WTO will have become clearer.]

A Note by the GATT Secretariat

WTO COOPERATION WITH THE IMF AND THE WORLD BANK AND
GREATER COHERENCE IN GLOBAL ECONOMIC POLICY-MAKING

This restricted preliminary paper by the GATT Secretariat was presented to the Preparatory Committee of the WTO during November and is likely to be discussed early in 1995. It is circulated to Executive Directors at their request, but on a private basis.

A L L - I N - 1 N O T E

DATE: 10-Jan-1995 08:14pm

TO: Michael Bruno (MICHAEL BRUNO)

FROM: Masood Ahmed, IEC DR (MASOOD AHMED)

EXT.: 33800

SUBJECT: Ernie's comments on the WTO note

Michael,

I'm at a bit of a loss as to how best to respond to Ernie's comments on the version of the note we sent up. I read his reservations to be a reflection of a desire for a less intensive involvement of Bank staff in both trade policy and wto relations. However, I also think it might be a bit premature to declare victory on trade liberalization (esp in Africa but also in ECA) and there is a whole set of second generation trade policy issues on which research and country policy advice are both needed and wanted. As to the extent of our interaction with the WTO, in practice one would have to make sure that this didn't get out of hand or too bureaucratic, (and the note says so), but I think it is important for Bank staff to have the right of access to the relevant WTO documents and fora. Incidentally, the Fund are asking for the same so it's also not clear to me why we would want to give up parallelism at this point.

The comment about selectivity is worrying. The fact is that the WTO will not take over trade policy issues for the developing countries in the way the BANK has covered them. It is designed to be an institution with a very different mandate - to help its contracting parties reach multilateral agreements on trade and to monitor how those agreements are being implemented and to provide a forum and mechanism for resolving disputes associated with the application or infringement of those agreements. This is quite different from what the BANK is trying to do. So either I'm missing the point about the comment or there is something behind that I am not aware of .

Before we try to redraft the note, I would appreciate a quick conversation on it with you. I'll put it on the agenda for our 1X1 tomorrow.

Masood

CC: L. Alan Winters

(L. ALAN WINTERS)

CC: Mark Baird

(MARK BAIRD)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: January 10, 1995 12:26pm

TO: GAUTAM KAJI (GAUTAM KAJI @A1@WBHQB)

FROM: Ernest Stern, EXC (ERNEST STERN@A1@WBWASH)

EXT.: 82004

SUBJECT: WTO Note

I hope we can discuss this draft note at our meeting. I do not think that in its present form it is suitable for sending to the Executive Directors.

There are several problems with the draft, the foremost one being that it sounds a great deal like an employment generation program for economists. The concept of selectivity, which is supposed to guide our consideration of new activities, is not reflected in the proposed approach. Specifically:

While it is indubitably true that trade policy is an important component of development policy it does not follow, from that the Bank should be deeply involved in trade policy detail. Our concern is that there be no QRs; that the tariff structure is reasonably simply and harmonized; that the tariff levels are not excessive and that there is consistency between the levels of protection at different processing stages. In quite a number of countries these objectives have been part of our conditionality for adjustment lending and have been achieved. There is therefore no generic need (para 8) for the Bank to comment regularly on the trade policy of its borrowing members. Comments on others are likely also to be of a general nature. And the reference to cross conditionality in the same paragraph gives quite the wrong impression.

Although one is always in favor of exchange of information para 11 describes this as an undiluted good, without limit. One wonders why we need all these documents, including all formal governmental submissions. The volume must be large. What do we do with them? Why can we not rely on the WTO staff for country assessments if and when we need those?

The objective of the exercise is to assure coordinated approaches to common topics between the Fund, the Bank and the WTO. But para 13 goes well beyond that and falls short. I cannot conceive of an annual senior level meeting held bilaterally. To say that the Fund will join some of these meetings is both inadequate and unsatisfactory. There may of course be other technical meetings in which more limited participation would be warranted. If the proposal for largely bilateral meetings is due to some hesitation on the Fund's part we had better take it up with the MD before

this paper goes to the Board.

On the other hand, I believe the proposals for staff exchanges (while pristine in their generic goodness) imply a level of general work on trade which is not likely to be warranted.

Para 14 similarly posits an uncontrolled involvement. It is not obvious why Bank staff must be present at "the various Councils, and their Committees and Sub-Committees." If one faced a serious budget constraint one might take into account that attending meetings is not the most efficient way of understanding either patterns or policy formulation. Moreover, I should have thought that all the documents we asked to receive regularly would be a reasonable substitute for some attendance. This applies particularly to the suggestions re the Disputes Settlement Body. While we may be concerned with the results of their deliberations (and even that will not be true for many of the issues) we can hardly believe that the only way we learn about the decisions, or the staff's analysis, is by attending meetings.

What para 15 has in mind is obscure. Which Bank bodies is the WTO to be represented on? One can hardly send a sentence like this forward without knowing what it might mean.

There is no need for an interfnal redirection of Bank resources (para 16) if that means resources outside of DEC. IN any event, that is not something that we need to discuss with the Board. Whatever needs to be done will be done within existing budget envelops. And neither is it necessary to raise the prospect of a Geneva Office. We just closed one and the difference between the GATT and the WTO are not such that it would warrant reconsideration of an office now. Nor need we make a public pledge to do so in a year. But I am glad to see that DEC has the resources for it even in its proposed FY 96 budget.

CC: Sven Sandstrom
CC: MICHAEL BRUNO

(SVEN SANDSTROM@A1@WBWASH)
(MICHAEL BRUNO @A1@WBHQB)

OFFICE MEMORANDUM

DATE: January 3, 1995

TO: Mr. Gautam Kaji, EXC

FROM: Michael Bruno, DECVP *MB*

EXTENSION: 33774

SUBJECT: **Relations Between the Bank and the World Trade Organization (WTO)**

1. Following the request from the Board's Steering Committee we have prepared the attached note setting out our current thinking about the relationship between the Bank and the WTO. It comprises a draft internal document for Bank staff to guide their work and a note prepared by the GATT Secretariat for the Preparatory Committee of the WTO which the Board asked explicitly to see. The latter raises some issues of possible friction between the Bank and WTO, but since it has not yet been properly discussed by the GATT/WTO it does not represent their considered position. Accordingly we have not emphasized its presence in the package.

2. The covering note seeks verbal or written comments from members of the Board, but it is possible that they will request a seminar/discussion. If they do not, we would propose to circulate our note internally and communicate it informally to the WTO. It could provide the basis for negotiating a more formal relationship with the WTO in future, but under the present transitional circumstances it is unlikely that the Secretariat will be able to be very definite about the WTO's position. For this reason it seems best not to present our proposals to them in a fashion which appears to require a response.

3. The present draft has been agreed by the Legal and Secretary's Departments. In addition, most of the present draft was discussed with senior GATT staff--Messrs. Seade (Deputy Director General) and Sampson (Director)--in Madrid. It appears to be broadly acceptable to them, their comments having been incorporated. It was also discussed with Fund staff and modified in the light of their comments. They have prepared a roughly parallel document pertaining to Fund-WTO relations, which has now been circulated to Fund directors.

4. We would use the opportunity of sending a copy to the WTO to urge upon them the importance of the Bank obtaining observer status at the Dispute Settlement Body and of their offering, as previously agreed, unfettered access to their database of trade and tariff data. We have not yet received any encouraging signals on either of these important issues.

5. I would appreciate your comments and agreement to our proceeding as suggested above.

Attachments

c.c. M. Ahmed (IECDR), L.A. Winters (IECIT)

Draft Note from Secretary to Executive Directors

Attached for review by the Executive Directors is a draft note which provides guidelines for future interaction between the staffs of the Bank and the World Trade Organization (WTO). The note has been discussed with staff of the GATT, and their comments incorporated. It has also been discussed with the staff of the Fund who have proposed substantively similar guidelines to their Board for their future interaction. Following the incorporation of any comments by the Executive Directors, this note would be circulated to the staff and transmitted informally to the Director General of the WTO.

Executive Directors are asked to send their comments to Mr. Masood Ahmed (ext. 33800) or Mr. L. Alan Winters (ext. 33845) by the close of business on January 13, 1994.

GUIDELINES FOR STAFF COOPERATION WITH THE WORLD TRADE ORGANIZATION

1. The Agreement concluding the Uruguay Round called upon the Director-General of the World Trade Organization (WTO) to consult with the heads of the Fund and the Bank on enhanced inter-institutional cooperation, especially with a view to achieving greater coherence in global economic policymaking.¹ This note proposes guidelines for Bank staff involved in such cooperation between the Bank and the WTO. It builds upon the existing close but informal cooperation between the staffs of the Bank and the GATT, on existing arrangements for cooperation between the Bank and the Fund, and on discussions between the three parties during the Uruguay Round.* The Fund is developing similar guidelines for collaboration with the WTO. While recognizing that the Bank and the Fund have different roles vis-a-vis the WTO, it is desirable that Bank/WTO and Fund/WTO arrangements maintain a degree of parallelism where they might interact.

2. While we should not prejudge the evolution of the WTO, it seems likely to be a stronger institution than the GATT, with a greater role in policy formulation and monitoring. Moreover, in addition to their growing role in the world economy, the developing countries will be more fully

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engaged in the WTO than they were in the GATT, both in terms of their substantive commitments and their expectations of benefits. These changes suggest the need for more intensive cooperation and interaction between the Bank and WTO than applied heretofore between the Bank and the GATT.

3. Cooperation between the two staffs may be considered in terms of the following four broad areas:

- i) Consistency of Bank conditionality and policy advice with WTO agreements;
- ii) Financial support to developing countries during the trading shifts caused by WTO agreements;
- iii) Research and information exchange;
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4. In respect of international trade, the basic objectives of the Bank and of the WTO are entirely consistent, although the two institutions have different mandates and different emphases in trade policy. The WTO's emphasis is on the legal rights and obligations of countries--the rules of the

trading system--while the Bank's focus is more directly on economic policy--i.e., encouraging good policies which do better than simply meeting international agreements.

5. The WTO agreements are intricate and can easily be misunderstood. Bank staff advising a country on trade reforms need to be well informed about the international obligations of the country and about trade policies in the main trade partners. They should ensure that the policy changes or conditionalities that are agreed with country authorities are not contrary to the latter's WTO commitments.* In very rare instances, policy reforms may entail country authorities making use of WTO provisions for seeking waivers from or the renegotiation of prior commitments: for instance, within the context of an overall trade liberalization, they may need to raise bound tariffs on a few tariff-lines in order to reduce the dispersion of the tariff structure or to allow the orderly removal of quantitative restrictions. Bank staff should agree to or propose such steps only where there is no economically sound alternative. In that circumstance they should advise the national authorities to take the matter up with the WTO expeditiously and require them to inform the Bank of the steps they take in that regard.

6. The consistency of Bank advice with WTO commitments will be achieved by means of consultation within the Bank and between the Bank

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and the WTO staffs. The focal point for the Bank side of such consultations will be the International Trade Division (IECIT) of the International Economics Department, assisted as appropriate, by other relevant Departments such as the Legal Department.² On occasion there may also need to be direct discussions between Operations' task managers and relevant WTO staff in the context of their operational work.

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the differing institutional emphases in the two dimensions will help to make clear to member governments the rejection of cross-conditionality.

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Settlement Body, because this is the principal location at which the interpretation of the WTO agreement is subjected to analysis and decision.

15. As the WTO develops its own work program and procedures it may be appropriate for it to seek representation on certain Bank bodies. The Bank should review such requests as appropriate.

16. Undertaking the close interaction and cooperation between the Bank and the WTO that is envisaged by the Uruguay Round, must not be allowed to become bureaucratic and labor intensive. Nevertheless, it will entail some internal redirection of resources within the Bank. For the moment, there does not appear to be the need to re-establish a Bank presence in Geneva but this will be re-examined in a year when the working modalities of the new WTO will have become clearer.



Record Removal Notice

File Title World Trade Organization - Correspondence		Barcode No. 1460001	
Document Date October 31, 1994	Document Type Paper		
Correspondents / Participants GATT Secretariat			
Subject / Title WTO Cooperation with the IMF and the World Bank and Greater Coherence in Global Economic Policy- Making- presented to the Preparatory Committee of the WTO during November 1994.			
Exception(s) Information Provided by Member Countries or Third Parties in Confidence			
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.	
		Withdrawn by Shiri Alon	Date May 18, 2017

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: January 10, 1995 12:26pm EDT

TO: GAUTAM KAJI (GAUTAM KAJI @A1@WBHQB)

FROM: Ernest Stern, EXC (ERNEST STERN@A1@WBWASH)

EXT.: 82004

SUBJECT: WTO Note

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CC: Sven Sandstrom
CC: MICHAEL BRUNO

(SVEN SANDSTROM@A1@WBWASH)
(MICHAEL BRUNO @A1@WBHQB)

A L L - I N - 1 N O T E

DATE: 10-Jan-1995 12:46pm

TO: See Distribution Below

FROM: Michael Bruno, DECVP

(MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Attached

Please see attached from Ernie. Michael.

DISTRIBUTION:

TO: Masood Ahmed

(MASOOD AHMED)

TO: Mark Baird

(MARK BAIRD)

TO: L. Alan Winters

(L. ALAN WINTERS)

cc. M Ahmad ²⁷⁹³ / A. Winters
M Boud.

ERNEST STERN
Managing Director

95 JAN 12 PM 1:35
January 11, 1995

RECEIVED
DEVELOPMENT ECONOMICS
ECONOMIST



Mr. Bruno

Michael -

Senegal

Thanks for your note.

There is no disagreement with the general proposition that we have, and can, ask countries to go beyond their GATT obligations in eliminating QRs and/or reducing and harmonizing the tariff structure. These steps toward more liberal trade presumably can be welcomed by all.

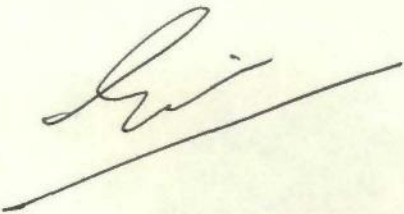
The scope for action on bound tariffs is more constrained, both in the GATT/WTO context and in regional trading arrangements. Our experience with the latter indicates that we can ask for changes, and they can be achieved, but it takes time. The reason is the obvious one that the trade partners have to be consulted and persuaded. It would not be appropriate for us to insist on the unilateral abrogation or amendment of regional or other agreements. The same may apply to the GATT/WTO bound tariffs. Your draft note on the WTO recognizes the need for consultation with others if, for instance, we ask to have a bound tariff raised.

Asking countries to move to a more liberal and simplified trade regime, in line with the practices governing much of international trade, also can be distinguished from asking a country to forego anti-dumping legislation when major trading nations avail themselves of such measures. Of course, anti-dumping measures can be subject to abuse but in that such measures are not unique. A case by case review, taking into account the country's actual practice, seems appropriate.

In the case of Senegal, there are few items at issue and few producers of the two main products. I do not believe that any anti-dumping action, or its retention beyond a reasonable period, will be hard to discern.

I see no reason to believe that our judgement on these matters is going to be either more difficult to make or more subjective than others we must make regularly. And any problems with the WTO conceptually will be no different than they would be at the outset.

Of course, different circumstances may well call for different approaches in future operations. But in this case, I believe we have a workable arrangement.

A handwritten signature in black ink, consisting of a stylized, cursive name followed by a long horizontal line extending to the right.

cc: Mr. Shihata

MICHAEL BRUNO
Vice President Development Economics
and Chief Economist

January 9, 1995

Mr. Ernest Stern

Antidumping in Senegal

Ernie,

I have now reviewed the minutes of the Loan Committee discussion on December 21 and would like to register two concerns on the addendum:

- (1) It is important that this guidance not be interpreted as implying that the Bank cannot ask countries to forego policies permitted under the GATT/WTO. The Bank regularly does this – for example, removing QRs, reducing bound and unbound tariffs – and the same principle should apply to the way in which we treat antidumping. In other words, it is entirely appropriate for the Bank to push for measures which, while not violating the country's obligations under GATT, go beyond those obligations.
- (2) In the specific case of Senegal, as we have pointed out, the conditions likely to lead to an abuse of antidumping appear to be present and I am concerned that the proposed ex post review of antidumping actions will be seen as highly subjective and therefore difficult to implement. Moreover, any actions that we take under such a review may also cause problems with the WTO over jurisdiction. I therefore continue to have a strong preference for the simpler, and more transparent, alternative of the ex ante tariff cap.



Michael Bruno

cc: Messrs. Kaji, Shihata

Diplomats at the General Agreement on Tariffs and Trade in Geneva had an extra reason to celebrate the arrival of the new year.

After a hectic scramble, they succeeded just before Christmas in bolting into place arrangements for the launch on January 1 of the new World Trade Organisation and the Uruguay Round agreement, intended to usher in a bigger and better global trade system.

Now they and the more than 120 governments they represent must show they are able to make the new machinery work.

Rarely has the birth of an international institution been preceded by higher expectations. The WTO has been widely hailed as the centrepiece of a stronger and more cohesive framework for accelerating the liberalisation of economies worldwide and promoting more effective policy co-ordination between them.

Some observers, however, fear the optimism may be overdone - and could even prove self-defeating.

"The new system has built up expectations which may be unrealistic," says Professor John Whalley, a trade policy expert at Warwick University. "There is a danger that if they are not fulfilled, some of Gatt's achievements will be eroded."

Even the WTO's most enthusiastic supporters admit the enterprise involves a big leap of faith. Unlike the International Monetary Fund or the World Bank, the organisation will have no resources of its own other than its operating budget. "Its role will depend entirely on its credibility," says a senior trade official in Geneva.

The WTO is equipped with a broader remit and stronger procedures than Gatt. It is also designed to ensure fuller participation: while countries, particularly developing ones, could choose not to observe some Gatt obligations, they must subscribe to all the WTO's much wider range of agreements and disciplines.

However, the WTO, like Gatt, has no powers to force through decisions, which will mostly be reached by consensus. Ultimately, its effectiveness will depend on how readily members co-operate in advancing liberalisation by making reciprocal concessions based on a calculation of self-interest.

Steering their deliberations will be made no easier by deadlock over a leader for the WTO, which has led to Mr Peter Sutherland, Gatt's outgoing director general, being asked to stay on until March. Few observers think this arrangement can run beyond then without weakening the WTO's impact.

Mr Sutherland has also had only partial success in persuading governments to beef up the Gatt secretariat, which will serve the WTO. Though its budget has been increased about 10 per cent to SFr105m (£50m) this year, that is less than half what Mr Sutherland initially demanded, leaving many of Gatt's 400 staff disgruntled. "Morale in this organisation is pretty low right now," says one official.

By contrast, the WTO faces a far heavier workload than Gatt. It starts life with more than 30 councils and standing committees - twice as many as its predecessor. These must handle an array of challenging new issues not previously covered by Gatt, including trade in services, intellectual property and the environment.

Dream the

Guy de Jonqui successor, the V is likely to l

For several years to come, its operations will be dominated by decisions taken in the Uruguay Round. For instance, an agreement to create rules to protect intellectual property rights has to be translated effectively into national law. Landmark accords to reduce or dismantle trade barriers in agriculture and textiles must be carefully monitored to ensure they are being put into effect.

In some areas, complex further negotiations will be required if objectives set in the round are to be achieved. The most important is services, where Gatt members have agreed a broad framework for liberalisation, but have yet to decide exactly how to fill it.

Efforts to liberalise financial services, in particular, may pose an early test of the WTO's role as a bargaining arena. Though multilateral negotiations started in the middle of last year, they have yet to get under way in earnest - and participants have set a July 1 deadline for agreement.

Close observers are cautious about the prospects, which may hinge on US success in persuading Japan and other Asian countries to open up their markets. Says one: "I don't see much sign of movement so far. The main priority may be to avert complete breakdown."

The talks may also test the feasibility of another WTO ambition, to end omnibus trade rounds by developing into a permanent negotiating forum. Though negotiators dread the thought of another lengthy ordeal like the Uruguay Round, some question whether it will be possible in the WTO to generate the complex linkages and sense of urgency needed to achieve substantial breakthroughs.

Much the most pressing challenge confronting the organisation, however, is to bed in new procedures for settling international trade disputes. "Ensuring the procedures work and command confidence is crucial to everything," says a senior trade official. "If their authority is once eroded by a big trading power, that will be the end of the WTO."

Effective resolution of trade conflicts is important not only for international harmony. It is the most critical and politically sensitive factor underpinning the cohesion of the international trade system and governments' respect for its rules and disciplines.

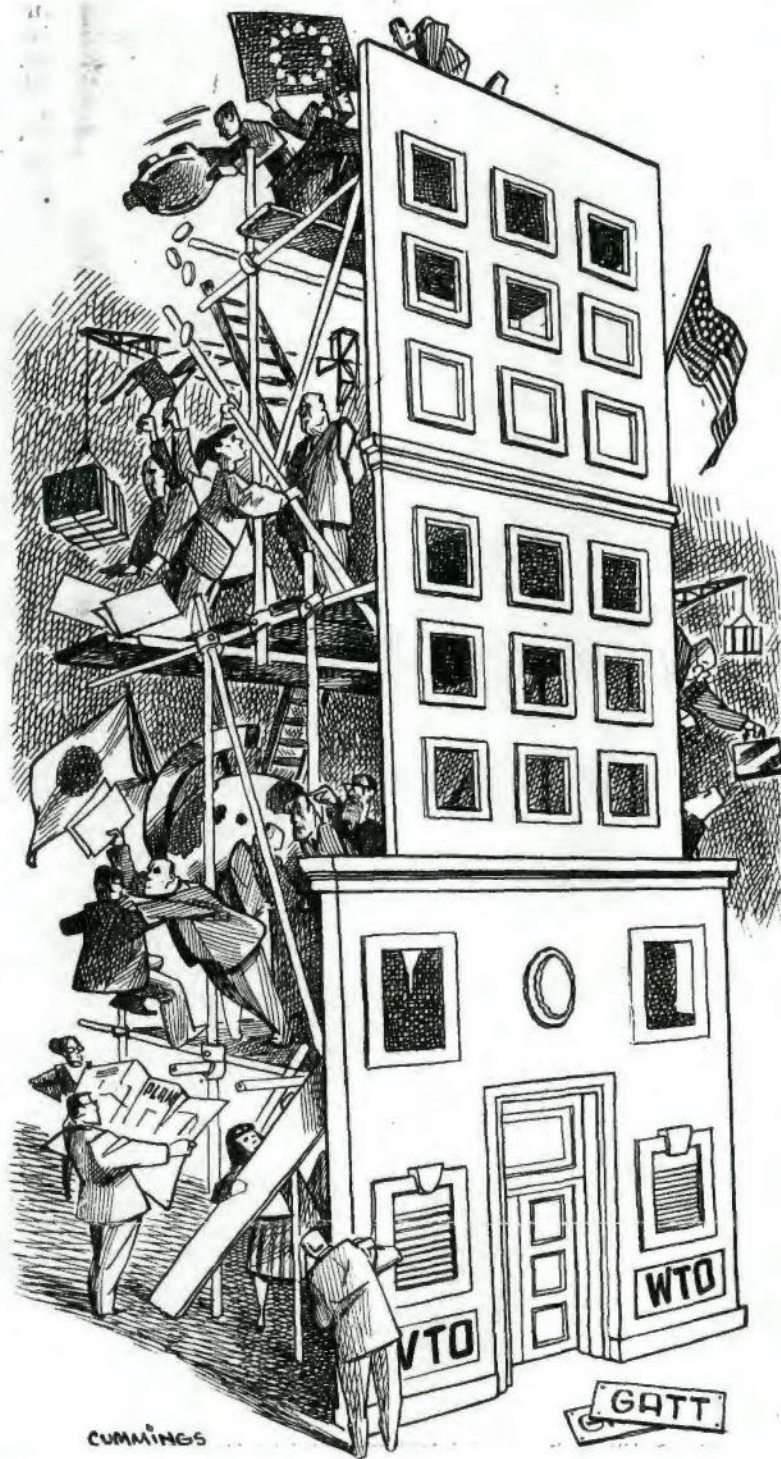
Gatt's record on this score was mixed. Countries regularly disregarded adverse rulings by disputes panels, while the US has cited the inadequacy of Gatt mechanisms to justify its aggressive use of unilateral trade weapons against Japan and other trading partners.

In the WTO, the system should be

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uières asks whether Gatt's World Trade Organisation, live up to expectations



faster, fairer and more efficient. Parties to conflicts will no longer be entitled to prevent disputes panels being set up, choose their members or block rulings that go against them. There will be more scope for retaliation against countries which ignore rulings, and an independent body is planned to hear appeals.

These improvements have not stopped the US - long the most frequent target of complaints in Gatt - from placating congressional critics by appointing a committee of federal judges to review WTO dis-

putes rulings. Opinions remain divided over whether the committee is more likely to undermine the WTO's authority by second-guessing its decisions, or to strengthen it by providing an additional seal of approval.

It is widely agreed, though, that if the new mechanisms are to have an impact, they must quickly establish a reputation for judicial rigour, impartiality and a sure grasp of technical detail. Particularly critical will be the quality of the seven part-time members of the appellate

body, to be chosen early this year.

Some observers expect the prestige and novelty of the jobs to attract a rich field of applicants. Others fear good candidates may be deterred by the modest remuneration offered: a \$5,000 retainer and a \$500 daily fee for 60 days' work a year.

But however impeccably decisions are taken, what really counts is making them stick. In an organisation like the WTO, the core of which is a set of voluntary contracts between sovereign governments, that comes down to a question of political acceptability.

As the fraught Uruguay Round ratification debate in the US Congress underlined, maintaining a broad international consensus is a delicate task. Many trade experts believe it is likely to become even more difficult as the scope of global liberalisation expands and thrusts more deeply into sensitive areas of domestic policy, such as the environment and the treatment of foreign investment.

This trend, they warn, risks arousing mounting resistance from protectionist forces unless the WTO takes steps to entrench its legitimacy more broadly. A priority, they say, is to strip away the cocoon of monastic secrecy that shrouded the Gatt and expose the organisation's workings to public scrutiny.

So far, though, the US is the only government to campaign for more openness. Others are cautious or hostile. Some object that greater transparency could give non-governmental organisations, such as environmentalists, the right they have long sought to participate directly in world trade policymaking.

"Governments have long used Gatt to collude in private against their domestic pressure groups," says one official in Geneva. "Allowing the greens in could thwart liberalisation by opening the doors to farmers and all kinds of lobbies opposed to free trade."

The nature of the WTO's relationships with the outside world is also at the centre of another contentious issue: how should the priorities for the future world trade agenda be set and their implementation assured? To a large extent, the question turns on the role of the future WTO leader.

Many negotiators in Geneva believe the job should be largely administrative and focus on making the machinery tick over smoothly. Says one: "In this organisation, the members will do most of the work, and most of them are determined to keep policy formulation to themselves."

Many trade policy experts, however, think the challenges ahead require the WTO leader to play a more assertive role. As well as giving the organisation a high public profile, this would include generating new ideas, actively building consensus and persuading heads of government to accept politically difficult decisions.

In the final analysis, though, it will be up to governments to decide what sort of WTO they want, and the shape of the world trade system it presides over. In the words of Professor Robert Hudec of Minnesota University, a leading authority on international trade law: "Those of us who have watched Gatt operate for years have long realised that political will is everything."

When the race to head the WTO began last summer, it was supposed to be a contest between individual candidates. But it has rapidly turned into a fractious power struggle between regions.

It was agreed at the outset that, unlike the post of director-general of Gatt, which has always been held by a European, the WTO leadership should be open to all-comers.

As well as wanting to attract a wide field of candidates, Gatt members judged the approach offered the best chance of selecting some-

one with broadly based support.

So far, however, that hope has been disappointed. Instead of unifying the new organisation, the contest has hit deadlock, reviving old rivalries and provoking new ones.

Of the three candidates, Mr Renato Ruggiero, a former Italian trade minister and the EU's champion, claims the widest support. He says he is backed by more than 70 countries in Africa and the Middle East as well as in Europe.

The remaining WTO members are

said to divide more or less evenly between former president Carlos Salinas of Mexico, whose support is confined to the Americas, and Mr Kim Chul-su, South Korea's trade minister, who has found little favour outside Asia.

However, Mr Ruggiero's opponents are not ready to concede victory. They argue that much of his support is from countries with a minuscule share of world trade and has been politically orchestrated by Brussels.

Regional power struggle

on December 1, a few weeks more to canvass support.

If he won more backers, particularly in Asia, the hope is that Mr Kim would gracefully withdraw. The final decision would then come down to bargaining between Brussels and Washington, which strongly favours Mr Salinas.

If that proves impracticable, however, the only option may be to scrap the contest and start again. In that event, any pretence of holding an open race would probably be abandoned in favour of behind-the-scenes wheeling and dealing between the WTO's bigger members.

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THE WORLD BANK
Washington, D.C. 20433
U.S.A.

LEWIS T. PRESTON
President

95 JAN -4 PM 4: 34

RECEIVED
DEVELOPMENT ECONOMICS
V.P. 3 CHIEF ECONOMIST

January 3, 1995

Mr. Peter Sutherland
Director General
World Trade Organization
Centre William Rappard
Rue de Lausanne 154
CH-1211 Geneve 21
Switzerland



Dear Peter,

I write to congratulate you and your staff on the creation of the World Trade Organization. The contribution of the General Agreement on Tariffs and Trade to world economic welfare was incalculable, and it can only be beneficial to extend its influence and put it onto a more permanent footing. Your personal leadership in bringing this process to a successful outcome has been quite remarkable. The World Bank and its staff have always enjoyed cordial and fruitful relations with the staff of the GATT, and we look forward to even stronger relations with the WTO.

Please accept my best wishes for the future as the World Trade Organization and the World Bank look forward together to the next fifty years of cooperation and success in fostering world economic development.

Sincerely,

A handwritten signature in blue ink, appearing to be 'Lew', is written below the word 'Sincerely'.

bcc: Messrs. Bruno (DECVP), Adams (OPRDR), Malloch Brown (EXTDR), Ahmed (IECDR), Winters (IECIT)

OFFICE MEMORANDUM

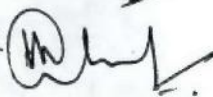
DATE: December 22, 1994

94 DEC 28 PM 4: 06

TO: Mr. Gautam Kaji, EXC

RECEIVED
DEVELOPMENT ECONOMICS
V.P. & CHIEF ECONOMIST

THROUGH: Mr. Mark Baird, Acting DECVP 

FROM: Masood Ahmed, IECDR 

EXTENSION: 33800

SUBJECT: Bank-WTO Relations

As you know, the World Trade Organization comes into existence on January 1, 1995. We think it would be appropriate for Mr. Preston to send a letter of congratulations and best wishes to Mr. Sutherland to mark this occasion. Attached is a draft for your approval and Mr. Preston's signature. We would dispatch it on January 3.

Attachment

c.c. Messrs. Bruno (DECVP), Adams (OPRDR), Malloch Brown (EXTDR);
Winters (IECIT)

MAhmed:akw

o/c

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THE WORLD BANK
Washington, D.C. 20433
U.S.A.

LEWIS T. PRESTON
President

January 3, 1995

Mr. Peter Sutherland
Director General
World Trade Organization
Centre William Rappard
Rue de Lausanne 154
CH-1211 Geneve 21
Switzerland

Dear Peter,

I write to congratulate you and your staff on the creation of the World Trade Organization. The contribution of the General Agreement on Tariffs and Trade to world economic welfare was incalculable, and it can only be beneficial to extend its influence and put it onto a more permanent footing. Your personal leadership in bringing this process to a successful outcome has been quite remarkable. The World Bank and its staff have always enjoyed cordial and fruitful relations with the staff of the GATT, and we look forward to even stronger relations with the WTO.

Please accept my best wishes for the future as the World Trade Organization and the World Bank look forward together to the next fifty years of cooperation and success in fostering world economic development.

Sincerely,

OFFICE MEMORANDUM

DATE: December 14, 1994

TO: Mr. Gautam S. Kaji, EXC

FROM: Michael Bruno, DECVP *MB*

EXTENSION: 33774

SUBJECT: Relations between the Bank and the World Trade Organization

1. On November 15, 1994, Messrs. Gerber and Nogués requested a Board seminar on relations between the Bank and the WTO. Mr. Preston and Mr. Stern replied that, since the WTO had yet to come into being, consideration of the matter would be premature. I understand that this issue may be raised at the Steering Committee next Monday.

2. Prior to our receiving the request for a seminar, a good deal of preparatory work had been done by staff in IEC both analyzing possible parameters for Bank-WTO relations and in informal discussions with staff at the GATT. The results were summarized in a note which we had hoped to circulate to Board members and, following their comments, to Bank staff, and also to share informally with the GATT. The note had been approved by Mr. Karaosmanoglu, but was then overtaken by the request for a seminar, and at that time EXC decided that circulation of the note would also be premature.

3. During the Fall, we received several enquiries from Executive Directors about the status of our thinking on future Bank-WTO relations, and from our replies they must have discerned that we were working on the matter. They would also have gained that impression from any contact they may have had with the GATT or with the Fund, which adopted several parts of our analysis in the note they prepared and circulated to their Board in October.

4. In the light of these facts it may be difficult for the Steering Committee to resist the pressure for an exchange of views between staff and the Board on Bank-WTO relations. If so, while I would strongly support the position that a seminar was premature, it may be prudent to concede the circulation of a note. Such a note could be made available very quickly.

5. For your information I attach the note and the cover memo to Mr. Karaosmanoglu explaining our intended strategy.

c.c. M. Ahmed (IECDR), L.A. Winters (IECIT)

Attachments

LAWinters:akw

OFFICE MEMORANDUM

DATE: November 17, 1994

TO: Mr. Attila Karaosmanoglu, EXC

FROM: Michael Bruno, DECVP MB

EXTENSION: 33774

SUBJECT: Relations Between the Bank and the World Trade Organization (WTO)

1. Attached is a revised note laying out the parameters for developing the relationship between the Bank and the WTO. We propose that it should become an internal document for Bank staff to guide their work and that it should be communicated only informally to the GATT. It could provide the basis for negotiating a more formal relationship with the WTO in future, but under the present transitional circumstances GATT staff are finding it difficult to devise or comment on working practices for their successor organization. For this reason it seems best not to present our proposals to them in a fashion which appears to require a response.

2. The previous draft of the note was substantially reworked following your comments and those of the Legal and Secretary's Departments. The present draft was discussed with senior GATT staff--Messrs. Seade (Deputy Director General) and Sampson (Director)--in Madrid. It appeared to be broadly acceptable to them, and their comments have subsequently been incorporated. It was also discussed with Fund staff and modified in the light of their comments. They have prepared a roughly parallel document pertaining to Fund-WTO relations, which has now been circulated to Fund Directors.

3. Several Bank Executive Directors have enquired about the status of the Bank-WTO relations, so it seems sensible to circulate the attached note to them for information. We would not propose to seek a Board discussion but would obviously be ready for one if some EDs request it. Following the interpretation of any comments from the EDs, we would circulate the note internally, and also send a copy informally to the GATT.

4. We would use the opportunity of sending a copy to GATT to seek sight of their internal document on Bank-WTO relations. We would also urge upon them the importance of the Bank obtaining observer status at the Dispute Settlement Body and of their offering, as previously agreed, unfettered access to their database of

Mr. Atilla
Karaosmanoglu (EXC)

-2-

November 17, 1994

trade and tariff data. We have not yet received any encouraging signals on either of these important issues.

5. I would appreciate your comments and agreement to our proceeding as suggested above.

Attachments

cc: M. Ahmed (IECDR), L.A. Winters (IECIT)

November 16, 1994

Note from Secretary to Executive Directors

Attached for review by the Executive Directors is an internal note which provides guidelines for future interaction between the staffs of the Bank and the WTO. The note has been discussed with staff of the GATT, and their comments incorporated. It has also been discussed with the staff of the Fund who have proposed substantively similar guidelines to their Board for their future interaction. Following the incorporation of any comments by the Executive Directors, this note would be circulated to the staff and transmitted informally to the Director General of the WTO.

Executive Directors are asked to send their comments to Mr. Masood Ahmed (ext. 33800) or Mr. L. Alan Winters (ext. 33845) by the close of business on December 9, 1994.

GUIDELINES FOR STAFF COOPERATION WITH THE WORLD TRADE ORGANIZATION

1. The Agreement concluding the Uruguay Round called upon the Director-General of the World Trade Organization (WTO) to consult with the heads of the Fund and the Bank on enhanced inter-institutional cooperation, especially with a view to achieving greater coherence in global economic policymaking.¹ This note proposes guidelines for Bank staff involved in such cooperation between the Bank and the WTO. It builds upon the existing close but informal cooperation between the staffs of the Bank and the GATT, and on existing arrangements for cooperation between the Bank and the Fund. The Fund is developing similar guidelines for collaboration with the WTO. While recognizing that the Bank and the Fund have different roles vis-a-vis the WTO, it is desirable that Bank/WTO and Fund/WTO arrangements maintain a degree of parallelism where they might interact.

2. While we should not prejudge the evolution of the WTO, it seems likely to be a stronger institution than the GATT, with a greater role in policy formulation and monitoring. Moreover, in addition to their growing role in the world economy, the developing countries will be more fully engaged in the WTO than they were in the GATT, both in terms of their substantive commitments and their expectations of benefits. These changes

¹ "Declaration on the Contribution of the World Trade Organization (WTO) to Achieving Greater Coherence in Global Economic Policymaking," appended to the Final Act of the Uruguay Round.

suggest the need for more intensive cooperation and interaction between the Bank and WTO than applied heretofore between the Bank and the GATT.

3. Cooperation between the two staffs may be considered in terms of the following four broad areas:

- i) Consistency of Bank conditionality and policy advice with WTO agreements;
- ii) Financial support to developing countries during the trading shifts caused by WTO agreements;
- iii) Research and information exchange;
- iv) Consultation and representation.

Consistency

4. In respect of international trade, the basic objectives of the Bank and of the WTO are entirely consistent, although the two institutions have different mandates and different emphases in trade policy. The WTO's emphasis is on the legal rights and obligations of countries--the rules of the trading system--while the Bank's focus is more directly on economic policy-

-i.e., encouraging good policies which do better than simply meeting international agreements.

5. The WTO agreements are intricate and can easily be misunderstood. Bank staff advising a country on trade reforms need to be well informed about the international obligations of the country and about trade policies in the main trade partners. They should ensure that the policy changes or conditionalities they propose are not contrary to the WTO agreements. This will be achieved by means of consultation between the Bank and the WTO staffs. The focal point for the Bank side of such consultations will be the International Trade Division of the International Economics Department, assisted as appropriate, by other relevant Departments such as the Legal Department. On occasion there will also need to be direct discussions between Operations' task managers and relevant WTO staff in the context of their operational work.

6. Trade policy is an important element of development policy, an area in which the Bank should continue its primary role. In the construction of appropriate policy packages, especially in the context of conditionality, the Bank's mandate will frequently require it to encourage member country governments not only to meet, but to improve upon, the minimum standards required by the WTO.

Financial Support

8. Bank staff recognize that, on occasion, financial support may be required to facilitate adjustment following unilateral or multilateral trade liberalization. The Bank's lending policies are flexible and responsive enough to take these considerations into account - along with those pertaining to the general policy stance and regulatory environment - without the creation of new instruments.

Research and Information Exchange

9. The Bank has long been recognized as a leading center for research and analysis in trade policy issues. The GATT's expertise, on the other hand, has traditionally lain more in the legal implementation and documentation of policies. Thus there is significant complementarity and scope for cooperation between Bank and WTO staff in trade policy research. Arrangements for information and data exchange are in effect at present, but they have never been systematized. Bank staff will seek deeper cooperation by regularizing, codifying and automating them.

10. The Bank and WTO staffs should, at an early stage, seek each others' views on their research papers and reports in which international trade or trade policy is a major component. This will inform each staff of the other's activities, identify issues of common interest and potentially increase the coherence between their positions. As at present, the Bank expects to

receive all completed WTO secretariat documents and formal submissions by governments to the various WTO bodies including the General Council and its substantive sub-bodies as well as the Trade Policy Review Body and the Dispute Settlement Body, while the WTO should receive Bank documents and publications. IECIT and WTO staff will cooperate to develop appropriate guidelines for managing the exchanges of these documents. The Bank and WTO staff will work to offer each other unrestricted access to certain databases--specifically the GATT's Integrated Database and the Bank's macroeconomic and socioeconomic database.

11. Both the Bank and the WTO must, of course, commit to respect the confidentiality constraints implicit in transfers of unpublished information.

Consultation and Representation

12. To date Bank/GATT interaction and consultation has been mainly at the working level, supplemented by periodic contact between Heads of Institutions. Staff links should be enhanced, and possibly supplemented by staff exchanges, with a view to establishing effective networking and interaction among the two staffs. Meetings will be held at least annually between appropriate WTO and Bank managers/senior staff to examine the coherence of policies, identify issues of common concern in the area of trade policy and discuss the Institutions' (possibly different) approaches to these issues. It is anticipated that the Fund would join some of these meetings as part of its cooperation arrangements with the WTO.

13. No major changes are envisaged in the formal arrangements for representation. The Director-General of GATT has been regularly invited to the Interim and Development Committees, and has made statements at the Development Committee. GATT has now been re-admitted as an observer to the Bank's Annual Meetings. The Bank enjoys observer status and is allowed to make statements at most official GATT bodies. It will seek to extend this to substantive WTO bodies, including the Ministerial Council, the various Councils, and their Committees and Sub-Committees. The Bank staff places considerable store on observing the Disputes Settlement Body, because this is the principal location at which the interpretation of the WTO agreement is subjected to analysis and decision.

14. As the WTO develops its own work program and procedures it may be appropriate for it to seek representation on certain Bank bodies. The Bank should review such requests as appropriate.

15. Undertaking the close interaction and cooperation between the Bank and the WTO that is envisaged by the Uruguay Round, must not be allowed to become bureaucratic and labor intensive. Nevertheless, it will entail some internal redirection of resources within the Bank. For the moment, there does not appear to be the need to re-establish a Bank presence in Geneva but this will be re-examined in a year when the working modalities of the new WTO will have become clearer.


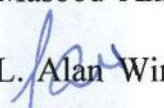
OFFICE MEMORANDUM

1746

F -

DATE: September 22, 1994

TO: Mr. Michael Bruno, DECVP

THROUGH: Masood Ahmed, IECDR FROM: L. Alan Winters, Chief, IECIT 

EXTENSION: 33845

SUBJECT: Uruguay Round Program of Research94 SEP 22 PM 12:46
RECEIVED
DEVELOPMENT ECONOMICS
V.P. & CHIEF ECONOMISTUruguay Round Outcome*Analytical studies*

1. A series of studies will describe the outcomes of the major market access negotiations (i.e., trade liberalizations agreed) and simulate the trade effects of these outcomes. Such analysis will be done for the negotiations on agriculture, manufactures including textiles, and services. Other studies will analyze the institutional and rules changes at the Round, e.g., creation of the WTO, new rules on safeguards; and a third group of studies will analyze special topics of interest to least developing countries, including the impact of agricultural liberalization on developing food-importing countries, and the trade effects of erosion of preferences.
2. Many of these studies will be presented at a conference planned for January 1995. The conference program is attached.

Country and regional reports

3. We will provide to regional staff tables that summarize the outcome of the tariff negotiations from the perspective of an individual country: tabulations of both concessions made and concessions received by an individual country. On a chargeback basis, we will also provide support to regional staff for more detailed analysis of the impact on particular regions or countries.

GATT seminars

4. In a related activity, the division plans to organize seminars for each of the Bank's regional staffs at which GATT staff will answer questions about GATT/WTO rules and obligations that have come up in the course of the Bank's operational work.

Timetable

5. Conference papers will be available in final form in mid January. Summary tabulations of tariff concessions made will be available in early November, summary tabulations of concessions received will be available in December. The GATT seminars will be held in late October or early November.

Post Uruguay Round Issues

Unilateral liberalization

6. A major part of the post Uruguay Round trade agenda will be to maintain the pace of World Bank and IMF supported unilateral reforms in developing countries. In this regard, the division will continue its analytical work on the expansion of trade of the transition economies and on the structure of policies and policy institutions that these countries put in place. Other work will examine the supply response to liberalization, paying particular attention to the micro-foundations of export promotion. A third topic on which the division will work is the development of a 'safeguards' procedure that is not only GATT-consistent, but at the same time makes economic sense.

Services

7. The Uruguay Round has brought forward the role of services sectors in economic development. The division will look into a number of topics:

(1) Analysis in particular countries of the impact of liberalization, through unilateral, regional and multilateral processes.

(2) The link between service sector liberalization and the supply response to liberalization in merchandise sectors.

(3) The minimum level of services infrastructure a developing country must have in order to benefit from the services revolution.

Regional arrangements

8. The division will analyze the impact of existing regional arrangements with a view to developing guidelines for determining which proposed arrangements will benefit both participating countries and neighboring countries (other trading partners) that are left out.

Environment, labor rights as GATT issues

9. Environmental standards and labor rights in developing countries are legitimate concerns, but should they be GATT/WTO issues? The division's work in this area will be in significant part "truth squad" work to document progress in developing countries, identify what has been achieved through other mechanisms, and to analyze the risks of using the threat of trade sanctions to police environmental and labor standards.

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Vice President Development Economics
and Chief Economist

June 1, 1994

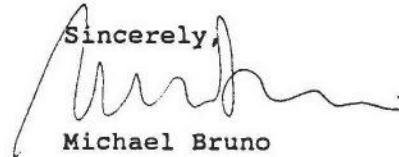
Dear Mr. Seade,

I was disturbed to find that the Bank has been unable to commence its analysis of the results of the Uruguay Round. This is embarrassing given my responsibility to inform the rest of the Bank and potentially embarrassing to the whole Bank staff given our instruction to present a paper to the Development Committee in September.

My understanding is that GATT has not yet transferred data to the Bank on the offers in the Round and on associated trade flows and pre-Round tariffs. We had originally expected these data in April, then in early May. I am told that in an unfortunate meeting on May 3 a number of delegations expressed reservations about allowing the Bank to have these data, apparently in ignorance of the Bank's substantial input into computerizing them and misunderstanding the prior understandings between Bank and GATT staff. Many of these misapprehensions have now been resolved informally. I would thus urge you to arrange for completion of this task with the greatest possible expedition. Since this matter was originally handled at delegate level and the problem was merely one of information, perhaps it would be most appropriate, once the situation has been explained informally to them, to notify the relevant delegations that the initial transfer of their data will occur in, say, five days time, unless they object. Formal approval for permanent Bank access to the database might then be sought from national capitals under somewhat less time pressure. I fear that if national capitals are brought into the equation before the initial transfer occurs the damage to our timetable will be irreparable and public.

I cannot overemphasize the importance of the timely provision of these data to our work program and need hardly remind you of the public statements that have been made about cooperation between the Bank and the GATT. I look forward to our staffs developing the details of such cooperation in future.

Sincerely,



Michael Bruno

Mr. Jesús Seade
Deputy Director-General
GATT
Centre William Rappard
Rue de Lausanne 154
Geneva, Switzerland

Bank Access to the Integrated Database (IDB):

In the late 1980s: SMART project identifies the need for analysis of trade and trade policy data. Plans are made to extend the analysis to the Uruguay Round by creating the integrated database. The Bank inputs many man-months of technical support into IDB to make it accessible to developing countries and lobbying to get developing countries to join the system. Implicit understanding that Bank access would be granted.

December '93: Bank assured access to IDB would be permitted in April. Advised by GATT not to press for permission before Marrakesh because negotiations are sensitive. GATT is kept informed of Bank plans to use the data.

April '94: Access decision still alleged to be formality, but postponed to early May. Leger, Sampson, Seade say they will lobby delegates to approve and nothing will go wrong.

May 3: It goes wrong. EC opposition causes developing countries to take fright. We hear of rejection of access informally.

May 5: Leger faxes an account of the meeting which does not even mention EC. Promises swift remedial action.

May 18: No news received. Mr. Ahmed writes to Seade.

May 24-27: Regular contact by telephone: Badiie-Leger, Winters-Sampson; the story about the EC emerges.

May 27: Leger eventually produces plan for remedy. He proposes heavy-handed memo to delegations asking for Bank access to the IDB. Our assessment is that this will delay things because it raises the issue's profile such that delegations will refer back to national capitals.

May 31: Sampson reports that the EC claims to have misunderstood and to have been misunderstood. Withdraws its objections. Now major countries all support granting access.

Leger is reported as saying that he requires written permission from all IDB members (GATT members even?) before releasing the data.

IEC asks two delegations to instruct Leger to pass their data to the Bank--to allow technical work to proceed.

April 1994

AFTER THE GATT URUGUAY ROUND: Implications for developing countries

By Dr Christopher Stevens

How important is GATT?

The new Uruguay Round agreement, to be signed in Marrakech in April, establishes the framework for trade into the next century. As such it is important to both developed and developing states, but not necessarily in the same ways. It has been portrayed variously as a panacea that will benefit all or as an instrument to reinforce the South's dependent relationship with the North. The reality is more prosaic - and complex. This Policy Briefing sets out:

- the principal changes for developing countries;
- the net effect on different regions;
- the future action that developing countries must take to benefit from the agreement.

The importance of the Uruguay Round (UR) derives as much from what it has avoided and to what it may lead as from the specific changes to the accepted rules for trade policy which have been agreed. The negotiations came to be seen as a barometer of the developed countries' (DCs') commitment to the multilateral system of rules for trade. There were dire prophecies of mutually destructive trade wars if agreement could not be reached. Success has averted this danger although, as the recent US Super 301 action against Japan illustrates, it has not yet made unilateral actions a thing of the past.

The symbolic aspects are important for developing countries (LDCs) because:

- The DCs have publicly and comprehensively pledged their support for liberal trade policies. Although their future behaviour towards LDCs will probably be less than exemplary, the successful completion of the Round will tend to make protection against LDC exports more difficult than it otherwise would be (especially by comparison to a GATT-failure scenario).
- At the same time, UR success will have reinforced the international legitimacy of liberal trade policies for LDCs. This will tend to strengthen the influence of the economic prescriptions - and the groups inside and outside LDCs supporting them - encapsulated in the

'Washington Consensus' which, although being increasingly implemented by LDCs, are controversial as universal remedies (see Further Reading).

The UR is a step on a road that is expected to continue into the next century to extend the application of agreed rules to trade policy, and to lower barriers to trade (see Box 2). It envisages further negotiations which will build upon the consensus already reached, particularly in some of the new areas such as services.

The specific changes agreed are quite limited in many areas. Seven years of negotiations have smoothed many of the hard edges of the original proposals. Their precise implications for specific products will be apparent only from a close examination of the voluminous tariff schedules that form part of the agreement. Moreover, some of the measures of greatest interest to LDCs will be phased in over a period extending in some cases to 2005. The predicted benefits will arrive only if DCs fulfil the spirit as well as the letter of the commitments they have made. Past experience suggests the need for some scepticism.

Why have LDCs accepted the UR?

Almost three-quarters of the 117 states that approved the Final Act in December 1993 were LDCs (one-fifth were least developed). They played a more substantial role in the UR than in any of its predecessors. The spread of new forms of DC protectionism and a greater openness to trade in their domestic policies (introduced either of their own volition or under pressure from the IMF and World Bank) altered the

balance of interest for many LDCs in strengthening GATT disciplines. For their part the DCs were concerned to engage LDCs, some of which are now major international traders, in the Round and were willing to include on the agenda issues (such as trade in clothing and textiles) of particular interest to them.

The result is a balance of gains and concessions, illustrated by their agreement to the TRIPS accord. This may increase the cost of knowl-

BOX 1: GATT-SPEAK

Uruguay Round: A negotiating marathon between 117 states plus the EU which has taken place mainly in Geneva but which was launched at Punta del Este in Uruguay in September 1986.

Article XIX: The GATT 'safeguard' clause that permits signatories temporarily to raise import barriers above current levels.

GATS: General agreement on trade in services.

MFA: Multifibre Arrangement. An agreed departure from GATT which controls LDC exports of clothing and textiles to DCs through a complex web of quotas.

MFN: Most favoured nation treatment - the requirement that GATT signatories treat each other on equal terms except in cases of states creating a customs union/free trade area, or trade preferences in favour of LDCs.

TRIPS: Trade-related aspects of intellectual property rights.

WTO: The World Trade Organization, to be created by early 1995.

BOX 2: HISTORY OF THE GATT ROUND

The Uruguay Round is the eighth in a series dating from 1947. And it will be the last; henceforth negotiations will take place within the WTO. The Rounds have been a compromise between theory (favouring the free flow of trade between countries) and practical politics which recognize the need to be able to set **concessions** (i.e. tariff reductions on imports) against **gains** (i.e. better access to export markets).

This mix was very successful in reducing tariff barriers to trade. In the late 1940s tariffs on manufactures averaged 40 per cent in rich countries; the figure is now 5 per cent. But as **tariffs fell, so non-tariff barriers (NTBs) to trade increased** in number and complexity. Most were outside normal GATT disciplines. The rules for temperate agriculture came to be seen as inadequate. Also excluded were policies that had indirect effects on trade, such as those concerned with investment and most services trade.

The UR was launched to assert some multilateral influence over this diversity: by including new areas, and by reinforcing the institutional framework for trade monitoring and adjudication.

edge-intensive goods to LDCs as net importers, but the LDC negotiators set against this loss DC concessions on goods of export interest to them (such as textiles) and the advantages of a multilateral agreement over possibly tougher unilateral accords being sought.

The World Trade Organization

One of the main innovations of the UR is the extension of the institutional framework for trade. The replacement of the GATT Secretariat with a WTO (see Box 3) reflects both the broadening of the scope of the new agreement and the desire to strengthen the monitoring of trade policy.

The crucial questions on the WTO for LDCs are:

- what sorts of trade regime will it seek to promote?
- how far will the new disciplines safeguard LDC export interests?
- can it impose trade policies on unwilling LDCs?

Philosophy: rule-based, liberal trade

The WTO is evolutionary rather than revolutionary. Like the GATT, it will not be a free trade organization (the DCs, let alone LDCs, are not willing to accept this), but it will promote adherence to predictable rules and the objective of reducing barriers to trade wherever possible. It has a much more limited remit, for example, than the ill-fated International Trade Organization (the intended third pillar of the post-war economic institutional framework, alongside the IMF and the World Bank).

The assumed universality of the liberal trade concept is evident from the altered status for LDCs. Part IV of the GATT provides for 'special and differential treatment' for developing countries and laid the basis *inter alia* for the most widespread forms of trade preferences offered by DCs to LDCs. Although the concept of special and differential treatment has been continued, it is more limited and time-bound than previously. After the end of a transitional period LDCs (except the least developed) are expected to adopt most of the same disciplines as DCs.

Decision making: LDC strength

The scope for the WTO to reinforce LDC interests, or impose on them unwanted policies, depends on the structure of decision making and enforcement. The use of qualified, unweighted majority voting means that the DCs cannot force upon LDCs as a whole unwanted decisions. The OECD states form only one-fifth of the signatories.

but LDCs can only defend their perceived interests if they are aware of what is being discussed. Poorer LDCs will have to concentrate their resources, giving priority to the WTO, join with others and seek technical assistance to ensure that they are adequately represented in key councils.

Enforcement: LDC weakness

The enforcement of rules will continue to be asymmetrical because it will be undertaken by aggrieved parties imposing penalties on transgressors. In a dispute, for example, between USA and Bangladesh the imposition of penalties by Bangladesh on US exports will have far less impact than those imposed in the opposite direction.

The UR and world food supply

The UR covered both tropical and temperate agriculture, but attention has been concentrated on the latter, which was the most contentious part of the UR. Tariffs have been cut on tropical products, but were low before the UR. What has been agreed on temperate agriculture is a compromise that will introduce normal market mechanisms into production and trade - but slowly. How slowly will not be clear until the tariff schedules are studied with care, but even by 2002 world trade in temperate agricultural goods will be significantly less liberal than is trade in manufactures now.

LDC concerns have focused on:

- the scope for increased agricultural exports;
- the danger of higher food import prices;
- the effect on LDC agricultural development.

Will prices rise?

The interests of agricultural exporters and importers in LDCs are opposite sides of the same coin and will be affected in particular by the provisions on market access, and subsidies to production and exports.

Access to markets: NTBs are to be converted into tariffs ('tariffication'), which will then be reduced by **an average** of 36 per cent over six years by DCs and 24 per cent (over ten years) by LDCs. Least developed countries will not have to reduce their tariffs. Since these average reductions will not be trade weighted, there will be scope for DCs to maintain

BOX 3: STRUCTURE OF THE WTO

The UR establishes a WTO as a single institutional framework to encompass the GATT, all agreements and arrangements concluded under its auspices, and the complete results of the UR.

The WTO will be inaugurated by early 1995. It will be headed by a Ministerial Conference meeting at least once every two years. Day-to-day operations will be overseen by a General Council, which will also act as a Dispute Settlement Body and a Trade Policy Review mechanism. Its permanent staff will replace the GATT Secretariat.

The General Council will spawn a host of specialist subsidiary bodies such as the Council for Trade in Goods (which will, *inter alia*, oversee the phase-out of the MFA), a Safeguards Committee (to oversee operation of a revised Article XIX), a Council on Services, and a Council for TRIPS.

Although the detailed *modus operandi* of the WTO is yet to be agreed, the key principles are:

- membership of the Councils will be open to all signatories of the agreement;
- when there is no consensus, some decisions can be taken by qualified majority (mostly three-quarters or two-thirds) but others require unanimity;
- voting will not be weighted;
- the WTO will not itself take sanctions against transgressors, but will authorize aggrieved parties to withdraw MFN treatment from them.

higher-than-average levels of protection on their most vulnerable commodities. There are certain minimum access requirements but, even so, it is unlikely that there will be major improved export opportunities in DC markets for LDC agricultural exporters.

Subsidies: The UR agreed reductions in producer and export subsidies which will assist LDC exporters in third markets but are unlikely to produce dramatic results. DCs have agreed to reduce by 36 per cent the value of direct export subsidies from their 1986-90 base level (often higher than current levels) and to cut the quantity of subsidized exports by 21 per cent over six years. For LDCs, the reductions will be two-thirds of those applying to DCs and the implementation period is extended to ten years (with no reductions applying to the least developed). Aggregate producer subsidies are to be cut by 20 per cent (13.3 per cent for LDCs and zero for the least developed) over six years. Cuts will be partly offset by increased non-subsidized exports.

Although the absolute impact of the changes on world markets is likely to be small over the next six years, it may be asymmetrically onerous for food-importing LDCs. A large part of world trade in cereals is currently undertaken outside normal markets through actual and quasi food aid. If markets firm up as a result of reduced supply from subsidized agriculture, DCs' willingness to supply food

on concessional terms may fall disproportionately while poor importers' needs rise, at least in the short term (in the longer term higher prices may induce greater domestic supply). The agreement recognizes the need to seek remedies for this danger in organizations with an operational capacity.

Impact on LDC agricultural development

The agreement provides several possible avenues for LDCs to protect their domestic agriculture from imports. Least developed countries are exempt from any reductions in either tariffs or subsidies. LDCs, like DCs, may place some agricultural subsidies in the so-called 'green box' of measures deemed to have minimal trade-distorting effects that are exempt from the subsidy-reduction commitments. These include payments under environmental programmes, public stock-holding for food security purposes and general agricultural development services (such as research, pest and disease control, extension and advisory services).

Additionally, some more general agricultural subsidies are acceptable for LDCs provided that they do not exceed 10 per cent of production value. They may exclude from their reduction commitments 'government measures of assistance, whether direct or indirect, to encourage agricultural and rural development ... which are generally available to agriculture in developing country members'.

Finally, extension to temperate agriculture of a wider range of GATT disciplines should permit LDCs to take anti-dumping actions against subsidized DC exports which will continue to be a feature of trade.

Manufactures: protectionism remains

The principal interest for LDCs in the UR is:

- the reduction of high tariff peaks on items in which LDCs compete strongly with DC producers, and the elimination

of escalation (whereby tariffs increase with the level of processing);

- its treatment of NTBs, especially those on clothing and textiles, and the growing misuse of anti-dumping actions as covert protectionism.

Provisional analysis of the UR shows the share of DC imports of industrial goods from LDCs entering duty free doubling (from 22 per cent to 45 per cent). But some manufactures of particular interest to LDCs still face relative discrimination. The four product groups with the smallest changes in duty-free treatment are fish and fish products, textiles and clothing, transport equipment, and leather and footwear. Some 6 per cent of DC imports of clothing and textiles from LDCs will continue to attract tariffs in excess of 25 per cent, while 19 per cent will face tariffs of over 15 per cent.

The agreement provides for the removal of both MFA and non-MFA restrictions on **clothing and textiles** trade over the period to 2005 (see Box 4). But transitional safeguards can be

applied for up to three years to any product not yet integrated into the GATT. A Textiles Monitoring Body (TMB) will be established to oversee the implementation of these commitments.

Rules on **anti-dumping** have been made clearer and more extensive, making it harder for DCs to blame the woes of particular firms on supposedly dumped imports from LDCs. The requirement for

the importing country to establish a clear causal relationship between dumped imports and injury to the domestic industry is strengthened. Moreover, 'domestic industry' normally refers to all domestic producers, not just one company, and other factors influencing the commercial well-being of the industry have to be taken into account.

Of particular potential importance to less developed and smaller developing countries is that there are now minimum injury/dumping thresholds, below which anti-dumping actions will not be taken. These preclude investigations in cases where the dumping margin is less than 2 per cent of the export price, or the volume of imports from a particular country accounts for less than 3 per cent of the total.

Article XIX, the **safeguards clause**, has been altered in ways that may increase its use against LDCs. In the past DCs have been reluctant to use it as a justification for import controls because these have to be applied against all suppliers. The new agreement permits selectivity if it can be established that imports from certain countries have increased disproportionately. It is arguable whether this will be to the detriment of LDCs (by facilitating 'legal' import controls against them) or be to their advantage (by bringing within WTO disciplines actions that DCs would otherwise have taken unilaterally). Safeguards can be imposed for a maximum of eight years or, if selective, four years.

TRIPS and services: the new areas

There are two elements to the agreement on **TRIPS**: all members have agreed to recognize minimum rights for owners of intellectual property, and to establish national enforcement mechanisms. Discussion of the former was contentious because, although most LDCs already provide patent protection for pharmaceutical product inventions, a group of states (including India, Brazil and Turkey) do

BOX 4: FUTURE OF THE MFA

The MFA is to be phased out over the period to 2005 in stages. In each, importing states will transfer from the MFA to normal GATT rules a tranche of products of a size related to the share of the items in their total 1990 import volume. The phasing agreed will allow states to delay into the next century the bulk of the transfers.

The first phase is due to be completed by the end of 1994 and is to cover items which accounted for at least 16 per cent of 1990 imports. Phase two, which must be completed by the end of 1997, adds a minimum further 17 per cent. An additional 18 per cent (minimum) is to be integrated by the end of 2001. The remaining products (up to one-half of 1990 imports) need not be integrated until the end of 2004.

not. On enforcement, members must provide within their domestic legal system procedures to enable rights to be enforced effectively by both foreign and national holders. Hence, in the first instance, any dispute over the implementation of what has been agreed will be a matter for the civil courts of particular states.

Services are covered by the GATS. Initially one of the most contentious issues dividing DCs and LDCs, the division between these groups was blurred by the decision to extend the negotiations from issues of particular DC interest (such as a company's right to establish a commercial presence in a foreign state) to those with which LDCs are concerned (such as migrant labour).

The final agreement contains two elements: to bring services for the first time within the multilateral framework of rules; and to provide some degree of improved market access, although the extent of this will not be clear until the schedules have been analysed thoroughly. There is likely to be pressure for further liberalization on migration (primarily from LDCs) and on financial services (primarily from DCs).

Regional impact: Africa's problems

The many quantitative estimates of the UR's impact should be treated with caution because of uncertainties about the translation of the agreement into actual changes in tariff schedules, over the time frame for implementation and on the dynamic effects of extended rules. However, the figures are useful in identifying the broad scale of impact and the sectors/geographical regions that will tend to see the greatest changes.

The forecast static LDC gains are small but not insignificant. By the end of ten years LDC exports will be an estimated \$30-70 billion higher than they would be otherwise, with further but smaller positive effects derived from cheaper imports, equivalent to one poor-to-moderate year's trade growth (Page 1994: 16).

However, the gains are unlikely to be shared equally. Most analyses suggest that Asia will gain most, that Latin America's gains are smaller, and that Africa (North and sub-Saharan) will tend to gain least or even lose compared to the *status quo*.

The reasons for this differential impact are that:

- most of the gains will be in manufactures trade and therefore will tend to accrue to the countries most likely to increase their exports of these products as opposed to primary producers;
- African exporters already receive more liberal access to their main market, the EU, than will be the norm after the new agreement is implemented and have demonstrated limited capacity to increase exports to other markets where the UR will result in improved access.

An agenda for action

LDCs need to act inside and outside the WTO to:

- maximize their gains from the agreed changes;
- ensure that their interests are adequately represented in the new monitoring and enforcement bodies;

- and attempt to improve upon (or avoid adverse consequences from) the new regime.

An early subject for WTO discussions of direct interest to LDCs is likely to be the environment (see Box 5).

Priorities for action are:

- to establish through detailed analysis of the new tariff schedules how access to export markets has changed;
- to press for rapid removal of barriers subject to a leisurely timetable (e.g. MFA);

- to use the WTO to highlight any DC 'backsliding';
- to ensure that there are no falls in the availability of concessional food supplies (e.g. by seeking to raise minimum contributions under the Food Aid Convention to the level of actual flows in recent years);
- to assist regions that have gained little from the UR (e.g. Africa) by: deeper preferences on products which DCs are unwilling to open to full international competition, to offset the erosion of existing preferences; providing positive assistance for export diversification, *inter alia* by using aid to remove obstacles where possible.

The mid-term review of the Lomé Convention provides the EU with an excellent opportunity to do this.

BOX 5: GATT AND THE ENVIRONMENT

The environment was not on the UR agenda, except for the GATS where there was pressure (initially from European states concerned with transit traffic) to make explicit mention of environmental concerns. However, there have been parallel discussions in other GATT fora. None of these has yet resulted in firm proposals to balance the concerns of those who want trading rules to be changed to protect the environment and those who fear that the result will be covert protectionism.

Discussions have focused on three aspects of trade and the environment: trade provisions of multilateral environmental agreements *vis-à-vis* GATT principles, multilateral transparency of national environmental regulations likely to have trade effects, and the trade effects of new packaging and labelling requirements aimed at protecting the environment.

FURTHER READING

On the Uruguay Round:

GATT Secretariat, 1993, *An Analysis of the Proposed Uruguay Round Agreement, with Particular Emphasis on Aspects of Interest to Developing Economies*. Geneva: GATT Secretariat; November

Page, S., 1994, *Prospects for Developing Countries: Trade and Capital*. London: Overseas Development Institute

On trade liberalization for LDCs:

Lall, Sanjaya, 1994, forthcoming, 'The East Asian miracle ... does the bell toll for industrial strategy?', *World Development* UNIDO, 1993, *Industry and Development: Global Report 1993/94*, Chapter III, Section D. Vienna: United Nations Industrial Development Organization

The author is a Fellow at the Institute of Development Studies, UK, who specializes in the political economy of North-South relations. Dr Stevens wishes to thank Susanna Davies, John Humphrey, Hans Singer and Adrian Wood for comments on this Policy Briefing Paper.

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DEVELOPMENT ECONOMICS
V.P. 3 CHIEF ECONOMIST

Mr. Michael Bruno:

Michael,

Bank-WTO Relations

*Fair for
ripe*

We had agreed to draft an information note setting out the approach and issues for discussing Bank-WTO relations in the coming months. A draft of this note is attached for your review. After your comments have been incorporated, we propose to circulate the draft also to the Legal, OPR and External Affairs departments for their comments. If a decision is made to send this note to the Board, I would also send it first to the IMF to get their reactions and to obtain more information on what their plans are for dealing with the WTO. It could then be sent to EXC and, subject to their agreement, circulated to the Board for information.

Masood Ahmed



Attachment

c.c. M. Baird, P. Vieira da Cunha, DECVP; DMG

Information Note

COOPERATION WITH THE WORLD TRADE ORGANIZATION

1. The Agreement terminating the Uruguay Round called upon the Director-General of the WTO to consult with the heads of the Fund and the Bank on enhanced inter-institutional cooperation.¹ This formal consultation has not yet begun, but staff contacts at the working level have seemed to identify some of the issues that will need to be discussed. Naturally we cannot define a response to proposals that have not been received, but this note sets out parameters to guide its preparation at the appropriate time.

2. In considering the issue of future cooperation and coordination, it is important to bear in mind that the new WTO promises to be a stronger institution than the GATT, with a greater role in policy formulation and monitoring. Moreover, in addition to their growing role in the world economy, the developing countries will be more fully engaged in the WTO than they ever were in the GATT. This is true both in terms of their

¹ "Declaration on the Contribution of the World Trade Organization (WTO) to Achieving Greater Coherence in Global Economic Policymaking," appended to the Final Act of the Uruguay Round.

substantive commitments and their expectations of benefits. These changes suggest the need for more intensive cooperation and interaction between the Bank and GATT/WTO.

3. Cooperation between the two institutions has been fruitful in the past, and continues at present, relying on informal staff-level contacts as the need arises. It has been built on the broad communality of the two institutions' objectives, although there are inevitably some differences in emphasis and approach.

4. Current practices and the potential for their enhancement are considered below in terms of the following four broad areas of interaction:

i) Consistency of Bank policy advice with GATT/WTO agreements, including in the context of technical assistance;

ii) Financial support to developing countries during the trading shifts caused by GATT/WTO agreements;

- iii) Research and information exchange;
- iv) Consultation and representation.

Consistency with GATT/WTO

5. Although the Ministerial Declaration calls for consultations between the head of the GATT and those of the Bank and Fund, we presume that in the main these will be conducted bilaterally. The Fund's relations with the GATT/WTO are more formal than the Bank's and have a different focus, stressing balance of payments rather than long-term development issues. Thus this note considers only Bank/WTO relations, but, where appropriate, it would seem desirable to maintain parallels with Fund/WTO links. Informal consultations between Bank and Fund staff should occur to monitor the two sets of discussions.

6. The basic objectives of the Bank, and the nature of the policy advice it provides to developing countries, are entirely consistent with GATT; the two institutions have indeed been strongly complementary in terms of their mandates and effectiveness. However, a number of issues will require particular attention as

the Bank and GATT/WTO address the elements of their future relationship, both in the short- and longer-term.

7. First, attention must be paid to the familiarity of Bank staff with GATT/WTO rules. The GATT/WTO agreements are intricate and can easily be misunderstood. Bank staff advising a country on trade reforms, as well as the country officials concerned, need to be well-informed about the international obligations of the country and about trade policies in the main trade partners. Forthcoming procedural guidelines on adjustment lending require staff to ensure that proposed policy changes or conditionalities are not in conflict with GATT or any other international agreement. In view of the coverage and complexity of the WTO agreement, greater "grass-roots" interaction between the Bank and the WTO staffs should be considered as a means of aiding this objective. The International Economics Department (through IECIT) will be undertaking a series of dissemination and training activities on the outcome of the Uruguay Round, and, following precedents from 1983 and 1986, will invite GATT staff to participate in seminars for regional economists. In addition, IECIT will help Operations'

task managers to consult with WTO staff on certain technical trade policy questions in the context of their operational work.

8. Second, in defining the future relationship, the Bank needs to recognize its duty to influence the formulation and discussion of trade policy in ways which are beneficial to member countries. In certain policy areas, the interests of the Bank and the WTO are not coterminous: the WTO's emphasis is on the legal rights and obligations of countries--the rules of the trading system--while the Bank's focus is on economic policy and well-being--encouraging excellent policy for domestic reasons even if international agreements do not mandate them. Areas in which this contrast is most obvious include rules on antidumping, countervailing duties, and safeguards. Given these differences in emphasis, inter-agency cooperation needs to be structured in such a manner as to ensure that the Bank's objectives are fully safeguarded and that it can continue to contribute effectively to developing countries' economic welfare. [CHECK: they are now formally excluded? what history?]

Financial Support

9. The provision of financial support by the Bank and Fund to facilitate adjustment following multilateral trade liberalization has been discussed on several past occasions. The Bank and the Fund recognize, for example, that in the event that deteriorations in the terms of trade for net food importers arising from agricultural trade liberalization, the countries concerned may need additional financial support to ease their adjustment. The Bank's lending policies are flexible and responsive enough to take these considerations into account without the creation of new instruments.

Research and Information Exchange

10. The Bank has long established itself as a leading center for research and an influential contributor to the analysis of trade policy issues. The GATT's expertise, on the other hand, has lain more in legal implementation and the documentation of policies. Thus there is significant scope for cooperation and complementarity between the Bank and the WTO in trade policy research.

11. To date information and data exchange have not been established on a systematic basis. The Bank has benefitted periodically from GATT tariff data and receives most GATT documents, while the GATT has used Bank analysis and publications for various purposes, including the preparation of documentation for the Trade Policy Review exercise. There is scope for greater cooperation in these directions, regularizing, codifying and automating the various exchanges. Recent difficulty in acquiring data on the Uruguay Round from the GATT emphasizes the need for more explicit understandings regarding the transfer of data. The Bank contributed extensively to the construction of the Integrated Data Base held by the GATT, which, when fully complete, will contain detailed data on tariff and non-tariff measures maintained by WTO members, and on trade flows. The Bank requires guaranteed and unrestricted access to this data base for its research, and views honoring past commitments on this matter as the starting point of future cooperation. Similarly, the IEC macro- and socio-economic data bases could be made available to the GATT officially [CHECK WITH SB].

12. The Bank should continue to receive all GATT/WTO secretariat documents and formal submissions by governments to the various GATT/WTO bodies. In return it should consider making available to the GATT on a confidential basis its internal documents at a draft, but advanced, stage of preparation. In addition, the Bank should continue, as at present, to offer extensive informal advice and documentation to GATT officials.

13. In general, the Bank and the GATT should seek to ensure regular and automatic mutual access to as much relevant data and information as possible. Both the Bank and the WTO, of course, would commit to respect the confidentiality constraints implicit in such transfers.

Consultation and Representation

14. The scope for closer inter-agency consultation and coordination is hard to define with precision because we do not yet know exactly what the WTO will turn out to be. Bank contacts with the GATT have largely been at the working level, facilitated at one time by the Bank's office in Geneva and now through contacts with IECIT. Such staff links should be enhanced, and

possibly supplemented by staff exchanges, with a view to establishing effective networking and interaction among the two staffs.

15. The Bank and the Fund enjoy observer status and are allowed to make statements at almost all official GATT bodies--see Annex. The Director-General of GATT has been regularly invited to the Interim and Development Committees in the past, and has made statements at the Development Committee. The Bank should expect to make regular statements at WTO gatherings in the future, especially at the biennial meetings of trade ministers in the Ministerial Council, and to acquire observer status in all substantive WTO bodies. In return it might consider re-admitting GATT/WTO to its Annual Meetings. [CHECK: they are now formally excluded? what history?]

16. Undertaking the close interaction and cooperation between the Bank and the GATT/WTO that is envisaged by the Treaty of Marrakesh must not be allowed to become bureaucratic and labor intensive. Nevertheless, it will not be achieved without some redirection of resources. IECIT staff and consultancy resources devoted to GATT/WTO will need to be expanded, and,

depending on what proposals the GATT/WTO make and their arrangements for pursuing them, it may be necessary to revisit the decision to close the Bank's office in Geneva.

OFFICE MEMORANDUM

DATE: July 28, 1994

TO: Messrs. James W. Adams (OPRDR), Alex Shakow (EXTDR), Raj Krishna (LEGOP)

FROM: L. Alan Winters, *LAW* Chief, IECIT

EXTENSION: 33845

SUBJECT: Information Note on Bank-WTO Relations

94 JUL 28 PM 4:33
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DEVELOPMENT ECONOMICS
V.P. & CHIEF ECONOMIST

Mr. Ahmed, Director of the International Economics Department, has asked me to circulate the attached note for comment. It reflects informal working-level discussions with GATT staff. The note has been prepared to brief senior management for the forthcoming Annual Meetings and Meeting of the Development Committee. Management may wish to forward it to the Board since a number of Executive Directors have raised the issue with them.

I should be grateful to receive written comments by c.o.b. August 5.

Attachment

c.c. M. Bruno, M. Baird (DECVP); M. Ahmed (IECDR); P. Low (IECIT)

LAW:akw

Information Note

COOPERATION WITH THE WORLD TRADE ORGANIZATION

1. The Agreement terminating the Uruguay Round called upon the Director-General of the WTO to consult with the heads of the Fund and the Bank on enhanced inter-institutional cooperation.¹ This formal consultation has not yet begun, but staff contacts at the working level have seemed to identify some of the issues that will need to be discussed. Naturally we cannot define a response to proposals that have not been received, but this note sets out parameters to guide its preparation at the appropriate time.

2. In considering the issue of future cooperation and coordination, it is important to bear in mind that the new WTO promises to be a stronger institution than the GATT, with a greater role in policy formulation and monitoring. Moreover, in addition to their growing role in the world economy, the developing countries will be more fully engaged in the WTO than they ever were in the GATT. This is true both in terms of their

¹ "Declaration on the Contribution of the World Trade Organization (WTO) to Achieving Greater Coherence in Global Economic Policymaking," appended to the Final Act of the Uruguay Round.

substantive commitments and their expectations of benefits. These changes suggest the need for more intensive cooperation and interaction between the Bank and GATT/WTO.

3. Cooperation between the two institutions has been fruitful in the past, and continues at present, relying on informal staff-level contacts as the need arises. It has been built on the broad communality of the two institutions' objectives, although there are inevitably some differences in emphasis and approach.

4. Current practices and the potential for their enhancement are considered below in terms of the following four broad areas of interaction:

i) Consistency of Bank policy advice with GATT/WTO agreements, including in the context of technical assistance;

ii) Financial support to developing countries during the trading shifts caused by GATT/WTO agreements;

- iii) Research and information exchange;
- iv) Consultation and representation.

Consistency with GATT/WTO

5. Although the Ministerial Declaration calls for consultations between the head of the GATT and those of the Bank and Fund, we presume that in the main these will be conducted bilaterally. The Fund's relations with the GATT/WTO are more formal than the Bank's and have a different focus, stressing balance of payments rather than long-term development issues. Thus this note considers only Bank/WTO relations, but, where appropriate, it would seem desirable to maintain parallels with Fund/WTO links. Informal consultations between Bank and Fund staff should occur to monitor the two sets of discussions.

6. The basic objectives of the Bank, and the nature of the policy advice it provides to developing countries, are entirely consistent with GATT; the two institutions have indeed been strongly complementary in terms of their mandates and effectiveness. However, a number of issues will require particular attention as

the Bank and GATT/WTO address the elements of their future relationship, both in the short- and longer-term.

7. First, attention must be paid to the familiarity of Bank staff with GATT/WTO rules. The GATT/WTO agreements are intricate and can easily be misunderstood. Bank staff advising a country on trade reforms, as well as the country officials concerned, need to be well-informed about the international obligations of the country and about trade policies in the main trade partners. Forthcoming procedural guidelines on adjustment lending require staff to ensure that proposed policy changes or conditionalities are not in conflict with GATT or any other international agreement. In view of the coverage and complexity of the WTO agreement, greater "grass-roots" interaction between the Bank and the WTO staffs should be considered as a means of aiding this objective. The International Economics Department (through IECIT) will be undertaking a series of dissemination and training activities on the outcome of the Uruguay Round, and, following precedents from 1983 and 1986, will invite GATT staff to participate in seminars for regional economists. In addition, IECIT will help Operations'

task managers to consult with WTO staff on certain technical trade policy questions in the context of their operational work.

8. Second, in defining the future relationship, the Bank needs to recognize its duty to influence the formulation and discussion of trade policy in ways which are beneficial to member countries. In certain policy areas, the interests of the Bank and the WTO are not coterminous: the WTO's emphasis is on the legal rights and obligations of countries--the rules of the trading system--while the Bank's focus is on economic policy and well-being--encouraging excellent policy for domestic reasons even if international agreements do not mandate them. Areas in which this contrast is most obvious include rules on antidumping, countervailing duties, and safeguards. Given these differences in emphasis, inter-agency cooperation needs to be structured in such a manner as to ensure that the Bank's objectives are fully safeguarded and that it can continue to contribute effectively to developing countries' economic welfare. [CHECK: they are now formally excluded? what history?]

Financial Support

9. The provision of financial support by the Bank and Fund to facilitate adjustment following multilateral trade liberalization has been discussed on several past occasions. The Bank and the Fund recognize, for example, that in the event that deteriorations in the terms of trade for net food importers arising from agricultural trade liberalization, the countries concerned may need additional financial support to ease their adjustment. The Bank's lending policies are flexible and responsive enough to take these considerations into account without the creation of new instruments.

Research and Information Exchange

10. The Bank has long established itself as a leading center for research and an influential contributor to the analysis of trade policy issues. The GATT's expertise, on the other hand, has lain more in legal implementation and the documentation of policies. Thus there is significant scope for cooperation and complementarity between the Bank and the WTO in trade policy research.

11. To date information and data exchange have not been established on a systematic basis. The Bank has benefitted periodically from GATT tariff data and receives most GATT documents, while the GATT has used Bank analysis and publications for various purposes, including the preparation of documentation for the Trade Policy Review exercise. There is scope for greater cooperation in these directions, regularizing, codifying and automating the various exchanges. Recent difficulty in acquiring data on the Uruguay Round from the GATT emphasizes the need for more explicit understandings regarding the transfer of data. The Bank contributed extensively to the construction of the Integrated Data Base held by the GATT, which, when fully complete, will contain detailed data on tariff and non-tariff measures maintained by WTO members, and on trade flows. The Bank requires guaranteed and unrestricted access to this data base for its research, and views honoring past commitments on this matter as the starting point of future cooperation. Similarly, the IEC macro- and socio-economic data bases could be made available to the GATT officially [CHECK WITH SB].

12. The Bank should continue to receive all GATT/WTO secretariat documents and formal submissions by governments to the various GATT/WTO bodies. In return it should consider making available to the GATT on a confidential basis its internal documents at a draft, but advanced, stage of preparation. In addition, the Bank should continue, as at present, to offer extensive informal advice and documentation to GATT officials.

13. In general, the Bank and the GATT should seek to ensure regular and automatic mutual access to as much relevant data and information as possible. Both the Bank and the WTO, of course, would commit to respect the confidentiality constraints implicit in such transfers.

Consultation and Representation

14. The scope for closer inter-agency consultation and coordination is hard to define with precision because we do not yet know exactly what the WTO will turn out to be. Bank contacts with the GATT have largely been at the working level, facilitated at one time by the Bank's office in Geneva and now through contacts with IECIT. Such staff links should be enhanced, and

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16. Undertaking the close interaction and cooperation between the Bank and the GATT/WTO that is envisaged by the Treaty of Marrakesh must not be allowed to become bureaucratic and labor intensive. Nevertheless, it will not be achieved without some redirection of resources. IECIT staff and consultancy resources devoted to GATT/WTO will need to be expanded, and, depending on what proposals the GATT/WTO make and their

arrangements for pursuing them, it may be necessary to revisit the decision to close the Bank's office in Geneva.

ALL - I N - 1 N O T E

DATE: 15-Dec-1995 08:35am

TO: Michael Bruno

(MICHAEL BRUNO)

TO: Masood Ahmed - IEC DR

(MASOOD AHMED)

FROM: L. Alan Winters, IECIT

(L. ALAN WINTERS)

EXT.: 33845

SUBJECT: WTO Ministerial Meeting

I have now received preliminary dates for the first Ministerial Meeting of WTO in Singapore--December 9-13, 1996. The Bank should certainly be represented at a senior level, and I would expect that Mr. Wolfensohn would wish to be there. Unless I receive advice from you to the contrary, I propose to inform his office next week of the dates and suggest that he may care to be in Singapore for the middle of that period.

Alan

OK ✓

file WTO 1771
m A/A W ✓

WORLD TRADE ORGANIZATION

95 DEC -6 AM 4:38

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DEVELOPMENT ECONOMICS
V P & CHIEF ECONOMIST

JESÚS SEADE
DEPUTY DIRECTOR-GENERAL

Centre William Rappard
Rue de Lausanne 154
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Direct telephone: (41 22) 739 55 00
Direct telefax: (41 22) 739 57 78

Reference: REL/556

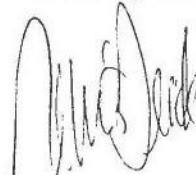
Geneva, 27 November 1995

Dear Jack,

Thank you for your letter of 20 November, and for the text on coherence. As you know we are working on a text ourselves, which I hope to be able to send to Michael and to yourself soon. I envisage a smooth process of ... convergence!

I look forward to your views on the points that required further consultation within the Fund concerning our prospective Agreement, while of course our cooperation on the ground will only get better by the day.

Warm regards,



Jesús Seade

Mr. Jack Boorman
Director
Policy Development and Review Department
International Monetary Fund
700, 19th Street, N.W.
Washington, D.C. 20431

cc: Mr. Michael Bruno ✓
Vice President Development Economics
and Chief Economist
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

cc: Mr. Alan A. Tait
Special Trade Representative
Director of the Office in Geneva
of the International Monetary Fund

*Duplicate
Fax already received 1748*

WORLD TRADE ORGANIZATION

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Reference: REL/555

Geneva, 16 November 1995

Dear Michael,

Thank you for your letter of 19 October 1995. I enjoyed seeing you, and our meetings. Following my visit to Washington I have had a period of too much travel, which, alongside my need to take stock with management and colleagues of where we stand on our matters of common concern, prevented me from replying earlier.


On the question of the draft agreement between our organizations we agreed, as you note, to consider the situation once the corresponding issues with the Fund are more clearly defined, and we are currently awaiting their revised draft. I thus suggest that, as we discussed in Washington, we wait for the Fund's reaction before sending you a revised draft proposal.

Thank you also for the note on coherence, which considers a number of natural candidate-areas for our further joint work on these matters. Let me note that, although the areas included are as such relevant to the issue, the annotations under each generally do not address the more global policy aspects of coherence, referred to in our mandate. We are ourselves preparing a note on our views on coherence, which I should be able to send you soon.

Lastly, on a personal note let me add that I was terribly shocked by the loss of Mr. Rabin. I had had the great pleasure to see him in action just a few days before, at the MENA Economic Summit in Amman, and he impressed me greatly for his unique combination of firmness with sense of purpose, depth with charm and wit. May his work stay with us and reach its much-needed full results.

All best wishes,

Yours sincerely,



Jesús Seade

Mr. Michael Bruno
Vice President Development Economics
and Chief Economist
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

This is the original document already
transmitted by fax on 16/11/95
for your records

THE WORLD BANK GROUP

ROUTING SLIP		DATE: November 21, 1995	
NAME			ROOM. NO.
Messrs. M. Ahmed			N4-043
A. Winters			N5-043
<input type="checkbox"/>	URGENT	<input type="checkbox"/>	PER YOUR REQUEST
<input type="checkbox"/>	FOR COMMENT	<input type="checkbox"/>	PER OUR CONVERSATION
<input type="checkbox"/>	FOR ACTION	<input type="checkbox"/>	NOTE AND FILE
<input type="checkbox"/>	FOR APPROVAL/CLEARANCE	<input checked="" type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FOR SIGNATURE	<input type="checkbox"/>	PREPARE REPLY
<input type="checkbox"/>	NOTE AND CIRCULATE	<input type="checkbox"/>	NOTE AND RETURN
RE: Attached			
REMARKS:			
FROM Michael Bruno		ROOM NO. N6-043	EXTENSION 33774

✓



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

Mr. Bruno
0687

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DEVELOPMENT ECONOMICS
V.P. & CHIEF ECONOMIST

cc. M. Ahmed
A. W. ...
GABLE ADDRESS
INTERFUND

November 20, 1995

Dear Jesus:

It was good to see you during the Annual Meetings. As I indicated during our discussion on coherence, I am sending you our preliminary thinking on the subject in the enclosed draft paper. I hope these issues could be discussed initially among our respective deputies, with a view to working out a jointly agreed note which, in turn, could be considered by the Working Group.

I am glad that we also had an opportunity to discuss the various elements of the proposed cooperation agreement and made progress in a number of areas. Some of the issues raised by the Secretariat require us to consult with our management and Directors. Of course, this should not interfere with the close cooperation that is already taking place between our two institutions. At the staff level, we stand ready to assist the Secretariat in any way we can.

With best personal regards,

Jack Boorman
Director

Policy Development and Review Department

Enclosure

Mr. Jesus Seade
Deputy Director-General
World Trade Organization
Geneva
Switzerland

cc: Mr. Bruno
Mr. Tait

WTO/Bank/Fund Working Group on Coherence

Preliminary Discussion Note

1. Introduction

The tripartite Working Group on Coherence agreed to prepare a joint report for the heads of the respective institutions on an approach to achieving greater coherence in global economic policymaking. The aim is to have a joint Bank/Fund/WTO draft prepared at the working level ready by March 1996 at the latest. This draft would then be discussed by the Working Group with a view to finalizing it for management.

This discussion note proposes a framework for approaching the issue of coherence, which would contain the following four elements:

1. The definition of coherence.
2. The objectives/functions of the three organizations that are relevant in the achievement of greater coherence in global economic policymaking.
3. The types of issues for consideration under the rubric of "coherence."
4. The mechanisms that may be needed for tackling coherence issues.

2. Definition of coherence

Coherence in global economic policymaking is mentioned as a function of the WTO in Article III.5 of the WTO agreement:

"With a view to achieving greater coherence in global economic policy-making, the WTO shall cooperate, as appropriate, with the International Monetary Fund and with the International Bank for Reconstruction and Development and its affiliated agencies."

While the topic of coherence was discussed on various occasions during the Uruguay Round negotiations, particularly in the FOGS group, there is not an agreed view in the WTO of the meaning of coherence. Some GATT/WTO members viewed "coherence" as a vehicle to influence--or at least express concerns about--economic developments outside the competence of the GATT/WTO that were perceived to have adverse (or potentially adverse) trade effects, e.g., excessive exchange rate volatility or undervalued exchange rates. Thus, trade ministers recognized in the "Declaration on the Contribution of the World Trade Organization to Achieving Greater Coherence in Global Economic Policy Making" that aspects of the economic environment deleterious to trade but with origins outside the trade field cannot be redressed by measures taken in the trade field alone. By implication, elements of global economic policymaking in the competence of other institutions would need to be addressed to secure an appropriate environment for trade. Of course, this logic implies that coherence is at issue also when trade matters in the

competence of the WTO are perceived to have adverse (or potentially adverse) macroeconomic, financial, or developmental effects. However, this approach might cast the issue wholly in negative terms, generating a complaint shop.

We suggest to cast "coherence" in more positive terms. We propose to define coherence in global policymaking as efforts by the three institutions, individually and collectively, to work toward harmonious implementation of their common and complementary objectives. Since the objectives are already laid out in the articles of the respective institutions, there would be no difficulty in identifying them. The focus would be on areas of natural interface in the objectives and mandates of the three institutions. As the definition is concerned about the implementation of objectives, it can accommodate discussion of the means to achieve these objectives and thereby discussion as necessary of coherence in general functions, policies, and rules of the three institutions.

The above definition is broad enough to cover relations among the three institutions, those between the institutions and their members, and those among the members themselves provided that they involve matters in the mandate of one or more of the three institutions. This discussion note concentrates on relations between institutions, but relations between each institution and its membership and among members will of course shape, and impact upon, the implementation of common and complementary objectives by the institutions. It is acknowledged that coherence at the global level is made much easier if it is practiced at the national level (e.g., by close

coordination between trade and finance ministers), but this aspect is not covered in this note.

The above definition provides considerable latitude to the three institutions to pursue issues of mutual interest. It is sufficiently flexible to cater to new issues that emerge in the future, as long as these are clearly related to the objectives of the institutions. As these objectives are fairly broad, the proposed definition has the merits of being neither confining nor controversial. Under this definition, the primary emphasis is on each institution implementing its own mandate, but in a manner that reduces conflict and promotes harmony, thereby enhancing the prospect that the objectives of all will be achieved. By the proposed definition, the institutions are already pursuing coherence, but it is possible to do more and to do better.

3. Objectives and functions of the Fund and the WTO

Table 1 provides an analytical presentation of the objectives and functions of the Fund and the WTO, categorized under common and complementary elements. (The description of the objectives and functions is based on the wording of the Fund Articles of Agreement and the WTO agreement.) From an analytical perspective, the Fund and the WTO could be viewed as sharing the objective to promote the growth of international trade, real income, and employment. They also exercise surveillance in their respective fields. The means for achieving the shared objective and

Table 1. Fund and WTO: Common and Complementary Objectives and Functions

Fund	WTO
I. Common Objectives	
<p>Summary: Promote growth of international trade and facilitate sustainable growth in real income and employment</p>	
<p>Fund: Facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members.</p>	<p>WTO: Raise standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand. Expand the production of and trade in goods and services.</p>
II. Complementary Objectives	
<p>Promote international monetary cooperation</p> <p>Promote exchange stability</p> <p>Assist in establishing multilateral system of current payments and in eliminating foreign exchange restrictions</p> <p>Reduce balance of payments disequilibria</p> <p>Give confidence to members in correcting maladjustments in their balance of payments without resort to measures destructive of national or international prosperity</p>	<p>Allow for optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment</p> <p>Preserve basic principles and further the objectives underlying multilateral trading system</p> <p>Ensure that developing countries, and especially the least-developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development</p> <p>Develop an integrated, more viable and durable multilateral trading system</p> <p>Achieve greater coherence in global economic policy-making</p>
III. Common Functions	
Surveillance (trade and trade-related issues)	
IV. Complementary Functions	
<p>Surveillance over exchange rate policies (effectively implies consideration of a range of macroeconomic and structural policies)</p>	<p>Surveillance (over trade and trade-related issues)</p>
<p>Provide balance of payments financing</p>	
	Forum for multilateral trade negotiations
<p>Implementation of Fund rules (jurisdiction and conditionality)</p>	<p>Facilitate implementation of trade agreements; dispute settlement</p>
<p>Cooperation with international organizations</p>	<p>Cooperation with international organizations responsible for monetary and financial matters</p>

exercising surveillance differ in certain respects, reflecting the distinctive characters of the two institutions.

Certain other objectives and functions of the Fund and the WTO can be considered as complementary. For example, the Fund's objectives of promoting international monetary cooperation and exchange stability, establishing a multilateral system of current payments, and eliminating exchange restrictions contribute to achieving the WTO objective of preserving the basic principles underlying the multilateral trading system. The Fund's role in giving advice on policies to reduce balance of payments disequilibria and in providing balance of payments financing contribute to the WTO objective of developing an integrated, more viable and durable multilateral trading system.

Surveillance over exchange rate policies of members is a function of the Fund that is complementary to surveillance over trade policy exercised by the WTO. Both institutions are active in the area of trade liberalization: through its surveillance, provision of resources, and technical assistance, the Fund promotes unilateral trade liberalization (on a nondiscriminatory, MFN basis), while the WTO constitutes a forum for multilateral trade negotiations. If properly implemented, unilateral and multilateral liberalization support and strengthen each other.

4. Issues in coherence

a. Nature of issues

This section provides an illustrative, nonexhaustive list of issues where coherence in global economic policymaking may be important. For analytical purposes, the various types of issues can be broadly classified into two categories as follows:

(1) The category of global issues is defined here as one where the particular issue under consideration has global or near-global effects, or which require institutional or structural changes affecting a significant part of the common membership.

(2) The category of country-specific issues is defined here as one where the particular issue is confined to an individual country or which affects only a limited number of countries.

Within each of the above two categories, the nature of the issues could vary. They could deal with issues of the legal consistency of measures that may infringe on a member's obligations under the Articles of the Fund or under the WTO-administered agreements (or may be actionable under WTO rules). They could give rise to concerns about efficiency if they relate to measures that are legally consistent with Fund or WTO rules, but nevertheless undermine the objectives of the one or other organization or

impact upon the interests of their membership. They could relate to issues of strategy, as when collective initiatives may be agreed among the three organizations, each acting within its own mandate, with a view to tackling specific problems that may affect a common member or the membership as a whole. Clarification of jurisdictional issues is also an integral part of coherence.

The examples below are purely illustrative, and are not intended to provide an exhaustive list of potential issues. Coherence could also relate to issues in areas not mentioned below, including new issues that emerge in the future. Some issues that had been raised in the FOGS group appear to be matters that could be dealt with in-house, rather than in the context of coherence between institutions. For example, past proposals to provide negotiating credit for unilateral liberalization (undertaken independently or in the context of Fund/Bank-supported programs) should be a matter for internal GATT/WTO decisions that would not involve the Fund. Fund and WTO staffs have instituted informal mechanisms for consultation to help ensure that potential inconsistencies with WTO obligations are avoided. Hence, while legal consistency issues analytically fall under the broad rubric of "coherence", it is not necessary for the Working Group to spend a lot of time on country-specific issues of legal inconsistency.

In sum, there is a wide spectrum of issues under the definition of "coherence," ranging from those with global effects to those of a micro-

nature. It would be useful for the Working Group to focus mostly on global issues and possible collective initiatives. .

b. Examples of issues

This section provides an illustrative list of issues that could arise in the context of coherence. The issues may relate to problems in the area of the Fund's mandate which could have adverse effects on the world economy or on individual members, or problems in the area of the WTO's mandate, which could undermine the success of Fund-supported adjustment programs in developing and transition economies, or possible collective initiatives under which the three institutions pursue an agreed strategy, each acting within its own mandate, to achieve a common objective.

(i) Global issues

- Exchange rate instability or misalignments among major currencies may have adverse global trade effects. This issue clearly falls within the mandate of the Fund, given its objectives in the area of international monetary cooperation, exchange stability, and balance of payments disequilibria (see Table 1). The Fund would need to address these problems by means of its surveillance.

- Weak rules and disciplines under the Uruguay Round's agreement on antidumping, and the maintenance of high tariffs and subsidy levels in

the agricultural sector (but consistent with the UR agreement on agriculture) provide ample room to practice WTO-consistent protectionism. This restricts market access for efficient producers, promotes rent-seeking by inefficient domestic producers, and encourages the emulation of protectionist policies and high subsidies by developing countries and economies in transition. The WTO could address these problem areas through its surveillance activities, as well as formulation of tighter disciplines including through new multilateral trade negotiations. The Fund would address the economic implications of the above-mentioned practices in its advice to members in the context of surveillance and/or program design.

- The possible adverse effects of the implementation of the Uruguay Round on net food importers and least-developed countries is an example of a global issue that concerns both institutions. The WTO seeks the cooperation of international financial institutions on these matters, as expressed in the Uruguay Round Ministerial Decision Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries. The Fund would need to monitor the adjustment and balance of payments financing needs of its members arising from the implementation of the Uruguay Round, and address them as necessary through its surveillance, lending operations, and technical assistance.

- An example of a jurisdictional issue that needs clarification pertains to the WTO's interpretation of GATT Article XV in relation to the treatment of the rights of common members under the Fund's Articles.

- A hypothetical illustration of a collective initiative would be pursuit of an agreed strategy to rehabilitate, uplift, or bring about transformation, as the case may be, in a particular region (e.g., Africa or the FSU).

(ii) Country-specific issues

- An exchange rate misalignment of one of the less important currencies could be considered as a country-specific issue because its potential competitive implications are likely to be limited to only a few trade partners. The Fund would address these problems in the context of its surveillance and/or lending.

- A restrictive agricultural trade policy in a member, or the excessive use of antidumping duties by a member, may have adverse competitive effects on some trade partners, without having global effects. The WTO and the Fund would need to address the issues within the context of their respective mandates.

- An example of an issue of legal consistency would be if the Fund recommended the use by a member of a measure (such as an import surcharge) that breached the member's bindings under a specific WTO-administered agreement. Another example would be if the WTO sanctioned actions against a common member for maintaining exchange measures consistent with the Fund's Articles.

- WTO-sanctioned action (or the threat of countervailing duties under national law) against debt forgiveness in the context of a privatization program may in some cases deprive the member of an economically sensible--and possibly the only available--route to privatization. This in turn could discourage essential privatization programs and inhibit reforms, to the detriment of the member and its adjustment program.

- An illustration of a country-specific collective initiative could be an agreed strategy to assist a post-conflict case (such as Bosnia), with each institution acting within its own mandate.

5. Cross-conditionality

The Fund's Executive Board has expressly asked that cross-conditionality--in the sense that the Fund avoid making its financing conditional on implementing WTO rules or enforcing existing WTO-related obligations--not be used. Often Fund recommendations call for a liberalization of the member's trade and subsidy regime that goes beyond a member's obligations under the WTO; but Fund-supported programs cannot call for formalizing the liberalization as an obligation under the WTO-administered agreements. This is a matter of WTO jurisdiction and the member's relations with the WTO. Since this is a noncontroversial issue, the Working Group could agree that avoidance of cross-conditionality is a shared view among the three institutions.

6. Consultations between the Fund and the WTO

The above establishes the link between the definition of coherence, the main categories and types of issues that could be tackled under coherence, and how both relate to institutional objectives and functions. The last pillar of the framework deals with the nature and level of consultation between the institutions to tackle coherence issues. Consultation between the Fund and the WTO is the core mechanism for addressing the issues in any of the above-mentioned categories. Two levels of consultations can be identified.

- Level 1: This pertains to consultations between the Fund and the WTO at the staff and management level. The first stage would comprise informal consultations at the working staff level, and the second stage would involve senior staff and management.

We envisage that most of the issues would be initially discussed at the first stage of this level, and are likely to be resolved. Certainly all issues in the country-specific category, including inconsistency issues, should initially be vetted in informal staff consultations with a view to their resolution at the working level.

Stage 2, pertaining to consultations among senior staff and/or heads of institutions, could deal with issues that cannot be resolved in the first stage contacts, or for other reasons require senior staff/management

involvement. It has already been agreed that bilateral and trilateral senior staff meetings would be held periodically. The Working Group on Coherence is an appropriate contact point at the senior staff level.

Meetings of the heads of institution are expected to be held as necessary. These consultations could discuss strategies to deal with global issues and collective initiatives, as well as unresolved other issues. If and when necessary, the management of each institution would acquaint the membership (via the Fund Executive Board and WTO General Council, as relevant) of the nature of the issue and the agreed solution. The staff/management could seek guidance of the relevant body (Executive Board, CWTO, WTO General Council) on the issue on hand as necessary.

The draft cooperation agreement under discussion between the Fund and the WTO is sufficiently flexible in providing for staff consultations and exchanges of information, documents and databases, etc., and we do not see the need for the Working Group to consider new mechanisms for this purpose.

- Level 2: This pertains to contacts at the institutional level. These include contacts between the organs/bodies of the Fund and the WTO (e.g., between the Fund's Executive Board and the WTO's General Council), and/or at the level of ministers or their representatives (Interim Committee, Development Committee, Annual Meetings, WTO ministerial conference). The draft cooperation agreement under discussion between the Fund and the WTO provides for consultations between the Fund and the WTO on

coherence. Contacts on the institutional level could, for instance, take the form of a written communication that could be transmitted to the relevant organ or body and placed as part of the formal record. Fund staff have already suggested that the proposed cooperation agreement include a clause enabling each organization to communicate its views on matters of mutual interest to the other organization or any of its organs or bodies, which shall pay due regard to such views.

The manner of dealing with global issues and major collective initiatives should be endorsed at the ministerial level under the existing mechanisms of the Interim Committee or Development Committee or WTO ministerial (or all). In general, however, we do not envisage the need for extensive use of these formal high-level forums for discussion of coherence issues. Before the particular matter is brought to this level, it should have been thoroughly vetted at level 1, and the respective organs (e.g., the Fund's Executive Board and the WTO's General Council) should have already endorsed the recommended approach. There does not appear to be a perceived need, nor support, among finance ministries at this juncture to institute new mechanisms (such as joint trade and finance meetings) to deal with coherence. Indeed, the Fund Board has asked explicitly to avoid creation of new structures.

7. Concluding remarks

The Working Group on Coherence could aim to present before the end of April 1996 a joint report to their respective managements. This report could set out the framework for coherence, including its nature, scope, and mechanisms for implementation. While recognizing that coherence, as defined in this note, could involve a wide spectrum of issues of mutual interest, it would be efficient for the Working Group to focus largely on global issues and collective initiatives (both global and country-specific). It needs also to be recognized that the most effective and efficient means of dealing with coherence would be through informal consultations at the staff/management level. There certainly would be the possibility to discuss these issues at the more formal institutional level. To be effective, communications at the institutional level should be resorted to selectively, and reserved for the most important issues that have been thoroughly vetted in advance at the staff/management level. Some of these issues or initiatives could be appropriately presented at the ministerial level in the Interim and/or Development Committee, and the WTO ministerial. Calls for new institutional structures are unlikely to elicit support at this stage from finance ministries.

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WORLD TRADE ORGANIZATION

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Reference: RFL/555

Geneva, 16 November 1995

Dear Michael,

Thank you for your letter of 19 October 1995. I enjoyed seeing you, and our meetings. Following my visit to Washington I have had a period of too much travel, which, alongside my need to take stock with management and colleagues of where we stand on our matters of common concern, prevented me from replying earlier.


On the question of the draft agreement between our organizations we agreed, as you note, to consider the situation once the corresponding issues with the Fund are more clearly defined, and we are currently awaiting their revised draft. I thus suggest that, as we discussed in Washington, we wait for the Fund's reaction before sending you a revised draft proposal.

Thank you also for the note on coherence, which considers a number of natural candidate-areas for our further joint work on these matters. Let me note that, although the areas included are as such relevant to the issue, the annotations under each generally do not address the more global policy aspects of coherence, referred to in our mandate. We are ourselves preparing a note on our views on coherence, which I should be able to send you soon.

Lastly, on a personal note let me add that I was terribly shocked by the loss of Mr. Rabin. I had had the great pleasure to see him in action just a few days before, at the MENA Economic Summit in Amman, and he impressed me greatly for his unique combination of firmness with sense of purpose, depth with charm and wit. May his work stay with us and reach its much-needed full results.

All best wishes,

Yours sincerely,



Jesús Seade

Mr. Michael Bruno
Vice President Development Economics
and Chief Economist
The World Bank
1818 H Street, N.W.
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DU COMMERCE**

**ORGANIZACIÓN MUNDIAL
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Total number of pages: [2]
(including this preface)

Date: 16/11/95

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FAX No: 00-1-202-4776391

From:
Jesús Seade
Deputy Director-General
WTO

Please see attached letter.

WORLD BANK FAX EXCHANGE

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Date/Time of Delivery: 16-NOV-1995 10:28:40.32

MICHAEL BRUNO
Vice President Development Economics
and Chief Economist

October 19, 1995

Ambassador Jesús Seade
Deputy Director-General
World Trade Organization
Centre William Rappard
Geneva
SWITZERLAND

Dear Jesús,

Cooperation and Coherence

It was a great pleasure to see you again last week and to be able to advance on the fronts of coherence and cooperation. I am sorry that time constraints precluded our spending longer on them.

I gather that after I left the meeting, the Coherence Working Group agreed that we should send you our preparatory work on coherence. I enclose this herewith. You will understand that it was a private briefing note to me not intended for circulation even within the Bank, and I trust that you will excuse its directness. However, since the meeting went well and we all wish to proceed expeditiously, I feel comfortable in transmitting it to you.

I found our meeting on the Cooperation Agreement most useful and we look forward to receiving your revised draft agreement as soon as convenient. On the outstanding issues of the Development Committee and your attendance at country-specific Board meetings, we agreed to consider the situation once you had spoken further with the Fund.

As a general principle I suggest that we ask our deputies to look after the exchange of documents and the initial stages of the discussion. Perhaps you would ask your deputy to call Alan Winters to let us know how matters stand with the Fund. They can then review the positions on both coherence and cooperation and explore some options for moving forward.

It was good to see you in Washington and I look forward to our working further together.

Best wishes,

Yours sincerely,



Michael Bruno

THE WORLD BANK
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[Handwritten signature]

JAMES D. WOLFENSOHN
President

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V.P. & CHIEF ECONOMIST

October 18, 1995

Mr. Renato Ruggiero
Director-General
World Trade Organization
Geneva
SWITZERLAND



Dear Renato:

Thank you for your letter of 5 October regarding the Uruguay Round Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food Importing Countries.

The Bank is, as a matter of course, attentive to the problems of the Net Food Importers, monitoring their situation both in the context of world grain markets and through its regular country dialogue. It recognizes that increases in world food prices both raise the financing needs of net food importing countries, and create new opportunities for investment that will contribute to their longer-term development.

Overall, however, we do not expect the Uruguay Round to have a large impact on world food prices, so that given the current range of borrowing facilities and the Bank's current lending headroom, we are confident that we can meet any Round-related demand for adjustment lending on IBRD terms. The Bank's ability to assist the poorest countries on concessional terms, on the other hand, will depend upon the willingness of member governments to replenish IDA. Unless donor countries maintain a reasonable level of support for IDA, the Bank's ability to assist poor countries facing serious adjustment pressures from food price rises, or any other causes, will be severely diminished.

The attached brief statement sets out the Bank's position a little more fully and answers your four specific questions directly. Among the points it makes is the value I place on the co-operation between the Bank and WTO on this and other matters.

Please contact me if you or the Committee on Agriculture would like more information on the analyses prepared by the Bank on the implications of the Round on world food prices, food aid or the welfare of the net food importing countries.

Looking forward to our next meeting.

Sincerely yours,

(SIGNED) James D. Wolfensohn

James D. Wolfensohn

Attachments

Mr. Renato Ruggiero

-3-

October 18, 1995

bcc: Messrs./Mme. Lomax, Horiguchi (EXC), Bruno (DECVP), Shakow (OPRDR),
Ahmed, Winters (IEC)

Mme. Aniba (EXC)

WMartin/LAWinters:akw

Reference #: EXC-03480

**The World Bank's Contribution to Follow-up on the Uruguay Round Decision
on Measures Concerning the Possible Negative Effects of the
Reform Programme on Least-Developed and
Net Food Importing Countries.**

Response to Mr. Ruggiero's Questions of 5 October, 1995

The World Bank is attentive to the problems of the Net Food Importers, monitoring their situation both in the context of world grain markets and through its regular country dialogue. It recognizes that increases in world food prices both raise the financing needs of net food importing countries and create new opportunities for investment that will contribute to their longer-term development. It is important to note, however, that, based on analysis conducted within the Bank, the WTO and other organizations, the Bank believes that the impact of the Uruguay Round on world food prices will be very small, especially relative to their normal fluctuations.¹

Given the small size of the shock and the Bank's substantial headroom above current IBRD loans outstanding, it seems clear that the Bank will be in a position to meet any conceivable demand generated by the Round for loans on IBRD terms. Its ability to assist the poorest countries on concessional terms, on the other hand, will depend upon the willingness of member governments to replenish IDA. Unless donor countries maintain support for IDA, the Bank's ability to assist poor countries facing serious adjustment pressures from food price rises, or any other causes, will be severely diminished.

The Bank's responses to the four specific questions posed in Mr. Ruggiero's letter of 5 October, 1995, are as follows:

- (i) In general, the priority that a country receives for World Bank lending is determined by its overall need and the contribution that the Bank can make to its long term development. These are assessed paying regard to both country-specific and global factors. For example, if as a result of the conclusion of the Uruguay Round a country were to undertake a sound liberalization of its agricultural or trade policies, and if it required assistance in dealing with the resulting transition costs, support would be forthcoming because of the contribution of liberalization to development.

- (ii) The conditionality associated with World Bank lending is designed to facilitate the successful outcome and high development impact of the project or policy reform in question. Thus relaxing or waiving conditionality is more likely to hinder than to help economic and social development. Conditionality is central to achieving effective adjustment,

¹ The recent sharp increases in world grain prices are not due to the Uruguay Round, deriving, instead, from factors such as crop failures and low stock levels.

and the Bank should lend only against sound projects and effective adjustment programs.

(iii) The range of facilities available from the World Bank, the International Monetary Fund and the World Food Program is summarized in the appended paper on "Coping with Rising World Grain Prices." Given this range, it does not seem necessary to establish a special Uruguay Round adjustment facility. Even though there may be important impacts of the Round on particular net food importing countries, these will become evident in the context of the Bank's ongoing dialogues with member countries and the total borrowing needs they give rise to are likely to be very small relative to the potential lending of the international financial institutions. Moreover, any funds allocated to such a special facility would necessarily be subtracted from those available for the countries with the greatest overall need.

(iv) The World Bank welcomes dialogue with the WTO on identifying areas in which they can be of assistance to Bank member countries. In terms of immediate co-operation, it places particular value on the collaborative research currently being discussed by staff of the Bank and the WTO Secretariat on the implications of the Uruguay Round for Africa--a region where net food importing problems loom particularly large.

COPING WITH RISING WORLD GRAIN PRICES¹

World grain prices have risen sharply over the last several months and further price increases are possible because of low world stocks and poor growing conditions in several major producing regions. High prices are expected to last for the next year and possibly the next two years. The price increases will significantly raise import costs for many countries. For example, the cost of wheat imports in 1995 would rise by 60% from 1994 levels based on recent price increases and lower export subsidies from major exporters. This note discusses issues and options to assist countries to deal with the situation.

Introduction

An unusual combination of events have come together to make grain prices rise sharply this year. These events include: (i) the lowest level of world grain stocks relative to consumption since 1974; (ii) higher fertilizer prices during the recent planting season in the northern hemisphere which will reduce yields; and (iii) a poor start to the growing season in the United States, China, and Russia. This situation occurs at a time when a drought has reduced food production by nearly one-third in some countries in southern Africa; many of the Republics of the FSU are relying on food aid to offset collapsing food production; and food aid availability is declining.

Wheat prices have increased from \$3.42/bushel in March to a recent high of \$4.85 for December futures, an increase of 42 percent. Corn futures prices have increased from \$2.55/bushel in March to \$3.00. Rice prices have increased by \$40/ton in just the last month due to strong demand and low rice stocks for export in Asia. Further price increases can be expected if the growing conditions do not dramatically improve. Current price increases will lead to higher import costs for many countries and higher prices will also reduce the availability of export subsidies from major exporters. For example, the f.o.b. price of US wheat has increased from \$140/ton in March 1994 to \$159/ton in June 1995 and the US export subsidy has declined from \$49/ton to \$14/ton.

This note is intended to provide information about programs available from the IMF, the World Bank and the World Food Programme to deal with a sharp rise in grain prices such as we are now experiencing. These facilities should be relied upon to assist countries to cope with rising grain import costs rather than allowing countries to pursue policies which can cause longer term damage to investment programs and economic growth, such as export restrictions, or to allow hunger and malnutrition to increase.

¹ Technical staffs from the World Food Program (WFP), the Food and Agriculture Organization of the United Nations (FAO), the International Monetary Fund (IMF), and the World Bank (WB) have formed an informal coordinating committee to monitor the situation. This note was prepared by Hans Binswanger (AGRDR) and Donald Mitchell (IECCP) under the direction of Alex McCalla (AGRDR). Numerous staff from the WB, IMF, FAO and WFP commented or contributed to this note, but any errors or omissions are the responsibility of the authors.

Which Countries Will Be Most Affected

Nearly all developing countries import grain and will be affected. At this stage the price increases have been largest in wheat and those countries who import wheat will be most affected. However, maize and rice prices have also begun to increase and are expected to continue increasing. Beyond the general increase in import costs, those countries which also have production problems will be severely affected. (FAO's estimates of import requirements for individual countries are attached to this document.)

The early warning systems of FAO and USDA indicate that countries in southern Africa and northern Africa have severe problems this year. The most severe production problems are in southern Africa where widespread drought has adversely affected foodcrop production according to FAO/WFP Crop and Food Supply Assessment Missions. The aggregate 1995 cereal output in the 11 Southern Africa Development Community (SADC) member countries is estimated to be about one-third below the previous year's harvest and 20 percent below normal. Production in northern Africa is also poor with the winter grain crop now being harvested expected to be sharply below average in Morocco and Tunisia, while Algeria expects an above normal crop and Egypt expects to harvest a record crop. Morocco has been hit by the worst drought in decades according to the FAO.

Policies to Insure Food Access of the Poor During a Spike

Poor consumers spend over 70 percent of their income on food in many low income countries. In such countries, it is appropriate to partially insulate the poor from the international food price rises or compensate their purchasing power to insure access to food and prevent hunger. Appropriate domestic mechanisms could include employment generation programs or well targeted food subsidies for the poor. Government held food stocks could be released into the market in order to limit price rises and the government could partially finance imports. Food availability can also be increased via additional concessional imports or food aid. Unfortunately a commodity boom often reduces the quantity of food aid available. Where prices of other tradable foods which are important to the poor, such as sugar, are protected, trade could be liberalized to reduce domestic prices and provide a compensating increase in purchasing power. If such options and programs are not used, countries are likely to resort to more drastic means, such as export restrictions, or subsidization of food prices with adverse macroeconomic consequences.

Care must be taken in short-term food price spikes to make sure that both purchasing power of the poor and the food supply are increased simultaneously. If purchasing power alone is increased (e.g. through food stamps), then food prices will inflate and the consumption effect will be minimal. If food supply alone is increased (through commercial imports or monetized food aid), prices may not rise but the poor will still lack the purchasing power to buy the food.

Food Aid

Food aid is available to help some countries which suffer a severe drought or other problems which create a food import requirement. However, the quantities of food aid are not sufficient to meet the import needs of many countries. In 1994, only 5 percent of world grain imports were shipped as food aid. Among developing countries, food aid provided 11 percent of grain imports. Most of the food aid is being used for refugee and emergency relief, which reduces food aid available to help countries experiencing droughts or countries with greater than normal need due to rising world market prices.

Food aid is distributed through bilateral and multilateral channels, with bilateral deliveries typically accounting for about two-thirds of food aid and the remaining deliveries through multilateral channels. The World Food Programme accounts for most of the food aid delivered through multilateral channels. In 1994, the World Food Programme delivered 4.0 million tons, of which 1.5 million tons were procured in developing countries. The WFP also handles the shipment of food for many bilateral donors on a contract basis. The availability of food aid this year and for the foreseeable future is expected to decline due to budget reductions of the major donors.

IMF Assistance in the Event of a Cereal Price Shock

The IMF is the lead organization in providing balance of payments financing, including increases in the cost of cereal imports. The IMF has two basic modes of providing financial assistance to member countries in the event they experience balance of payments difficulties resulting from a rise in international cereals prices: a) the Compensatory and Contingency Financing Facility (CCFF) and b) Fund arrangements.

Compensatory and Contingency Financing Facility (CCFF)

The CCFF is a special facility that provides financial assistance to members experiencing balance of payments difficulties arising from shortfalls in export receipts or excess cereal import costs. Recent purchases under the cereal element of the CCFF have been made by Algeria, Moldova, and South Africa. The "response time" for a case involving a CCFF purchase request could be as quick as two or three months and a purchase can be in anticipation of a projected excess in cereal import costs.

To qualify for compensatory financing, the excess in cereal import costs must be temporary, largely beyond the control of the member, and result in a need for balance of payments financing. The allowable amount of a purchase request under the CCFF is the lesser of the compensable cereal import cost excess and the applicable access limit under the facility. The compensable excess is the amount by which the value of cereal imports in the "excess year" exceeds the arithmetic average of the value of cereal imports for the five-year period centered

on the excess year. Access limits under the facility vary depending on whether the member's balance of payments difficulties extend beyond the source of the shock and whether the member has a satisfactory record of cooperation with the Fund. If the member's balance of payments position is satisfactory apart from the excess cereal import costs, access under the cereal element is up to 65 percent of the member's quota. If the member's balance of payments difficulties extend beyond the excess cereal import costs, access is limited to 15-35 percent of quota, depending on the member's record of cooperation with the Fund and the strength of the member's economic policies.

Repurchase terms and charges under the CCFF are the same as those under the credit tranches: Repurchases are due 3¼ to 5 years after a purchase is made, and the rate of charge is equal to the rate of charge on the Fund's general resources, currently about 5 percent per annum. Purchases under the CCFF are additional to resources available under Fund arrangements.

Fund Arrangements

Balance of payments assistance can also be provided under stand-by or extended arrangements and, for low income countries, under the Enhanced Structural Adjustment Facility (ESAF), which provides resources on concessional terms. Fund arrangements can provide for flexibility in the case of unanticipated external terms of trade shocks, such as higher prices for cereal imports, through the inclusion of a contingency mechanism and/or through augmentation of access under an arrangement.

Contingency mechanisms normally provide for a combination of financing and adjustment in policies in the event of unanticipated exogenous developments. For example, in the case of higher-than-programmed import costs owing to a sharp rise in world cereals prices, a program could allow for automatic adjustment in program targets to accommodate all or some proportion of the increased import costs. The Fund's Executive Board has stressed the importance of greater use of contingency mechanisms to protect programs against adverse shocks (as well as to preserve some of the gains of favorable shocks). Since 1990, such mechanisms have been included in ten ESAF arrangements. Of these, Lesotho had a contingency mechanism related to cereal import costs.

The Fund also stands ready to consider augmenting access order Fund arrangements on a timely basis, when appropriate, to help countries meet adverse exogenous shocks. In such a case, the country authorities and the Fund would reassess the adjustment and financing needs as the program unfolds, either at the time of a mid-term review or at the request of the member. In reviewing access, the availability of additional donor financing (including food aid) to cope with the shocks is taken into account. Thus far, there have been seven cases of augmentation access under ESAF arrangements, including for Mozambique in 1992 related to maize imports.

World Bank Assistance with Food Availability

The Bank can also assist in increasing the financing capacity of countries to import foods, but its role is usually a subsidiary one to the IMF. The Bank has been able to facilitate overcoming food shortages or high food prices in a number of ways. This is not outside its mandate, especially not in cases where a country needs to import food because of a specific combination of events, and where failure to do so can derail hard-won improvements in macro-economic management and sectoral policies.

The most common Bank action in the face of food shortages caused by drought has been to modify project expenditures in order to facilitate a country's capacity to deal with a drought. In this case, the government and the Bank agree to reallocate funds in existing projects to finance actions needed to respond to the drought. In most cases, this does not include direct purchase of food, but since the funds are often in foreign exchange, which is fungible, governments are often able to indirectly use the funds to finance food. More often the funds are used to finance transport, storage, spare parts, water supply or other uses important to the movement or utilization of food. Examples of this were common in the Bank's response to the southern Africa drought in 1992.

Economic Recovery Loans (ERLs) often come after the event, but are usually used to finance transport, seeds, fertilizer, etc. which facilitate the capacity of the country or affected farmers to prepare for the following year's crop. Such loans or credits have been used in Ethiopia, Kenya, Somalia and Sudan. They were used during the 1974 and 1985 droughts in the Sahel and Horn of Africa.

The sizeable Economic Recovery Credit for Zimbabwe, as a part of the Bank's response to the 1992 drought (\$200 million, combined with other funds reallocations to total roughly \$350 million) was used to deal with multiple elements of the response to the drought. Probably the major contribution of the Bank's total financing for that operation, however, was that it provided balance of payment support (at least indirectly) that enabled government to do many things, including import food that were not an explicit part of the project. In fact, a major motivation for the Bank's action was to sustain the structural adjustment program that was just starting.

A very important benefit of Bank actions has not been the direct elements financed, but the indirect element of providing balance of payments support, which enables countries to import food, medicine and other essentials, which are often driven out by the loss of exports and need for emergency imports, which characterize drought periods or international food price spikes.

Also, the Bank could structure many of its projects, especially in agriculture and in drought-prone areas, so that they could be expanded or modified to help the project area cope with the drought. There could be specific project components that would only be activated in case of droughts. This would enable a country to begin to act at the early stages of the drought and stay with the local communities throughout the drought. Most of our projects tend to be wiped out,

or seriously set back by droughts (Sudan is an example).

Finally, an important action the Bank can take in the future is to build drought planning into its country strategies in countries where droughts are relatively frequent. In such cases, the Bank should have a clear policy about what preparation it will support before these events occur, what it will do in the case of droughts of different magnitudes, and what it will do for recovery. At present, most Bank concern is with the latter. Droughts are treated as an unexpected event which they are not in many drought-prone countries. In fact, growth projections for such countries should consider the impact of droughts.

World Food Programme Assistance

The World Food Programme, the food aid arm of the United Nations, responds to emergency needs caused by food price hikes or other disruptions in food supply and access. WFP works to combat acute hunger by organizing fast delivery of relief food to people affected by natural or human disasters and promotes long-term development in poorest countries by supplying targeted food aid in support of activities to enhance human resources and physical infrastructure.

To prevent hunger and starvation, WFP stands ready to identify needs, and in collaboration with host governments and other agencies, to help supply food to distressed populations at the outset of an emergency. This can be achieved through the distribution of emergency food rations to targeted populations, implementation of supplementary feeding programmes, assistance in drawing down emergency food reserves, and/or in the form of (food) wages transferred to participants of labour-intensive work projects.

WFP also devotes equal attention to the importance of laying the foundation for longer-term development, by fostering conditions for human and capital asset enhancement during and after major emergencies. In many countries, the return and resettlement of refugees and internally displaced people is dependent on WFP assistance. Labour-intensive work programmes support the reconstruction of infrastructure, the restoration of basic services and training activities that promote greater food security and self-reliance.

Donor Coordination

An important contribution in times of impending emergency, such as the drought in Southern Africa in 1992-93 is the willingness of institutions, such as the World Bank, WFP, FAO, SADAC, USAID and the United Nations High Commission for Refugees (UNHCR) to move quickly and to coordinate their efforts. In the face of the impending 1992 drought in Southern Africa, all of these agencies sent early assessment teams to the Southern Africa region to assess the situation, determine the nature of the food and financial resources necessitated by the drought, to analyze the logistical problems and capabilities of the affected countries, and to

organize timely donor meetings to ensure the projects were in place and that the needed resources were available.

As a result of their joint efforts--which reflected a willingness by countries and agencies to shorten and coordinate their individual actions in an effort to match the Regional problem with an appropriate response--more than ten million tons of additional food and over \$800 million in financial resources were put in place in advance of the worst impacts of the drought. As a result, the 1992 drought, while it had serious adverse effects on Southern Africa, did not result in famine. Few if any lives were lost as a direct result of the drought.

The importance of early and effective coordination is as much attitudinal as it is process. Agencies need to reinforce existing processes by quick and accurate assessments and a willingness to subordinate processes and procedures to the need for early and effective actions. In the case of the South African drought, the World Bank was prepared to put its staff and financial resources at the service of higher coordinated responses and to support and advise the actions of others.

Contacts

For additional information on specific programs or facilities, please contact:

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ESTIMATED IMPORT REQUIREMENTS OF CEREALS: LOW-INCOME FOOD-DEFICIT Countries 1/(Thousand tons)

(a) Estimates for 1994/95 or 1995

COUNTRY	Marketing year	1993/94 or 1994			1994/95 or 1995			
		Actual imports			Total import requirements (excluding re-exports)	Import position		
		Commercial purchases	Food aid	Total commercial and aid		Total commercial and aid	Food aid allocated committed or shipped	Commercial purchases
AFRICA		18 229.3	4 309.7	22 539.0	20 750	18 865.7	3 150.8	15 714.9
Northern Africa		10 777.0	325.9	11 102.9	10 605	10 698.2	226.4	10 471.8
Egypt	July/June	7 921.2	181.7	8 102.9	8 505	8 598.2	158.8	8 439.4
Morocco	July/June	2 855.8	144.2	3 000.0	2 100	2 100.0	67.6	2 032.4
Eastern Africa		2 299.5	2 173.8	4 473.3	2 859	2 129.0	1 235.5	893.5
Burundi	Jan./Dec.	29.9	96.0	125.9	46	12.9	12.9	0.0
Comoros	Jan./Dec.	36.9	6.1	43.0	44	4.6	2.3	2.3
Djibouti	Jan./Dec.	113.8	10.6	124.4	82	20.9	8.9	12.0
Eritrea	Jan./Dec.	83.0	287.2	370.2	50	29.6	29.6	0.0
Ethiopia 2/	Jan./Dec.	53.0	923.1	976.1	964	495.9	495.8	0.1
Kenya	July/June	1 365.8	300.4	1 666.2	290	586.6	156.1	430.5
Rwanda	Jan./Dec.	0.0	199.4	199.4	131	220.7	220.7	0.0
Somalia	July/June	34.1	88.0	122.1	295	136.7	66.4	70.3
Sudan	Nov./Oct.	445.4	219.2	664.6	475	137.0	55.4	81.6
Tanzania	June/may	118.6	19.3	137.9	435	434.8	145.9	288.9
Uganda	Jan./Dec.	19.0	24.5	43.5	47	49.3	41.5	7.8
Southern Africa		1 031.9	952.2	1 984.1	2 651	2 710.7	973.8	1 736.9
Angola	April/March	59.9	193.1	253.0	560	560.0	296.7	263.3
Lesotho	April/March	214.3	28.1	242.4	204	204.0	32.0	172.0
Madagascar	Jan./Dec.	81.4	33.2	114.6	178	200.4	23.4	177.0
Malawi	April/March	84.3	160.8	245.1	493	492.0	279.7	212.3
Mozambique	May/April	109.7	437.8	547.5	600	600.0	324.2	275.8
Swaziland	May/April	47.1	22.0	69.1	76	76.0	8.7	67.3
Zambia	May/April	2.9	8.8	11.7	390	390.0	3.9	386.1
Zimbabwe	April/March	432.3	68.4	500.7	150	188.3	5.2	183.1
Western Africa		3 470.2	744.9	4 215.1	4 092	2 869.5	607.6	2 261.9
Coastal countries		2 330.4	502.1	2 832.5	2 693	2 251.7	357.0	1 894.7
Benin	Jan./Dec.	80.5	17.4	97.9	96	98.5	12.3	86.2
Cote d'Ivoire	July/June	332.8	47.6	380.4	500	500.0	62.3	437.7
Ghana	Oct./Sept.	169.6	141.6	311.2	275	274.5	91.8	182.7
Guinea	Jan./Dec.	121.4	85.6	207.0	182	14.1	0.0	14.1
Liberia	Jan./Dec.	31.4	168.4	199.8	240	176.0	165.0	11.0
Nigeria	July/June	1 383.4	0.0	1 383.4	1 100	1 100.0	0.0	1 100.0
Sierra Leone	Jan./Dec.	125.1	34.0	159.1	172	44.4	22.5	21.9
Togo	Jan./Dec.	86.2	7.5	93.7	128	44.2	3.1	41.1
Sahelian countries		1 139.8	242.8	1 382.6	1 399	617.8	250.6	367.2
Burkina Faso	Nov./Oct.	122.6	35.5	158.1	110	52.0	42.5	9.5
Cape Verde	Jan./Dec.	24.9	64.0	88.9	90	88.3	83.4	4.9
Chad	Nov./Oct.	78.7	13.2	91.9	50	25.9	22.7	3.2
Gambia	Nov./Oct.	69.0	5.5	74.5	74	19.2	4.0	15.2
Guinea Bissau	Jan./Dec.	49.1	3.9	53.0	65	12.0	6.3	5.7
Mali	Nov./Oct.	62.5	23.6	86.1	60	13.2	11.8	1.4
Mauritania	Nov./Oct.	161.4	46.3	207.7	190	127.4	45.8	81.6
Niger	Nov./Oct.	84.5	24.0	108.5	90	41.2	18.6	22.6
Senegal	Nov./Oct.	487.1	26.8	513.9	670	238.6	15.5	223.1
Central Africa		650.7	112.9	763.6	543	458.3	107.5	350.8
Cameroon	July/June	370.7	2.7	373.4	210	210.0	2.9	207.1
Cent. Afr. Rep.	Sept./Aug.	33.8	1.2	35.0	30	11.3	0.8	10.5
Congo	July/June	86.7	1.7	88.4	90	90.0	33.9	56.1
E. Guinea	Jan./Dec.	7.2	2.8	10.0	11	3.3	3.3	0.0
Sao Tome	Jan./Dec.	1.8	8.4	10.2	12	4.7	2.5	2.2
Zaire	Jan./Dec.	150.5	96.1	246.6	190	139.0	64.1	74.9

ESTIMATED IMPORT REQUIREMENTS OF CEREALS: LOW-INCOME FOOD-DEFICIT Countries 1/(Thousand tons)

(a) Estimates for 1994/95 or 1995 (cont.d)

COUNTRY	Marketing year	1993/94 or 1994			1994/95 or 1995			
		Actual imports			Total import requirements (excluding re-exports)	Current import position		
		Commercial purchases	Food aid	Total commercial and aid		Total commercial and aid	Food aid allocated committed or shipped	Commercial purchases
ASIA		28 856.7	1 879.1	30 735.8	41 833	41 633.0	2 074.1	39 558.9
Afghanistan	July/June	1 015.4	64.6	1 080.0	1 150	1 150.0	151.7	998.3
Bangladesh	July/June	545.9	654.1	1 200.0	2 411	2 411.0	963.8	1 447.2
Bhutan	July/June	29.0	1.0	30.0	32	32.2	0.2	32.0
Cambodia	Jan./Dec.	150.2	29.8	180.0	200	69.9	64.0	5.9
China 3/	July/June	14 144.8	119.2	14 264.0	23 000	23 003.2	224.0	22 779.2
India	July/June	266.8	295.2	562.0	150	177.0	98.0	79.0
Indonesia	April/March	3 012.4	97.5	3 109.9	3 940	5 215.0	32.2	5 182.8
Jordan	July/June	1 345.1	220.9	1 566.0	1 717	1 717.0	128.8	1 588.2
Laos	Jan./Dec.	193.7	12.3	206.0	70	0.8	0.8	0.0
Maldives	Jan./Dec.	49.9	1.4	51.3	36	4.4	0.0	4.4
Mongolia	Oct./Sept.	0.0	25.0	25.0	140	12.7	11.7	1.0
Nepal	July/June	52.5	14.5	67.0	137	137.0	14.7	122.3
Pakistan 4/	May/April	2 215.0	0.0	2 215.0	2 500	2 500.0	21.8	2 478.2
Philippines	July/June	2 278.0	45.8	2 323.8	2 500	2 526.7	108.7	2 418.0
Sri Lanka	Jan./Dec.	853.8	209.8	1 063.6	1 200	651.5	141.1	510.4
Syria	July/June	932.8	59.4	992.2	690	690.0	45.4	644.6
Yemen	Jan./Dec.	1 771.4	28.6	1 800.0	1 960	1 334.6	67.2	1 267.4
CENTRAL AMERICA		2 125.3	680.7	2 806.0	3 085	2 628.3	272.6	2 355.7
Dominican Rep.	Jan./Dec.	1 156.8	1.7	1 158.5	868	499.0	2.5	496.5
El Salvador	Aug./July	283.1	80.4	363.5	477	363.5	18.0	345.5
Guatemala	July/June	211.5	299.6	511.1	588	593.8	108.0	485.8
Haiti	July/June	146.0	112.2	258.2	402	412.7	39.0	373.7
Honduras	July/June	223.8	124.7	348.5	513	514.0	95.4	418.6
Nicaragua	July/June	104.1	62.1	166.2	237	245.3	9.7	235.6
SOUTH AMERICA		2 960.8	253.5	3 214.3	2 587	1 275.8	163.0	1 112.8
Bolivia	July/June	144.2	196.3	342.5	329	335.0	145.6	189.4
Colombia	Jan./Dec.	2 205.4	42.6	2 248.0	1 798	758.6	0.0	758.6
Ecuador	Jan./Dec.	611.2	12.6	623.8	460	182.2	17.4	164.8
OCEANIA		330.0	0.0	330.0	274	17.0	0.0	17.0
Kiribati	Jan./Dec.	7.0	0.0	7.0	7	0.0	0.0	0.0
Papua New Guinea	Jan./Dec.	278.9	0.0	278.9	223	14.2	0.0	14.2
Samoa	Jan./Dec.	15.0	0.0	15.0	15	0.2	0.0	0.2
Solomon Isl.	Jan./Dec.	19.0	0.0	19.0	19	2.5	0.0	2.5
Tuvalu	Jan./Dec.	1.0	0.0	1.0	1	0.0	0.0	0.0
Vanuatu	Jan./Dec.	9.1	0.0	9.1	9	0.1	0.0	0.1
EUROPE / CIS 5/ 6/		7 667.0	1 752.0	9 419.0	7 056	7 098.0	2 136.0	4 962.0
Armenia	July/June	182.0	258.0	440.0	477	477.0	463.0	14.0
Albania	July/June	0.0	472.0	472.0	310	310.0	34.0	276.0
Azerbaijan	July/June	681.0	47.0	728.0	670	670.0	366.0	304.0
Georgia	July/June	377.0	478.0	855.0	722	722.0	677.0	45.0
Kyrgyz Republic	July/June	275.0	165.0	440.0	333	333.0	124.0	209.0
Lithuania	July/June	136.0	0.0	136.0	25	25.0	0.0	25.0
Moldova	July/June	188.0	110.0	298.0	435	477.0	252.0	225.0
Macedonia, FYR	July/June	160.0	50.0	210.0	240	240.0	46.0	194.0
Romania	July/June	1 326.0	0.0	1 326.0	260	260.0	0.0	260.0
Tajikistan	July/June	717.0	83.0	800.0	409	409.0	124.0	285.0
Turkmenistan	July/June	682.0	89.0	771.0	570	570.0	50.0	520.0
Uzbekistan	July/June	2 943.0	0.0	2 943.0	2 605	2 605.0	0.0	2 605.0
TOTAL		60 169.1	8 875.0	69 044.1	75 585	71 517.8	7 796.5	63 721.3

SOURCE: FAO

1/ Includes food deficit countries with per capita income below the level used by the World Bank to determine eligibility for IDA assistance (i.e. U.S.\$ 1345 in 1993), which is in accordance with the guidelines and criteria agreed to by the CFA should be given priority in the allocation of food aid. 2/ Includes refugee needs. 3/ Includes import requirements of Taiwan Province. 4/ Excludes Afghan refugee requirements. 5/ Classified as LIFD countries as of January 1995. 6/ Data include intrade between the Republics.

ESTIMATED IMPORT REQUIREMENTS OF CEREALS: LOW-INCOME FOOD-DEFICIT Countries 1/(Thousand tons)

(b) 1995/96 estimates for LIFD countries which have entered the 1995/96 marketing year

COUNTRY	Marketing year	1994/95 or 1995			1995/96			
		Actual imports			Total import requirements (excluding re-exports)	Import position		
		Commercial purchases	Food aid	Total commercial and aid		Total commercial and aid	Food aid allocated committed or shipped	Commercial purchases
AFRICA		14 729.0	1 601.3	16 330.3	17 675	667.6	\$15.9	151.7
Northern Africa		10 471.8	226.4	10 698.2	11 760	84.8	84.8	0.0
Egypt	July/June	8 439.4	158.8	8 598.2	7 750	84.8	84.8	0.0
Morocco	July/June	2 032.4	67.6	2 100.0	4 010	0.0	0.0	0.0
Eastern Africa		719.4	302.0	1 021.4	1 184	12.2	12.2	0.0
Kenya	July/June	430.5	156.1	586.6	1 075	8.2	8.2	0.0
Tanzania	June/May	288.9	145.9	434.8	109	4.0	4.0	0.0
Southern Africa		1 736.9	973.8	2 710.7	2 761	512.7	361.0	151.7
Angola	April/March	263.3	296.7	560.0	560	115.7	109.1	6.6
Lesotho	April/March	172.0	32.0	204.0	297	1.0	1.0	0.0
Madagascar	April/March	177.0	23.4	200.4	146	13.5	13.5	0.0
Malawi	April/March	212.3	279.7	492.0	180	100.2	92.3	7.9
Mozambique	May/April	275.8	324.2	600.0	446	116.9	111.6	5.3
Swaziland	May/April	67.3	8.7	76.0	93	6.9	0.0	6.9
Zambia	May/April	386.1	3.9	390.0	589	24.5	24.5	0.0
Zimbabwe	April/March	183.1	5.2	188.3	450	134.0	9.0	125.0
Western Africa		1 537.7	62.3	1 600.0	1 600	36.1	36.1	0.0
Coastal countries		1 537.7	62.3	1 600.0	1 600	36.1	36.1	0.0
Côte d'Ivoire	July/June	437.7	62.3	500.0	500	36.1	36.1	0.0
Nigeria	July/June	1 100.0	0.0	1 100.0	1 100	0.0	0.0	0.0
Central Africa		263.2	36.8	300.0	370	21.8	21.8	0.0
Cameroon	July/June	207.1	2.9	210.0	280	0.0	0.0	0.0
Congo	July/June	56.1	33.9	90.0	90	21.8	21.8	0.0
ASIA		37 769.8	1 789.3	39 559.1	37 349	3 129.0	620.0	2 509.0
Afghanistan	July/June	998.3	151.7	1 150.0	1 250	252.1	2.1	250.0
Bangladesh	July/June	1 447.2	963.8	2 411.0	2 050	0.0	0.0	0.0
Bhutan	July/June	32.0	0.2	32.2	32	0.0	0.0	0.0
China 3/	July/June	22 779.2	224.0	23 003.2	21 175	1 613.5	91.3	1 522.2
India	July/June	79.0	98.0	177.0	150	268.9	268.9	0.0
Indonesia	April/March	5 182.8	32.2	5 215.0	5 735	281.1	14.5	266.6
Jordan	July/June	1 588.2	128.8	1 717.0	1 610	385.2	115.0	270.2
Nepal	July/June	122.3	14.7	137.0	137	7.3	7.3	0.0
Pakistan 4/	May/April	2 478.2	21.8	2 500.0	2 200	104.2	104.2	0.0
Philippines	July/June	2 418.0	108.7	2 526.7	2 400	211.2	11.2	200.0
Syria	July/June	644.6	45.4	690.0	610	5.5	5.5	0.0
CENTRAL AMERICA		1 513.7	252.1	1 765.8	1 466	378.5	378.5	0.0
Guatemala	July/June	485.8	108.0	593.8	540	119.0	119.0	0.0
Haiti	July/June	373.7	39.0	412.7	401	95.2	95.2	0.0
Honduras	July/June	418.6	95.4	514.0	350	99.6	99.6	0.0
Nicaragua	July/June	235.6	9.7	245.3	175	64.7	64.7	0.0
SOUTH AMERICA		189.4	145.6	335.0	300	82.7	82.7	0.0
Bolivia	July/June	189.4	145.6	335.0	300	82.7	82.7	0.0
EUROPE / CIS 5/ 6/		4 962.0	2 136.0	7 098.0	6 615	154.0	154.0	0.0
Armenia	July/June	14.0	463.0	477.0	450	0.0	0.0	0.0
Albania	July/June	276.0	34.0	310.0	310	0.0	0.0	0.0
Azerbaijan	July/June	304.0	366.0	670.0	663	4.0	4.0	0.0
Georgia	July/June	45.0	677.0	722.0	560	2.0	2.0	0.0
Kyrgyz Republic	July/June	209.0	124.0	333.0	352	58.0	58.0	0.0
Lithuania	July/June	25.0	0.0	25.0	30	0.0	0.0	0.0
Moldova	July/June	225.0	252.0	477.0	155	52.0	52.0	0.0
Macedonia, FYR	July/June	194.0	46.0	240.0	240	0.0	0.0	0.0
Romania	July/June	260.0	0.0	260.0	260	0.0	0.0	0.0
Tajikistan	July/June	285.0	124.0	409.0	590	38.0	38.0	0.0
Turkmenistan	July/June	520.0	50.0	570.0	500	0.0	0.0	0.0
Uzbekistan	July/June	2 605.0	0.0	2 605.0	2 505	0.0	0.0	0.0
TOTAL		59 163.9	5 924.3	65 088.2	63 453	4 411.8	1 751.1	2 660.7

for footnotes, please see page 48

OFFICE MEMORANDUM

DATE: October 24, 1995

TO: Mr. James D. Wolfensohn, EXC

FROM: Mark Baird, Acting DECVP

EXTENSION: 31666

SUBJECT: **Relations with WTO**

95 OCT 25 AM 9: 34

RECEIVED
DEVELOPMENT ECONOMICS
V P & CHIEF ECONOMIST

Mr. Bruno had two meetings with Jesús Seade, Deputy Director-General of WTO, over the Annual Meetings period. The first, which was also attended by Mr. Boorman (IMF) and his staff, constituted the first meeting of the Working Group on Coherence in International Policy Making. Mr. Seade seemed surprised that the Bank and the Fund had done any thinking on this matter, and asked to see their preliminary internal documents. These have now been sent to him. He promised that the WTO would respond setting out their view of coherence relatively soon. The deputies to the working party have been asked to produce a draft report by March 1996, emphasizing the practical issues of coherence that could be addressed, and the Working Group will meet again in April 1996. The Fund and the Bank expressed the hope that the Working Group would complete its work by that time, but Mr. Seade's view was that it would probably take significantly longer.

The second meeting was on the Cooperation Agreement between the Bank and WTO. This was a constructive meeting which made significant progress on a draft agreement. However, major differences remain between the Bank and WTO over access to the Development Committee and to the Bank's Executive Board. Mr. Seade felt that the member governments of WTO would be unable to agree to any Cooperation Agreement which did not give WTO access to restricted sessions of the Development Committee and to at least some country-specific sessions of the Executive Board. Both issues caused the Bank side some difficulty--the Development Committee because the new format does not appear to be consistent with offering privileged status to WTO, and the Executive Board because the Board itself showed some reluctance to admit WTO to country-specific meetings. It was agreed that these matters would be reviewed after the WTO had discussed them with the Fund, but we understand from the Fund that, when they did so, the Fund was similarly unencouraging.

We have not yet heard from WTO how they wish to proceed following the meetings. However, it now seems clear that we cannot complete the Cooperation Agreement by November as originally planned. Mr. Bruno has asked IEC staff to keep in contact with WTO and to explore with them ways in which the various matters might be resolved. We will keep you informed.

c.c. Messrs./Mss. Frank, Kaji, Sandstrom, Lomax, Horiguchi (EXC),
Bruno (DECVP) o/r, Ahmed, Winters (IECIT)

WTO file

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Vice President Development Economics
and Chief Economist

October 19, 1995

Ambassador Jesús Seade
Deputy Director-General
World Trade Organization
Centre William Rappard
Geneva
SWITZERLAND

Dear Jesús,

Cooperation and Coherence

It was a great pleasure to see you again last week and to be able to advance on the fronts of coherence and cooperation. I am sorry that time constraints precluded our spending longer on them.

I gather that after I left the meeting, the Coherence Working Group agreed that we should send you our preparatory work on coherence. I enclose this herewith. You will understand that it was a private briefing note to me not intended for circulation even within the Bank, and I trust that you will excuse its directness. However, since the meeting went well and we all wish to proceed expeditiously, I feel comfortable in transmitting it to you.

I found our meeting on the Cooperation Agreement most useful and we look forward to receiving your revised draft agreement as soon as convenient. On the outstanding issues of the Development Committee and your attendance at country-specific Board meetings, we agreed to consider the situation once you had spoken further with the Fund.

As a general principle I suggest that we ask our deputies to look after the exchange of documents and the initial stages of the discussion. Perhaps you would ask your deputy to call Alan Winters to let us know how matters stand with the Fund. They can then review the positions on both coherence and cooperation and explore some options for moving forward.

It was good to see you in Washington and I look forward to our working further together.

Best wishes,

Yours sincerely,



Michael Bruno

Mr. Jesús Seade

2

October 19, 1995

b.c.c. M. Ahmed, L.A. Winters

LAW:akw

Bank/Fund/WTO Working Group on Coherence in International Policy Making

Background Note

L. Alan Winters

This note presents some initial thoughts about forthcoming discussions on coherence in international policy making with the WTO and the Fund. It suggests a working definition and operationalization of coherence, a list of some issues that might be taken up under that heading and suggestions about how they might be handled procedurally. It concludes with two proposals about the organization of the Working Party.

I have discussed the situation with Ms. Kirmani of the Fund, but have heard nothing from WTO except that they would like to discuss coherence during the Annual Meetings period. I believe that, as per your letter to Mr. Seade of October 4, we should just seek to delineate the activities of the Working Group and discuss procedure.

(A) Definition

The WTO agreement, Article III.5 states:

“With a view to achieving greater coherence in global economic policy making, the WTO shall cooperate, as appropriate, with the International Monetary Fund and with the International Bank for Reconstruction and Development and its affiliated agencies.”

Despite a large amount of talk about and strong commitment to coherence, the WTO has not yet offered any definition or suggestions about what it might entail. It is obviously for them to offer their own definition in their own time, but it seems useful for us to have something to offer for the meeting.

I can think of no better definition than that which the Fund is proposing in its preliminary (and also confidential) paper:

“to define the achievement of greater coherence in global policymaking as efforts by the three institutions, individually and collectively, to work towards harmonious implementation of their common and complementary objectives.”

In the terms of this definition, the institutions are already pursuing coherence, but one might accept that there is room to do more and that new issues will arise which fall under its rubrics. Three important aspects of the definition are that

- it avoids specifying a new set of objectives under the heading of coherence;
- it avoids introducing new standards against which “coherent” policies should be appraised; and
- it focuses on areas where the institutions have natural interfaces.

In operationalizing this definition we should also seek to keep coherence at the level of broad objectives and systemic issues, leaving matters surrounding the consistency of specific policy and advice under the rubric of the cooperation agreement.

The Bank and the WTO share one formal objective. The WTO is charged with “raising standards of living, ensuring full employment, and a large and steadily growing volume of real income and effective demand, and expanding production of and trade in goods and services,” while the Bank is enjoined to “promote the long range balanced growth of international trade... by assisting in raising productivity, the standard of living and conditions of labor in their territories.”

In addition, the WTO has two formal objectives which match very closely with the way in which the Bank interprets its role:

To allow “for the optimal use of the world’s resources in accordance with sustainable development, seeking both to protect and preserve the environment,

“to ensure that developing countries... secure a share in the growth in international trade commensurate with the needs of their economic development.”

In addition to these common objectives, the WTO’s and Bank’s roles are highly complementary in a number of dimensions:

Both are concerned with trade liberalization, the Bank with unilateral liberalization that need not be bound internationally, and the WTO with multilateral liberalization which must be bound.

The Bank sees the international trading system as an essential tool for development policy, while WTO sees it, more or less, as its *raison d’être*.

The Bank assesses a developing country’s trade policies in the course of its standard economic work and makes recommendations upon it, while the WTO undertakes an occasional formal review of international trade policy under its Trade Policy Review Mechanism.

Both institutions undertake a certain amount of technical assistance which generally is, and certainly should be, non-duplicative.

These common and complementary objectives leave plenty of scope for coherence discussions.

(B) Possible Issues for Bank-WTO Coherence Discussions

The following list comprises mainly the issues on which the Bank might seek WTO's assistance in attaining coherence. The section concludes, however, with one potentially sensitive issue of which we must be careful.

1. Export Prospects for Developing Countries

Many countries' development strategies depend on export growth. Although most of the responsibility for this falls on the developing country itself, the external environment sometimes looks rather hostile. Among the industrial country policies that give this impression are the long phase-out of the MFA, frequent anti-dumping actions, and high agricultural protection. These barriers are all sanctioned by WTO and the Bank would be helped in its mission if WTO could reduce the scope for them.

2. Developing Country Import Regimes

Developing country import regimes frequently entail undesirable policies that are WTO-consistent--e.g., QRs for safeguards and balance of payments purposes, and anti-dumping. The cover given to these policies by the GATT greatly complicates Bank efforts at rationalizing them. On the other hand, however, Bank activities aid WTO's mission in this area. Bank-led liberalizations improve access for exporters and offer significant strengthening of the trading system. The prohibition of cross-conditionality precludes the Bank from insisting that liberalizations be bound, but the Bank strongly promotes WTO membership.

In the context of membership, the negotiating aspect of the accession process can lead governments to postpone liberalizations in order, they claim, to keep some negotiating chips for that process. Similarly, some developing countries have held back unilateral liberalizations in anticipation of the Round. Clearer credit for liberal policies--for example, recognizing that binding a previous unilateral reduction of x% should be equivalent to binding a reduction of x% that is conditional on similar action by trading partners--would be useful.

3. Developing Country Export Regimes

Several countries--especially those in transition--have export restrictions. The GATT is formally less concerned about these than about import restrictions and is, de

facto, rather relaxed about them. Again this hinders Bank efforts at rationalization in a vital area of policy.

4. **Regionalism**

Neither the WTO nor the Bank is a great fan of regional trading blocs but neither has completely castigated them. A coherent position would be very desirable if it could be devised. This could extend beyond trade preferences to matters of deeper integration, such as the harmonization of standards, tax coordination and factor movements.

5. **Privatization**

The Bank strongly encourages the commercialization or privatization of state enterprises. Clearer assurance about how debt forgiveness will be treated under countervailing duties law and how firms can attain market status under anti-dumping law would be useful.

6. **New Trade Disciplines**

The Bank has a major interest and considerable experience in foreign direct investment and may wish to have an input into any future negotiations in WTO on an investment code. Similarly, the Bank has periodically advised countries on competition policy and would have an interest in any restrictions that WTO members sought to introduce in that area. Labor and environmental standards are issues which might threaten the liberal trading environment. The Bank would hope to be able to contribute directly to the debate in WTO in favor of liberalism and its developing country clients.

It is for WTO to define its own objectives under coherence, but I can think of one sensitive issue that might arise.

7. **Cross-conditionality**

There may be a temptation to view Bank and Fund conditionality as a means of aiding the implementation of the Uruguay Round. This is precluded by the prohibition of cross-conditionality. What is not precluded, but which some developing countries had apparently hoped to prevent, is that the Bank and the Fund go beyond the Uruguay Round, by, for example, suggesting an accelerated timetable on services liberalization. We must ensure that coherence and consistency do not prevent our doing this.

(C) Coherence Procedures

The Bank and WTO might pursue coherence at three levels. Day-to-day cooperation and the exploration of common interests at the conceptual level would rely on informal collaboration between working level staff of the two organizations. More strategic issues would be handled at periodic senior staff and Heads of Institution

meetings. It has already been agreed that there will be regular senior staff meetings (annually or perhaps more frequently at first) and the Heads of Institutions apparently intend to lunch together every quarter. The Board, and WTO equivalent, might be informed of the nature of these discussions and may offer advice on the issues concerned where appropriate, but I would not envisage an active role for them.

At the highest, ministerial, level issues of coherence may figure in certain meetings of the Development Committee, at which the Director-General of WTO might be invited to speak, and at the WTO's Ministerial Conference, which might be addressed by the Bank's President or his representative. We would expect to bring matters to this level only after full discussion at the other levels.

(D) Next Steps

The Working Party needs to devise a timetable and an operating procedure for itself. Given the seriousness of the issues it should not be rushed, but, on the other hand, it is desirable that these issues be resolved in the relatively near future. I suggest the following two fixed points:

- (a) An agreed agenda should be produced by April 1996. I suggest that the principals ask their deputies to present a draft discussion agenda by March 1996 for final discussion and formal adoption in April around the time of the Spring Development Committee. The deputies might exchange preliminary drafts by, say, December.
- (b) The Working Group should produce a report on coherence and how it might be improved no later than October 1996. We should try to avoid a formal agreement couched in legal form because coherence seems, at least at present, to be so vague and changing a concept that no side is likely to wish to bind itself significantly in such a form. Thus substance is more likely to be achieved by a less formal approach. We may not need a full year to achieve agreement, but until the agenda is fixed, that cannot be foretold. Several of the issues that might be discussed would require broad discussion within the Bank for which we should allow ample time.

0514

THE WORLD BANK GROUP
Headquarters: Washington, D.C. 20433 U.S.A.
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FACSIMILE COVER SHEET AND MESSAGE

DATE:	October 13, 1995	NO. OF PAGES: 13 (including cover sheet)	MESSAGE NO.:
TO:	Mr. Michael Bruno	DESTINATION FAX NO.: 21158	
Dept/Div:	DECVP		
FROM:	L. Alan Winters	DIVISIONAL FAX NO.: 61341	
Title:	Chief	Dept./Div. No.: 642/10	
Dept/Div:	IEC/IT		
Room No.:	R2-033	Telephone: 33845	

MESSAGE:

Please see attached.

Waiting for final
Letter to SEND
Book OK.
w/9/95 to make for clearance

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: October 13, 1995

TO: Mr. Michael Bruno, DECVP

FROM: L. Alan Winters, Chief, IECIT

EXTENSION: 33845

SUBJECT: **Meetings with WTO**

I attach draft notes to file on our meetings with WTO on coherence and cooperation. I also attach a draft letter from you to Jesús Seade briefly setting out the next steps. I have consulted Masood on the latter.

Attachment

c.c. M. Ahmed, IECDR

LAW:akw

DRAFT**BANK/FUND/WTO MEETING OF THE WORKING GROUP ON COHERENCE****October 10, 1995**

Working Group: Messrs. Boorman, Bruno and Seade
Deputies: Ms. Kirmani, Mr. Sampson (?), Ms. Schadler and Mr. Winters
Others in Attendance: Messrs. Boonenkamp, Gertler, Tait and Toplin

This meeting briefly discussed the definition of coherence. The Bank and Fund proposed "to define the achievement of greater coherence in global policymaking as efforts by the three institutions, individually and collectively, to work towards harmonious implementation of their common and complementary objectives." WTO representatives felt that this was useful insofar as it went, but said that it might not give sufficient emphasis to the need to study interlinkages between specific policies in the areas of trade, money and finance. They reported that they were examining the Ministerial Declaration on coherence with a view to identifying specific issues that it entailed and that they thereby hoped to infer a definition of coherence. After fairly extensive discussion it was agreed that it would be useful to consider both definitional and specific aspects of coherence simultaneously emphasizing the practical issues that can be addressed.

It was agreed that the next step should be for the Bank and the Fund to send the WTO their preliminary views. These will be based on the analysis and discussions within the Bank and the Fund in early October, and will be dispatched within a relatively few days. WTO will respond to these papers and also, in due course, send their own proposals about the content of coherence. It was agreed that the deputies should correspond and meet as appropriate and that the Working Group should aim to consider a draft report when it next reconvened in April 1996. It recognized that, if all went smoothly, it would be desirable for the Working Group to approve a draft report earlier and to have it reviewed within the various organizations by that time and also that, if coherence proved more complex than anticipated, the April report would be only an interim one.

L. Alan Winters
October 12, 1995

DRAFT**BANK/WTO MEETING ON COOPERATION AGREEMENT
October 10, 1995**

Messrs. Seade, Sampson, Boonenkamp and Gertler (WTO)
Messrs. Bruno and Winters (Bank)

This meeting was based around the draft agreement and analysis therefore sent by Mr. Bruno to Mr. Seade on October 4, 1995.

In his introductory remarks Mr. Seade stressed the WTO's considerable disquiet about being excluded from the restricted sessions of the Development Committee. He said that this appeared to be a large step backwards in the access offered to WTO and that WTO, from Ruggiero downwards, placed great store on redressing it. He did not seek access to every restricted session, but to all those at which broad issues of economic coherence were discussed. I believe he had in mind not only issues of international trade, but also those such as debt, exchange rates and macro policy. Mr. Seade suggested that we should seek to agree a form of words granting some measure of access to restricted sessions of the Development Committee, which would then be operationalized by the Executive Secretary issuing invitations to those sessions in which, bearing in mind WTO's interests, he felt WTO attendance was appropriate.

The second introductory issue that Mr. Seade raised was the set of World Bank Executive Board meetings to which the WTO would be invited. While recognizing the desirability of WTO attendance when general issues of trade and trade policy were discussed, he was very insistent that the WTO membership would not accept a deal that failed to offer invitations to at least some country-specific meetings. Moreover, it would probably not be acceptable to members that invitations to country-specific meetings be handled under the rubric of "sympathetic consideration to each other others requests to attend meetings of other bodies...." He felt that, in this important issue, explicit recognition of WTO's right to attend was indispensable, even if they expected to exercise it rather rarely.

In response Mr. Bruno pointed out that it was not for the Bank to offer invitations to the Development Committee, but that it would be prepared to convey WTO's wishes to the relevant bodies. He pointed out the need for the Bank and the Fund to agree on the situation in the Development Committee and noted the attractions of maintaining parallel treatment of WTO on the Interim and the Development Committees. It was agreed to see where the Fund-WTO negotiations emerged on these issues and to consider how further to proceed in the light of this.

On WTO attendance at country-specific Executive Board meetings, Mr. Bruno pointed out that the Bank was constrained by the instructions it had received from the Board when this matter was discussed. He explained that it would be desirable to avoid going back to the Board. If we did have to go back to them, we should need very strong reasons for them to revise their previous position. Among the factors that might count would be that the Fund had agreed to admit WTO observers when country-specific matters were discussed. Again, it was agreed to see how matters turned out in the WTO-Fund discussions and then to consider future progress from that point.¹

The WTO also brought up a number of minor drafting issues on the Bank's draft agreement and it was agreed that the next step was for them to draft a revision based as closely as possible on the Bank version, but with amendments where necessary. Among the areas where we might expect changes in wording are:

1. Consultations: to rephrase the penultimate line of this paragraph to broaden the scope from international trade to a wider set of issues.

2 (a) Attendance at Meetings: to excise the statement in paragraph 2 "and any subsidiary and ad hoc bodies established by these organs" and to reach an understanding in a accompanying letter that the Bank will continue to have access to ad hoc bodies on the same basis as at present. (We shall need to devise careful wording to achieve this.)

2 (a) Attendance at Meetings: to introduce symmetric wording about attendance at each others meetings: either both parties to "invite" the other, or both parties to grant the other "observer status."

The general atmosphere of this meeting was constructive. I believe we can expect a revised draft fairly quickly from WTO, but that the difficulties of the Development Committee and attendance at Board meetings will take some time to solve. I think we should now alert the President that it is extremely unlikely that we will get agreement in time for the WTO's November General Council.

Next steps: Over the next week I shall

- *telephone Gary Sampson to see where the WTO stands on the two contentious issues and on the timetable;*
- *explore with Alex Shakow the possibilities for offering more on the Development Committee;*

¹ [I have since heard from Ms. Kirmani that the WTO-Fund talks reached closure in neither of these items. On the Development and Interim Committees Fund staff will explore the possibilities for meeting WTO's wishes, while on attendance at country-specific Board meetings there appears to be a stalemate. In the course of this WTO-Fund discussion, it became clear that it would be impossible to reach agreement in time for WTO's November General Council. This appeared to cause the WTO side no serious concern.]

- *keep abreast of developments in the Fund; and*
- *prepare a brief note from you to the President.*

Subsequently we should review WTO's draft and, according to the state of negotiations, start to think how we should approach the Board for more flexibility.

L. Alan Winters
October 13, 1995

DRAFT
LAWinters:akw

October 13, 1995

Ambassador Jesús Seade
Deputy Director-General
World Trade Organization
Centre William Rappard
Geneva
SWITZERLAND

Dear Jesús,

Cooperation and Coherence

It was a great pleasure to see you again last week and to be able to advance on the fronts of coherence and cooperation. I am sorry that time constraints precluded our spending longer on them.

I gather that after I left the meeting, the Coherence Working Group agreed that we should send you our preparatory work on coherence. I enclose this herewith. You will understand that it was a private briefing note to me not intended for circulation even within the Bank, and I trust that you will excuse its directness. However, since the meeting went well and we all wish to proceed expeditiously, I feel comfortable in transmitting it to you.

I found our meeting on the Cooperation Agreement most useful and we look forward to receiving your revised draft agreement as soon as convenient. On the outstanding issues of the Development Committee and your attendance at country-specific Board meetings, we agreed to consider the situation once you had spoken further with the Fund.

As a general principle I suggest that we ask our deputies to look after the exchange of documents and the initial stages of the discussion. Perhaps you would ask your deputy to call Alan Winters to let us know how matters stand with the Fund. They can then review the positions on both coherence and cooperation and explore some options for moving forward.

It was good to see you in Washington and I look forward to our working further together.

Best wishes,

Yours sincerely,

Michael Bruno

b.c.c. M. Ahmed, L.A. Winters

Bank/Fund/WTO Working Group on Coherence in International Policy Making

Background Note

L. Alan Winters

This note presents some initial thoughts about forthcoming discussions on coherence in international policy making with the WTO and the Fund. It suggests a working definition and operationalization of coherence, a list of some issues that might be taken up under that heading and suggestions about how they might be handled procedurally. It concludes with two proposals about the organization of the Working Party.

I have discussed the situation with Ms. Kirmani of the Fund, but have heard nothing from WTO except that they would like to discuss coherence during the Annual Meetings period. I believe that, as per your letter to Mr. Seade of October 4, we should just seek to delineate the activities of the Working Group and discuss procedure.

(A) Definition

The WTO agreement, Article III.5 states:

“With a view to achieving greater coherence in global economic policy making, the WTO shall cooperate, as appropriate, with the International Monetary Fund and with the International Bank for Reconstruction and Development and its affiliated agencies.”

Despite a large amount of talk about and strong commitment to coherence, the WTO has not yet offered any definition or suggestions about what it might entail. It is obviously for them to offer their own definition in their own time, but it seems useful for us to have something to offer for the meeting.

I can think of no better definition than that which the Fund is proposing in its preliminary (and also confidential) paper:

“to define the achievement of greater coherence in global policymaking as efforts by the three institutions, individually and collectively, to work towards harmonious implementation of their common and complementary objectives.”

In the terms of this definition, the institutions are already pursuing coherence, but one might accept that there is room to do more and that new issues will arise which fall under its rubrics. Three important aspects of the definition are that

- it avoids specifying a new set of objectives under the heading of coherence;
- it avoids introducing new standards against which “coherent” policies should be appraised; and
- it focuses on areas where the institutions have natural interfaces.

In operationalizing this definition we should also seek to keep coherence at the level of broad objectives and systemic issues, leaving matters surrounding the consistency of specific policy and advice under the rubric of the cooperation agreement.

The Bank and the WTO share one formal objective. The WTO is charged with “raising standards of living, ensuring full employment, and a large and steadily growing volume of real income and effective demand, and expanding production of and trade in goods and services,” while the Bank is enjoined to “promote the long range balanced growth of international trade... by assisting in raising productivity, the standard of living and conditions of labor in their territories.”

In addition, the WTO has two formal objectives which match very closely with the way in which the Bank interprets its role:

To allow “for the optimal use of the world’s resources in accordance with sustainable development, seeking both to protect and preserve the environment, ...

“to ensure that developing countries... secure a share in the growth in international trade commensurate with the needs of their economic development.”

In addition to these common objectives, the WTO’s and Bank’s roles are highly complementary in a number of dimensions:

Both are concerned with trade liberalization, the Bank with unilateral liberalization that need not be bound internationally, and the WTO with multilateral liberalization which must be bound.

The Bank sees the international trading system as an essential tool for development policy, while WTO sees it, more or less, as its *raison d’être*.

The Bank assesses a developing country’s trade policies in the course of its standard economic work and makes recommendations upon it, while the WTO undertakes an occasional formal review of international trade policy under its Trade Policy Review Mechanism.

Both institutions undertake a certain amount of technical assistance which generally is, and certainly should be, non-duplicative.

These common and complementary objectives leave plenty of scope for coherence discussions.

(B) Possible Issues for Bank-WTO Coherence Discussions

The following list comprises mainly the issues on which the Bank might seek WTO's assistance in attaining coherence. The section concludes, however, with one potentially sensitive issue of which we must be careful.

1. Export Prospects for Developing Countries

Many countries' development strategies depend on export growth. Although most of the responsibility for this falls on the developing country itself, the external environment sometimes looks rather hostile. Among the industrial country policies that give this impression are the long phase-out of the MFA, frequent anti-dumping actions, and high agricultural protection. These barriers are all sanctioned by WTO and the Bank would be helped in its mission if WTO could reduce the scope for them.

2. Developing Country Import Regimes

Developing country import regimes frequently entail undesirable policies that are WTO-consistent--e.g., QRs for safeguards and balance of payments purposes, and anti-dumping. The cover given to these policies by the GATT greatly complicates Bank efforts at rationalizing them. On the other hand, however, Bank activities aid WTO's mission in this area. Bank-led liberalizations improve access for exporters and offer significant strengthening of the trading system. The prohibition of cross-conditionality precludes the Bank from insisting that liberalizations be bound, but the Bank strongly promotes WTO membership.

In the context of membership, the negotiating aspect of the accession process can lead governments to postpone liberalizations in order, they claim, to keep some negotiating chips for that process. Similarly, some developing countries have held back unilateral liberalizations in anticipation of the Round. Clearer credit for liberal policies--for example, recognizing that binding a previous unilateral reduction of x% should be equivalent to binding a reduction of x% that is conditional on similar action by trading partners--would be useful.

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Several countries--especially those in transition--have export restrictions. The GATT is formally less concerned about these than about import restrictions and is, de

facto, rather relaxed about them. Again this hinders Bank efforts at rationalization in a vital area of policy.

4. **Regionalism**

Neither the WTO nor the Bank is a great fan of regional trading blocs but neither has completely castigated them. A coherent position would be very desirable if it could be devised. This could extend beyond trade preferences to matters of deeper integration, such as the harmonization of standards, tax coordination and factor movements.

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The Bank has a major interest and considerable experience in foreign direct investment and may wish to have an input into any future negotiations in WTO on an investment code. Similarly, the Bank has periodically advised countries on competition policy and would have an interest in any restrictions that WTO members sought to introduce in that area. Labor and environmental standards are issues which might threaten the liberal trading environment. The Bank would hope to be able to contribute directly to the debate in WTO in favor of liberalism and its developing country clients.

It is for WTO to define its own objectives under coherence, but I can think of one sensitive issue that might arise.

7. **Cross-conditionality**

There may be a temptation to view Bank and Fund conditionality as a means of aiding the implementation of the Uruguay Round. This is precluded by the prohibition of cross-conditionality. What is not precluded, but which some developing countries had apparently hoped to prevent, is that the Bank and the Fund go beyond the Uruguay Round, by, for example, suggesting an accelerated timetable on services liberalization. We must ensure that coherence and consistency do not prevent our doing this.

(C) Coherence Procedures

The Bank and WTO might pursue coherence at three levels. Day-to-day cooperation and the exploration of common interests at the conceptual level would rely on informal collaboration between working level staff of the two organizations. More strategic issues would be handled at periodic senior staff and Heads of Institution

meetings. It has already been agreed that there will be regular senior staff meetings (annually or perhaps more frequently at first) and the Heads of Institutions apparently intend to lunch together every quarter. The Board, and WTO equivalent, might be informed of the nature of these discussions and may offer advice on the issues concerned where appropriate, but I would not envisage an active role for them.

At the highest, ministerial, level issues of coherence may figure in certain meetings of the Development Committee, at which the Director-General of WTO might be invited to speak, and at the WTO's Ministerial Conference, which might be addressed by the Bank's President or his representative. We would expect to bring matters to this level only after full discussion at the other levels.

(D) Next Steps

The Working Party needs to devise a timetable and an operating procedure for itself. Given the seriousness of the issues it should not be rushed, but, on the other hand, it is desirable that these issues be resolved in the relatively near future. I suggest the following two fixed points:

(a) An agreed agenda should be produced by April 1996. I suggest that the principals ask their deputies to present a draft discussion agenda by March 1996 for final discussion and formal adoption in April around the time of the Spring Development Committee. The deputies might exchange preliminary drafts by, say, December.

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October 17, 1995

Note to Ms. Rachel Lomax

Rachel,



Reply to Mr. Ruggiero's Letter on Net Food Importing Countries
and the Uruguay Round

The attached reply comprises:

a brief personal letter from Mr. Wolfensohn to Mr. Ruggiero summarizing our position;

a note spelling out the position slightly more fully and answering Mr. Ruggiero's questions directly; and

an appendix to the note describing the Bank's response to food price rises in general, included largely to demonstrate our concern for net food importers even though we think the Uruguay Round will hardly affect them.

We have disaggregated the reply in this way in order to make the letter more personal while giving Mr. Ruggiero a policy note he can circulate to his Committee on Agriculture. We have titled the note, however, to make it specific to this correspondence rather than appear as a free-standing policy note.


Masood Ahmed

cc: Messrs. Michael Bruno, Alan Winters

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

JAMES D. WOLFENSOHN
President

October 17, 1995

Mr. Renato Ruggiero
Director-General
World Trade Organization
Geneva
SWITZERLAND

Dear Renato:

Thank you for your letter of 5 October regarding the Uruguay Round Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food Importing Countries.

The Bank is, as a matter of course, attentive to the problems of the Net Food Importers, monitoring their situation both in the context of world grain markets and through its regular country dialogue. It recognizes that increases in world food prices both raise the financing needs of net food importing countries, and create new opportunities for investment that will contribute to their longer-term development.

Overall, however, we do not expect the Uruguay Round to have a large impact on world food prices, so that given the current range of borrowing facilities and the Bank's current lending headroom, we are confident that we can meet any Round-related demand for adjustment lending on IBRD terms. The Bank's ability to assist the poorest countries on concessional terms, on the other hand, will depend upon the willingness of member governments to replenish IDA. Unless donor countries maintain a reasonable level of support for IDA, the Bank's ability to assist poor countries facing serious adjustment pressures from food price rises, or any other causes, will be severely diminished.

The attached brief statement sets out the Bank's position a little more fully and answers your four specific questions directly. Among the points it makes is the value I place on the co-operation between the Bank and WTO on this and other matters.

Mr. Renato Ruggiero

-2-

October 17, 1995

Please contact me if you or the Committee on Agriculture would like more information on the analyses prepared by the Bank on the implications of the Round on world food prices, food aid or the welfare of the net food importing countries.

Looking forward to our next meeting.

Sincerely yours,

James D. Wolfensohn

Attachments

Mr. Renato Ruggiero

-3-

October 17, 1995

bcc: Messrs./Mme. Lomax, Horiguchi (EXC), Bruno (DECVP), Shakow (OPRDR),
Ahmed, Winters (IEC)

Mme. Aniba (EXC)

WMartin/LAWinters:akw

**The World Bank's Contribution to Follow-up on the Uruguay Round Decision
on Measures Concerning the Possible Negative Effects of the
Reform Programme on Least-Developed and
Net Food Importing Countries.**

Response to Mr. Ruggiero's Questions of 5 October, 1995

The World Bank is attentive to the problems of the Net Food Importers, monitoring their situation both in the context of world grain markets and through its regular country dialogue. It recognizes that increases in world food prices both raise the financing needs of net food importing countries and create new opportunities for investment that will contribute to their longer-term development. It is important to note, however, that, based on analysis conducted within the Bank, the WTO and other organizations, the Bank believes that the impact of the Uruguay Round on world food prices will be very small, especially relative to their normal fluctuations.¹

Given the small size of the shock and the Bank's substantial headroom above current IBRD loans outstanding, it seems clear that the Bank will be in a position to meet any conceivable demand generated by the Round for loans on IBRD terms. Its ability to assist the poorest countries on concessional terms, on the other hand, will depend upon the willingness of member governments to replenish IDA. Unless donor countries maintain support for IDA, the Bank's ability to assist poor countries facing serious adjustment pressures from food price rises, or any other causes, will be severely diminished.

¹ The recent sharp increases in world grain prices are not due to the Uruguay Round, deriving, instead, from factors such as crop failures and low stock levels.

The Bank's responses to the four specific questions posed in Mr. Ruggiero's letter of 5 October, 1995, are as follows:

(i) In general, the priority that a country receives for World Bank lending is determined by its overall need and the contribution that the Bank can make to its long term development. These are assessed paying regard to both country-specific and global factors. For example, if as a result of the conclusion of the Uruguay Round a country were to undertake a sound liberalization of its agricultural or trade policies, and if it required assistance in dealing with the resulting transition costs, support would be forthcoming because of the contribution of liberalization to development.

(ii) The conditionality associated with World Bank lending is designed to facilitate the successful outcome and high development impact of the project or policy reform in question. Thus relaxing or waiving conditionality is more likely to hinder than to help economic and social development. Conditionality is central to achieving effective adjustment, and the Bank should lend only against sound projects and effective adjustment programs.

(iii) The range of facilities available from the World Bank, the International Monetary Fund and the World Food Program is summarized

in the appended paper on "Coping with Rising World Grain Prices."

Given this range, it does not seem necessary to establish a special Uruguay Round adjustment facility. Even though there may be important impacts of the Round on particular net food importing countries, these will become evident in the context of the Bank's ongoing dialogues with member countries and the total borrowing needs they give rise to are likely to be very small relative to the potential lending of the international financial institutions. Moreover, any funds allocated to such a special facility would necessarily be subtracted from those available for the countries with the greatest overall need.

(iv) The World Bank welcomes dialogue with the WTO on identifying areas in which they can be of assistance to Bank member countries. In terms of immediate co-operation, it places particular value on the collaborative research currently being discussed by staff of the Bank and the WTO Secretariat on the implications of the Uruguay Round for Africa--a region where net food importing problems loom particularly large.

COPING WITH RISING WORLD GRAIN PRICES¹

World grain prices have risen sharply over the last several months and further price increases are possible because of low world stocks and poor growing conditions in several major producing regions. High prices are expected to last for the next year and possibly the next two years. The price increases will significantly raise import costs for many countries. For example, the cost of wheat imports in 1995 would rise by 60% from 1994 levels based on recent price increases and lower export subsidies from major exporters. This note discusses issues and options to assist countries to deal with the situation.

Introduction

An unusual combination of events have come together to make grain prices rise sharply this year. These events include: (i) the lowest level of world grain stocks relative to consumption since 1974; (ii) higher fertilizer prices during the recent planting season in the northern hemisphere which will reduce yields; and (iii) a poor start to the growing season in the United States, China, and Russia. This situation occurs at a time when a drought has reduced food production by nearly one-third in some countries in southern Africa; many of the Republics of the FSU are relying on food aid to offset collapsing food production; and food aid availability is declining.

Wheat prices have increased from \$3.42/bushel in March to a recent high of \$4.85 for December futures, an increase of 42 percent. Corn futures prices have increased from \$2.55/bushel in March to \$3.00. Rice prices have increased by \$40/ton in just the last month due to strong demand and low rice stocks for export in Asia. Further price increases can be expected if the growing conditions do not dramatically improve. Current price increases will lead to higher import costs for many countries and higher prices will also reduce the availability of export subsidies from major exporters. For example, the f.o.b. price of US wheat has increased from \$140/ton in March 1994 to \$159/ton in June 1995 and the US export subsidy has declined from \$49/ton to \$14/ton.

This note is intended to provide information about programs available from the IMF, the World Bank and the World Food Programme to deal with a sharp rise in grain prices such as we are now experiencing. These facilities should be relied upon to assist countries to cope with rising grain import costs rather than allowing countries to pursue policies which can cause longer term damage to investment programs and economic growth, such as export restrictions, or to allow hunger and malnutrition to increase.

¹ Technical staffs from the World Food Program (WFP), the Food and Agriculture Organization of the United Nations (FAO), the International Monetary Fund (IMF), and the World Bank (WB) have formed an informal coordinating committee to monitor the situation. This note was prepared by Hans Binswanger (AGRDR) and Donald Mitchell (IECCP) under the direction of Alex McCalla (AGRDR). Numerous staff from the WB, IMF, FAO and WFP commented or contributed to this note, but any errors or omissions are the responsibility of the authors.

Which Countries Will Be Most Affected

Nearly all developing countries import grain and will be affected. At this stage the price increases have been largest in wheat and those countries who import wheat will be most affected. However, maize and rice prices have also begun to increase and are expected to continue increasing. Beyond the general increase in import costs, those countries which also have production problems will be severely affected. (FAO's estimates of import requirements for individual countries are attached to this document.)

The early warning systems of FAO and USDA indicate that countries in southern Africa and northern Africa have severe problems this year. The most severe production problems are in southern Africa where widespread drought has adversely affected foodcrop production according to FAO/WFP Crop and Food Supply Assessment Missions. The aggregate 1995 cereal output in the 11 Southern Africa Development Community (SADC) member countries is estimated to be about one-third below the previous year's harvest and 20 percent below normal. Production in northern Africa is also poor with the winter grain crop now being harvested expected to be sharply below average in Morocco and Tunisia, while Algeria expects an above normal crop and Egypt expects to harvest a record crop. Morocco has been hit by the worst drought in decades according to the FAO.

Policies to Insure Food Access of the Poor During a Spike

Poor consumers spend over 70 percent of their income on food in many low income countries. In such countries, it is appropriate to partially insulate the poor from the international food price rises or compensate their purchasing power to insure access to food and prevent hunger. Appropriate domestic mechanisms could include employment generation programs or well targeted food subsidies for the poor. Government held food stocks could be released into the market in order to limit price rises and the government could partially finance imports. Food availability can also be increased via additional concessional imports or food aid. Unfortunately a commodity boom often reduces the quantity of food aid available. Where prices of other tradable foods which are important to the poor, such as sugar, are protected, trade could be liberalized to reduce domestic prices and provide a compensating increase in purchasing power. If such options and programs are not used, countries are likely to resort to more drastic means, such as export restrictions, or subsidization of food prices with adverse macroeconomic consequences.

Care must be taken in short-term food price spikes to make sure that both purchasing power of the poor and the food supply are increased simultaneously. If purchasing power alone is increased (e.g. through food stamps), then food prices will inflate and the consumption effect will be minimal. If food supply alone is increased (through commercial imports or monetized food aid), prices may not rise but the poor will still lack the purchasing power to buy the food.

Food Aid

Food aid is available to help some countries which suffer a severe drought or other problems which create a food import requirement. However, the quantities of food aid are not sufficient to meet the import needs of many countries. In 1994, only 5 percent of world grain imports were shipped as food aid. Among developing countries, food aid provided 11 percent of grain imports. Most of the food aid is being used for refugee and emergency relief, which reduces food aid available to help countries experiencing droughts or countries with greater than normal need due to rising world market prices.

Food aid is distributed through bilateral and multilateral channels, with bilateral deliveries typically accounting for about two-thirds of food aid and the remaining deliveries through multilateral channels. The World Food Programme accounts for most of the food aid delivered through multilateral channels. In 1994, the World Food Programme delivered 4.0 million tons, of which 1.5 million tons were procured in developing countries. The WFP also handles the shipment of food for many bilateral donors on a contract basis. The availability of food aid this year and for the foreseeable future is expected to decline due to budget reductions of the major donors.

IMF Assistance in the Event of a Cereal Price Shock

The IMF is the lead organization in providing balance of payments financing, including increases in the cost of cereal imports. The IMF has two basic modes of providing financial assistance to member countries in the event they experience balance of payments difficulties resulting from a rise in international cereals prices: a) the Compensatory and Contingency Financing Facility (CCFF) and b) Fund arrangements.

Compensatory and Contingency Financing Facility (CCFF)

The CCFF is a special facility that provides financial assistance to members experiencing balance of payments difficulties arising from shortfalls in export receipts or excess cereal import costs. Recent purchases under the cereal element of the CCFF have been made by Algeria, Moldova, and South Africa. The "response time" for a case involving a CCFF purchase request could be as quick as two or three months and a purchase can be in anticipation of a projected excess in cereal import costs.

To qualify for compensatory financing, the excess in cereal import costs must be temporary, largely beyond the control of the member, and result in a need for balance of payments financing. The allowable amount of a purchase request under the CCFF is the lesser of the compensable cereal import cost excess and the applicable access limit under the facility. The compensable excess is the amount by which the value of cereal imports in the "excess year" exceeds the arithmetic average of the value of cereal imports for the five-year period centered

on the excess year. Access limits under the facility vary depending on whether the member's balance of payments difficulties extend beyond the source of the shock and whether the member has a satisfactory record of cooperation with the Fund. If the member's balance of payments position is satisfactory apart from the excess cereal import costs, access under the cereal element is up to 65 percent of the member's quota. If the member's balance of payments difficulties extend beyond the excess cereal import costs, access is limited to 15-35 percent of quota, depending on the member's record of cooperation with the Fund and the strength of the member's economic policies.

Repurchase terms and charges under the CCFF are the same as those under the credit tranches: Repurchases are due 3¼ to 5 years after a purchase is made, and the rate of charge is equal to the rate of charge on the Fund's general resources, currently about 5 percent per annum. Purchases under the CCFF are additional to resources available under Fund arrangements.

Fund Arrangements

Balance of payments assistance can also be provided under stand-by or extended arrangements and, for low income countries, under the Enhanced Structural Adjustment Facility (ESAF), which provides resources on concessional terms. Fund arrangements can provide for flexibility in the case of unanticipated external terms of trade shocks, such as higher prices for cereal imports, through the inclusion of a contingency mechanism and/or through augmentation of access under an arrangement.

Contingency mechanisms normally provide for a combination of financing and adjustment in policies in the event of unanticipated exogenous developments. For example, in the case of higher-than-programmed import costs owing to a sharp rise in world cereals prices, a program could allow for automatic adjustment in program targets to accommodate all or some proportion of the increased import costs. The Fund's Executive Board has stressed the importance of greater use of contingency mechanisms to protect programs against adverse shocks (as well as to preserve some of the gains of favorable shocks). Since 1990, such mechanisms have been included in ten ESAF arrangements. Of these, Lesotho had a contingency mechanism related to cereal import costs.

The Fund also stands ready to consider augmenting access under Fund arrangements on a timely basis, when appropriate, to help countries meet adverse exogenous shocks. In such a case, the country authorities and the Fund would reassess the adjustment and financing needs as the program unfolds, either at the time of a mid-term review or at the request of the member. In reviewing access, the availability of additional donor financing (including food aid) to cope with the shocks is taken into account. Thus far, there have been seven cases of augmentation access under ESAF arrangements, including for Mozambique in 1992 related to maize imports.

World Bank Assistance with Food Availability

The Bank can also assist in increasing the financing capacity of countries to import foods, but its role is usually a subsidiary one to the IMF. The Bank has been able to facilitate overcoming food shortages or high food prices in a number of ways. This is not outside its mandate, especially not in cases where a country needs to import food because of a specific combination of events, and where failure to do so can derail hard-won improvements in macro-economic management and sectoral policies.

The most common Bank action in the face of food shortages caused by drought has been to modify project expenditures in order to facilitate a country's capacity to deal with a drought. In this case, the government and the Bank agree to reallocate funds in existing projects to finance actions needed to respond to the drought. In most cases, this does not include direct purchase of food, but since the funds are often in foreign exchange, which is fungible, governments are often able to indirectly use the funds to finance food. More often the funds are used to finance transport, storage, spare parts, water supply or other uses important to the movement or utilization of food. Examples of this were common in the Bank's response to the southern Africa drought in 1992.

Economic Recovery Loans (ERLs) often come after the event, but are usually used to finance transport, seeds, fertilizer, etc. which facilitate the capacity of the country or affected farmers to prepare for the following year's crop. Such loans or credits have been used in Ethiopia, Kenya, Somalia and Sudan. They were used during the 1974 and 1985 droughts in the Sahel and Horn of Africa.

The sizeable Economic Recovery Credit for Zimbabwe, as a part of the Bank's response to the 1992 drought (\$200 million, combined with other funds reallocations to total roughly \$350 million) was used to deal with multiple elements of the response to the drought. Probably the major contribution of the Bank's total financing for that operation, however, was that it provided balance of payment support (at least indirectly) that enabled government to do many things, including import food that were not an explicit part of the project. In fact, a major motivation for the Bank's action was to sustain the structural adjustment program that was just starting.

A very important benefit of Bank actions has not been the direct elements financed, but the indirect element of providing balance of payments support, which enables countries to import food, medicine and other essentials, which are often driven out by the loss of exports and need for emergency imports, which characterize drought periods or international food price spikes.

Also, the Bank could structure many of its projects, especially in agriculture and in drought-prone areas, so that they could be expanded or modified to help the project area cope with the drought. There could be specific project components that would only be activated in case of droughts. This would enable a country to begin to act at the early stages of the drought and stay with the local communities throughout the drought. Most of our projects tend to be wiped out,

or seriously set back by droughts (Sudan is an example).

Finally, an important action the Bank can take in the future is to build drought planning into its country strategies in countries where droughts are relatively frequent. In such cases, the Bank should have a clear policy about what preparation it will support before these events occur, what it will do in the case of droughts of different magnitudes, and what it will do for recovery. At present, most Bank concern is with the latter. Droughts are treated as an unexpected event which they are not in many drought-prone countries. In fact, growth projections for such countries should consider the impact of droughts.

World Food Programme Assistance

The World Food Programme, the food aid arm of the United Nations, responds to emergency needs caused by food price hikes or other disruptions in food supply and access. WFP works to combat acute hunger by organizing fast delivery of relief food to people affected by natural or human disasters and promotes long-term development in poorest countries by supplying targeted food aid in support of activities to enhance human resources and physical infrastructure.

To prevent hunger and starvation, WFP stands ready to identify needs, and in collaboration with host governments and other agencies, to help supply food to distressed populations at the outset of an emergency. This can be achieved through the distribution of emergency food rations to targeted populations, implementation of supplementary feeding programmes, assistance in drawing down emergency food reserves, and/or in the form of (food) wages transferred to participants of labour-intensive work projects.

WFP also devotes equal attention to the importance of laying the foundation for longer-term development, by fostering conditions for human and capital asset enhancement during and after major emergencies. In many countries, the return and resettlement of refugees and internally displaced people is dependent on WFP assistance. Labour-intensive work programmes support the reconstruction of infrastructure, the restoration of basic services and training activities that promote greater food security and self-reliance.

Donor Coordination

An important contribution in times of impending emergency, such as the drought in Southern Africa in 1992-93 is the willingness of institutions, such as the World Bank, WFP, FAO, SADAC, USAID and the United Nations High Commission for Refugees (UNHCR) to move quickly and to coordinate their efforts. In the face of the impending 1992 drought in Southern Africa, all of these agencies sent early assessment teams to the Southern Africa region to assess the situation, determine the nature of the food and financial resources necessitated by the drought, to analyze the logistical problems and capabilities of the affected countries, and to

organize timely donor meetings to ensure the projects were in place and that the needed resources were available.

As a result of their joint efforts--which reflected a willingness by countries and agencies to shorten and coordinate their individual actions in an effort to match the Regional problem with an appropriate response--more than ten million tons of additional food and over \$800 million in financial resources were put in place in advance of the worst impacts of the drought. As a result, the 1992 drought, while it had serious adverse effects on Southern Africa, did not result in famine. Few if any lives were lost as a direct result of the drought.

The importance of early and effective coordination is as much attitudinal as it is process. Agencies need to reinforce existing processes by quick and accurate assessments and a willingness to subordinate processes and procedures to the need for early and effective actions. In the case of the South African drought, the World Bank was prepared to put its staff and financial resources at the service of higher coordinated responses and to support and advise the actions of others.

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ESTIMATED IMPORT REQUIREMENTS OF CEREALS: LOW-INCOME FOOD-DEFICIT Countries 1/(Thousand tons)

(a) Estimates for 1994/95 or 1995

COUNTRY	Marketing year	1993/94 or 1994			1994/95 or 1995			
		Actual imports			Total import requirements (excluding re-exports)	Import position		
		Commercial purchases	Food aid	Total commercial and aid		Total commercial and aid	Food aid allocated committed or shipped	Commercial purchases
AFRICA		18 229.3	4 309.7	22 539.0	20 750	18 865.7	3 150.8	15 714.9
Northern Africa		10 777.0	325.9	11 102.9	10 605	10 698.2	226.4	10 471.8
Egypt	July/June	7 921.2	181.7	8 102.9	8 505	8 598.2	158.8	8 439.4
Morocco	July/June	2 855.8	144.2	3 000.0	2 100	2 100.0	67.6	2 032.4
Eastern Africa		2 299.5	2 173.8	4 473.3	2 859	2 129.0	1 235.5	893.5
Burundi	Jan/Dec.	29.9	96.0	125.9	46	12.9	12.9	0.0
Comoros	Jan/Dec.	36.9	6.1	43.0	44	4.6	2.3	2.3
Djibouti	Jan/Dec.	113.8	10.6	124.4	82	20.9	8.9	12.0
Eritrea	Jan/Dec.	83.0	287.2	370.2	50	29.6	29.6	0.0
Ethiopia 2/	Jan/Dec.	53.0	923.1	976.1	964	495.9	495.8	0.1
Kenya	July/June	1 365.8	300.4	1 666.2	290	586.6	156.1	430.5
Rwanda	Jan/Dec.	0.0	199.4	199.4	131	220.7	220.7	0.0
Somalia	July/June	34.1	88.0	122.1	295	136.7	66.4	70.3
Sudan	Nov./Oct.	445.4	219.2	664.6	475	137.0	55.4	81.6
Tanzania	June/may	118.6	19.3	137.9	435	434.8	145.9	288.9
Uganda	Jan/Dec.	19.0	24.5	43.5	47	49.3	41.5	7.8
Southern Africa		1 031.9	952.2	1 984.1	2 651	2 710.7	973.8	1 736.9
Angola	April/March	59.9	193.1	253.0	560	560.0	296.7	263.3
Lesotho	April/March	214.3	28.1	242.4	204	204.0	32.0	172.0
Madagascar	Jan/Dec.	81.4	33.2	114.6	178	200.4	23.4	177.0
Malawi	April/March	84.3	160.8	245.1	493	492.0	279.7	212.3
Mozambique	May/April	109.7	437.8	547.5	600	600.0	324.2	275.8
Swaziland	May/April	47.1	22.0	69.1	76	76.0	8.7	67.3
Zambia	May/April	2.9	8.8	11.7	390	390.0	3.9	386.1
Zimbabwe	April/March	432.3	68.4	500.7	150	188.3	5.2	183.1
Western Africa		3 470.2	744.9	4 215.1	4 092	2 869.5	607.6	2 261.9
Coastal countries		2 330.4	502.1	2 832.5	2 693	2 251.7	357.0	1 894.7
Benin	Jan/Dec.	80.5	17.4	97.9	96	98.5	12.3	86.2
Cote d'Ivoire	July/June	332.8	47.6	380.4	500	500.0	62.3	437.7
Ghana	Oct./Sept.	169.6	141.6	311.2	275	274.5	91.8	182.7
Guinea	Jan/Dec.	121.4	85.6	207.0	182	14.1	0.0	14.1
Liberia	Jan/Dec.	31.4	168.4	199.8	240	176.0	165.0	11.0
Nigeria	July/June	1 383.4	0.0	1 383.4	1 100	1 100.0	0.0	1 100.0
Sierra Leone	Jan/Dec.	125.1	34.0	159.1	172	44.4	22.5	21.9
Togo	Jan/Dec.	86.2	7.5	93.7	128	44.2	3.1	41.1
Sabelian countries		1 139.8	242.8	1 382.6	1 399	617.8	250.6	367.2
Burkina Faso	Nov./Oct.	122.6	35.5	158.1	110	52.0	42.5	9.5
Cape Verde	Jan/Dec.	24.9	64.0	88.9	90	88.3	83.4	4.9
Chad	Nov./Oct.	78.7	13.2	91.9	50	25.9	22.7	3.2
Gambia	Nov./Oct.	69.0	5.5	74.5	74	19.2	4.0	15.2
Guinea Bissau	Jan/Dec.	49.1	3.9	53.0	65	12.0	6.3	5.7
Mali	Nov./Oct.	62.5	23.6	86.1	60	13.2	11.8	1.4
Mauretania	Nov./Oct.	161.4	46.3	207.7	190	127.4	45.8	81.6
Niger	Nov./Oct.	84.5	24.0	108.5	90	41.2	18.6	22.6
Senegal	Nov./Oct.	487.1	26.8	513.9	670	238.6	15.5	223.1
Central Africa		650.7	112.9	763.6	543	458.3	107.5	350.8
Cameroon	July/June	370.7	2.7	373.4	210	210.0	2.9	207.1
Cent.-Afr.Rep.	Sept./Aug.	33.8	1.2	35.0	30	11.3	0.8	10.5
Congo	July/June	80.7	1.7	88.4	90	90.0	33.9	56.1
Eq. Guinea	Jan/Dec.	7.2	2.8	10.0	11	3.3	3.3	0.0
Sao Tome	Jan/Dec.	1.8	8.4	10.2	12	4.7	2.5	2.2
Zaire	Jan/Dec.	150.5	96.1	246.6	190	139.0	64.1	74.9

ESTIMATED IMPORT REQUIREMENTS OF CEREALS: LOW-INCOME FOOD-DEFICIT Countries 1/(Thousand tons)

(a) Estimates for 1994/95 or 1995 (cont.d)

COUNTRY	Marketing year	1993/94 or 1994			1994/95 or 1995			
		Actual imports			Total import requirements (excluding re-exports)	Current import position		
		Commercial purchases	Food aid	Total commercial and aid		Total commercial and aid	Food aid allocated committed or shipped	Commercial purchases
ASIA		28 856.7	1 879.1	30 735.8	41 833	41 633.0	2 074.1	39 558.9
Afghanistan	July/June	1 015.4	64.6	1 080.0	1 150	1 150.0	151.7	998.3
Bangladesh	July/June	545.9	654.1	1 200.0	2 411	2 411.0	963.8	1 447.2
Bhutan	July/June	29.0	1.0	30.0	32	32.2	0.2	32.0
Cambodia	Jan./Dec.	150.2	29.8	180.0	200	69.9	64.0	5.9
China 3/	July/June	14 144.8	119.2	14 264.0	23 000	23 003.2	22.0	22 779.2
India	July/June	266.8	295.2	562.0	150	177.0	98.0	79.0
Indonesia	April/March	3 012.4	97.5	3 109.9	3 940	5 215.0	32.2	5 182.8
Jordan	July/June	1 345.1	220.9	1 566.0	1 717	1 717.0	128.8	1 588.2
Laos	Jan./Dec.	193.7	12.3	206.0	70	0.8	0.8	0.0
Maldives	Jan./Dec.	49.9	1.4	51.3	36	4.4	0.0	4.4
Mongolia	Oct./Sept.	0.0	25.0	25.0	140	12.7	11.7	1.0
Nepal	July/June	52.5	14.5	67.0	137	137.0	14.7	122.3
Pakistan 4/	May/April	2 215.0	0.0	2 215.0	2 500	2 500.0	21.8	2 478.2
Philippines	July/June	2 278.0	45.8	2 323.8	2 500	2 526.7	108.7	2 418.0
Sri Lanka	Jan./Dec.	853.8	209.8	1 063.6	1 200	651.5	141.1	510.4
Syria	July/June	932.8	59.4	992.2	690	690.0	45.4	644.6
Yemen	Jan./Dec.	1 771.4	28.6	1 800.0	1 960	1 334.6	67.2	1 267.4
CENTRAL AMERICA		2 125.3	680.7	2 806.0	3 085	2 628.3	272.6	2 355.7
Dominican Rep.	Jan./Dec.	1 156.8	1.7	1 158.5	868	499.0	2.5	496.5
El Salvador	Aug./July	283.1	80.4	363.5	477	363.5	18.0	345.5
Guatemala	July/June	211.5	299.6	511.1	588	593.8	108.0	485.8
Haiti	July/June	146.0	112.2	258.2	402	412.7	39.0	373.7
Honduras	July/June	223.8	124.7	348.5	513	514.0	95.4	418.6
Nicaragua	July/June	104.1	62.1	166.2	237	245.3	9.7	235.6
SOUTH AMERICA		2 960.8	253.5	3 214.3	2 587	1 275.8	163.0	1 112.8
Bolivia	July/June	144.2	198.3	342.5	329	335.0	145.6	189.4
Colombia	Jan./Dec.	2 205.4	42.6	2 248.0	1 798	758.6	0.0	758.6
Ecuador	Jan./Dec.	611.2	12.6	623.8	460	182.2	17.4	164.8
OCEANIA		330.0	0.0	330.0	274	17.0	0.0	17.0
Kiribati	Jan./Dec.	7.0	0.0	7.0	7	0.0	0.0	0.0
Papua New Guinea	Jan./Dec.	278.9	0.0	278.9	223	14.2	0.0	14.2
Samoa	Jan./Dec.	15.0	0.0	15.0	15	0.2	0.0	0.2
Solomon Isl.	Jan./Dec.	19.0	0.0	19.0	19	2.5	0.0	2.5
Tuvalu	Jan./Dec.	1.0	0.0	1.0	1	0.0	0.0	0.0
Vanuatu	Jan./Dec.	9.1	0.0	9.1	9	0.1	0.0	0.1
EUROPE / CIS 5/ 6/		7 667.0	1 752.0	9 419.0	7 056	7 098.0	2 136.0	4 962.0
Armenia	July/June	182.0	258.0	440.0	477	477.0	463.0	14.0
Albania	July/June	0.0	472.0	472.0	310	310.0	34.0	276.0
Azerbaijan	July/June	681.0	47.0	728.0	670	670.0	366.0	304.0
Georgia	July/June	377.0	478.0	855.0	722	722.0	677.0	45.0
Kyrgyz Republic	July/June	275.0	165.0	440.0	333	333.0	124.0	209.0
Lithuania	July/June	136.0	0.0	136.0	25	25.0	0.0	25.0
Moldova	July/June	188.0	110.0	298.0	435	477.0	252.0	225.0
Macedonia, FYR	July/June	160.0	50.0	210.0	240	240.0	46.0	194.0
Romania	July/June	1 326.0	0.0	1 326.0	260	260.0	0.0	260.0
Tajikistan	July/June	717.0	83.0	800.0	409	409.0	124.0	285.0
Turkmenistan	July/June	682.0	89.0	771.0	570	570.0	50.0	520.0
Uzbekistan	July/June	2 943.0	0.0	2 943.0	2 605	2 605.0	0.0	2 605.0
TOTAL		60 169.1	8 875.0	69 044.1	75 585	71 517.8	7 796.5	63 721.3

SOURCE: FAO

1/ Includes food deficit countries with per capita income below the level used by the World Bank to determine eligibility for IDA assistance (i.e. U.S.\$ 1345 in 1993), which is in accordance with the guidelines and criteria agreed to by the CFA, should be given priority in the allocation of food aid. 2/ Includes refugee needs.

3/ Includes import requirements of Taiwan Province. 4/ Excludes Afghan refugee requirements. 5/ Classified as LIFD countries as of January 1995. 6/ Data include intratrade between the Republics.

ESTIMATED IMPORT REQUIREMENTS OF CEREALS: LOW-INCOME FOOD-DEFICIT Countries 1/(Thousand tons)

(b) 1995/96 estimates for LIFD countries which have entered the 1995/96 marketing year

COUNTRY	Marketing year	1994/95 or 1995			1995/96			
		Actual imports			Total import requirements (excluding re-exports)	Import position		
		Commercial purchases	Food aid	Total commercial and aid		Total commercial and aid	Food aid allocated committed or shipped	Commercial purchases
AFRICA		14 729.0	1 601.3	16 330.3	17 675	667.6	515.9	151.7
Northern Africa		10 471.8	226.4	10 698.2	11 760	84.8	84.8	0.0
Egypt	July/June	8 439.4	158.8	8 598.2	7 750	84.8	84.8	0.0
Morocco	July/June	2 032.4	67.6	2 100.0	4 010	0.0	0.0	0.0
Eastern Africa		719.4	302.0	1 021.4	1 184	12.2	12.2	0.0
Kenya	July/June	430.5	156.1	586.6	1 075	8.2	8.2	0.0
Tanzania	June/May	288.9	145.9	434.8	109	4.0	4.0	0.0
Southern Africa		1 736.9	973.8	2 710.7	2 761	512.7	361.0	151.7
Angola	April/March	263.3	296.7	560.0	560	115.7	109.1	6.6
Lesotho	April/March	172.0	32.0	204.0	297	1.0	1.0	0.0
Madagascar	April/March	177.0	23.4	200.4	146	13.5	13.5	0.0
Malawi	April/March	212.3	279.7	492.0	180	100.2	92.3	7.9
Mozambique	May/April	275.8	324.2	600.0	446	116.9	111.6	5.3
Swaziland	May/April	67.3	8.7	76.0	93	6.9	0.0	6.9
Zambia	May/April	386.1	3.9	390.0	589	24.5	24.5	0.0
Zimbabwe	April/March	183.1	5.2	188.3	450	134.0	9.0	125.0
Western Africa		1 537.7	62.3	1 600.0	1 600	36.1	36.1	0.0
Coastal countries		1 537.7	62.3	1 600.0	1 600	36.1	36.1	0.0
Côte d'Ivoire	July/June	437.7	62.3	500.0	500	36.1	36.1	0.0
Nigeria	July/June	1 100.0	0.0	1 100.0	1 100	0.0	0.0	0.0
Central Africa		263.2	36.8	300.0	370	21.8	21.8	0.0
Cameroon	July/June	207.1	2.9	210.0	280	0.0	0.0	0.0
Congo	July/June	56.1	33.9	90.0	90	21.8	21.8	0.0
ASIA		37 769.8	1 789.3	39 559.1	37 349	3 129.0	620.0	2 509.0
Afghanistan	July/June	998.3	151.7	1 150.0	1 250	252.1	2.1	250.0
Bangladesh	July/June	1 447.2	963.8	2 411.0	2 050	0.0	0.0	0.0
Bhutan	July/June	32.0	0.2	32.2	32	0.0	0.0	0.0
China 3/	July/June	22 779.2	224.0	23 003.2	21 175	1 613.5	91.3	1 522.2
India	July/June	79.0	98.0	177.0	150	268.9	268.9	0.0
Indonesia	April/March	5 182.8	32.2	5 215.0	5 735	281.1	14.5	266.6
Jordan	July/June	1 588.2	128.8	1 717.0	1 610	385.2	115.0	270.2
Nepal	July/June	122.3	14.7	137.0	137	7.3	7.3	0.0
Pakistan 4/	May/April	2 478.2	21.8	2 500.0	2 200	104.2	104.2	0.0
Philippines	July/June	2 418.0	108.7	2 526.7	2 400	211.2	11.2	200.0
Syria	July/June	644.6	45.4	690.0	610	5.5	5.5	0.0
CENTRAL AMERICA		1 513.7	252.1	1 765.8	1 466	378.5	378.5	0.0
Guatemala	July/June	485.8	108.0	593.8	540	119.0	119.0	0.0
Haiti	July/June	373.7	39.0	412.7	401	95.2	95.2	0.0
Honduras	July/June	418.6	95.4	514.0	350	99.6	99.6	0.0
Nicaragua	July/June	235.6	9.7	245.3	175	64.7	64.7	0.0
SOUTH AMERICA		189.4	145.6	335.0	300	82.7	82.7	0.0
Bolivia	July/June	189.4	145.6	335.0	300	82.7	82.7	0.0
EUROPE / CIS 5/ 6/		4 962.0	2 136.0	7 098.0	6 615	154.0	154.0	0.0
Armenia	July/June	14.0	463.0	477.0	450	0.0	0.0	0.0
Albania	July/June	276.0	34.0	310.0	310	0.0	0.0	0.0
Azerbaijan	July/June	304.0	366.0	670.0	663	4.0	4.0	0.0
Georgia	July/June	45.0	677.0	722.0	560	2.0	2.0	0.0
Kyrgyz Republic	July/June	209.0	124.0	333.0	352	58.0	58.0	0.0
Lithuania	July/June	25.0	0.0	25.0	30	0.0	0.0	0.0
Moldova	July/June	225.0	252.0	477.0	155	52.0	52.0	0.0
Macedonia, FYR	July/June	194.0	46.0	240.0	240	0.0	0.0	0.0
Romania	July/June	260.0	0.0	260.0	260	0.0	0.0	0.0
Tajikistan	July/June	285.0	124.0	409.0	590	38.0	38.0	0.0
Turkmenistan	July/June	520.0	50.0	570.0	500	0.0	0.0	0.0
Uzbekistan	July/June	2 605.0	0.0	2 605.0	2 505	0.0	0.0	0.0
TOTAL		59 163.9	5 924.3	65 088.2	63 453	4 411.8	1 751.1	2 660.7

(for footnotes, please see page 48)

0517

THE WORLD BANK GROUP

ROUTING SLIP		DATE: October 16, 1995	
NAME		ROOM. NO.	
Mr. Michael Bruno		FAX 21158	
<input type="checkbox"/>	URGENT	<input checked="" type="checkbox"/>	PER YOUR REQUEST
<input type="checkbox"/>	FOR COMMENT	<input type="checkbox"/>	PER OUR CONVERSATION
<input type="checkbox"/>	FOR ACTION	<input type="checkbox"/>	NOTE AND FILE
<input checked="" type="checkbox"/>	FOR APPROVAL/CLEARANCE	<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FOR SIGNATURE	<input type="checkbox"/>	PREPARE REPLY
<input type="checkbox"/>	NOTE AND CIRCULATE	<input type="checkbox"/>	NOTE AND RETURN
RE: Draft response to Mr. Ruggiero's letter of 10/5/95 to Mr. Wolfensohn			
REMARKS:			
Please see attached.			
FROM L. Alan Winters		ROOM NO. R2-033	EXTENSION 33845

N.B. EXC 03480 &
 " 03781 are
 the same letter
 Replied to by DEC 10/17/95
 to R.L.

DRAFT/WMartin/LAWinters
October 16, 1995

Mr. Renato Ruggie
Director-General
World Trade Organ
Geneva
SWITZERLAND

Dear Renato,

Michael - They
have finalized
this for JW's
Sig. (O.K.)

OK
done with
TTA

10/17

Thank you for

ay Round Decision on

Measures Concerning

programme on Least-

Developed and Net Food Importing Countries.

The Bank is, as a matter of course, attentive to the problems of the Net Food Importers, monitoring their situation both in the context of world grain markets, and through its regular country dialogue. It recognizes that increases in world food prices both raise the financing needs of net food importing countries, and create new opportunities for investment that will contribute to their longer-term development. It is important to note, however, that the recent sharp increases in world grain prices have nothing to do with the Uruguay Round deriving, instead, from factors such as coop failures and low stock levels. In fact, based on analysis conducted within the Bank, the WTO and other organizations, we believe that the impact of the Uruguay Round on world food prices will be very small, especially relative to their normal fluctuations.

Given the small size of the shock and the Bank's substantial headroom above current IBRD loans outstanding, it seems clear that the Bank will be in a position to meet any conceivable demand generated by the Round for loans on IBRD terms. The Bank's ability to assist the poorest countries on concessional terms, on the other hand, will depend upon the willingness of member governments to replenish IDA. Unless donor countries maintain a reasonable level of support for IDA, the Bank's ability to assist poor countries facing serious adjustment pressures from food price rises, or any other causes, will be severely diminished.

In terms of the four specific questions that you raise, my responses are as follows:

- (i) In general, the priority that a country receives for Bank lending is determined by its overall need and the contribution that the Bank can make to its long term development. It would be undesirable to move from this general principle to the provision of special assistance based on the estimated impact of the Uruguay Round or any other specific event. Where a country undertakes a sound liberalization of its agricultural or trade policies, either in the context of the Uruguay Round or unilaterally, and requires assistance in dealing with transition costs, support would be forthcoming because of the contribution of liberalization to development.

(ii) The Bank does soften its policy conditionality for emergency lending to countries in urgent need. A general policy of waiving conditionality would, however, have strongly negative consequences for development. Conditionality is central to achieving effective adjustment, and the Bank should lend only against sound projects and effective adjustment programs.

(iii) The range of facilities available from the Bank, the Fund and the World Food Program is summarized in the attached paper on "Coping with Rising World Grain Prices." Given this range, it does not seem necessary to establish a special Uruguay Round adjustment facility. Even though there may be important impacts of the Round on particular net food importing countries, these will become evident in the context of our ongoing dialogues with member countries and the total borrowing needs they give rise to are likely to be very small relative to the potential lending of the international financial institutions. Moreover, any funds allocated to such a special facility would necessarily be subtracted from those available for the countries with the greatest overall need.

(iv) We welcome any assistance that the WTO can offer in identifying areas where we can be of assistance to Bank member countries. In terms of immediate co-operation, I particularly value the collaborative research currently being undertaken by staff of the Bank and the WTO Secretariat

on the implications of the Uruguay Round for Africa—a region where these problems loom particularly large.

Please contact me if you or the Committee on Agriculture would like more information on the analyses prepared by the Bank on the implications of the Round on world food prices, food aid or the welfare of the net food importing countries.

Looking forward to our next meeting.

Yours sincerely

James D. Wolfensohn

*Andrew,
As discussed -
AM
(7 pages)*

THE WORLD BANK GROUP
Office of the Vice President & Chief Economist
Development Economics Department

ROUTING SLIP		DATE: Oct 11, 1995	
NAME		ROOM NO.	
Messrs. Ahmed/Winters		N-4-043	
	URGENT		PER YOUR REQUEST
	FOR COMMENT		PER OUR CONVERSATION
	FOR ACTION		NOTE AND FILE
	FOR APPROVAL/CLEARANCE		FOR INFORMATION
	FOR SIGNATURE		PREPARE REPLY
	NOTE AND CIRCULATE		NOTE AND RETURN
<p>RE: Mr. Renato Ruggiero (Dir. Gen. WFO Gen.) Letter to Mr. Wolfensohn</p>			
<p>REMARKS:</p> <p>Messrs. Ahmed/Winters:</p> <p><u>For Mr. Wolfensohn's signature</u></p> <p>Could you please prepare response to Mr. Ruggiero by noon Mon. Oct. 16, 1995 thru Mr. Bruno. Thanks.</p> <p><i>Maria</i> Maria</p>			
FROM		ROOM NO.	EXTENSION
Maria Fernandez		N6-045	33766

HUMAN CAPITAL DEVELOPMENT
and
OPERATIONS POLICY
Vice Presidency

Assigned to: <i>M. Brown</i>	
Copied to: <i>D. Anz</i>	
1.	_____
2.	_____
3.	_____
Action Required:	
1.	URGENT
2.	Please prepare a reply for Mr. Coker's signature.
3.	Please handle. <input checked="" type="checkbox"/>
4.	For information.
5.	Other (see comments below).
Re-assigned to:	
Due to HCOVP by: <i>10/16</i>	
Reference No.: <i>0173</i>	
File Under:	
Comments:	

012

CORRESPONDENCE MANAGEMENT FOR THE PRESIDENT'S OFFICE CHORUS

External Correspondence Profile

03781

Reference #: EXC-03480

same
EXC
have
called

For Action: Armeane Choksi VPU: HRO Room #: S-13-131 Telephone: 31811	Log Date: 10/06/95 06:57:05 PM Status: Open Response Date:
--	--

03781

CORRESPONDENCE DESCRIPTION:

From: Renate Ruggiero, Dir. Gen. World Trade Org. Geneva, Switzerland To: Mr. Wolfensohn Dated: 10/05/95 Topic: Re meeting on 9/30 - sending background info. on Uruguay Round Decision
--

10/19

10

ACTION INSTRUCTIONS:

Due Date: 10/17/95

3. Please prepare a response for Mr. Wolfensohn's signature according to the following instructions:

- a) Send the letter for Mr. Wolfensohn's signature back to Maree in E1227, together with the copy of the pink Log Sheet and incoming letter;
- b) Include two (2) copies of the response letter attaching a copy of the Log Sheet and the incoming letter which should show the bccs, drafter's ID and EXC log number (these copies will be stamped " (signed) JAMES D. WOLFENSOHN ");
- c) Once the letter is signed you will be called by staff from EXC to pick up the signed letter together with one "stamped" copy showing the bccs.
- d) VP Units are responsible for distribution of the original signed letter and the copies.

RECEIVED
DEVELOPMENT & PROGRAMS
GENERAL

95 OCT 18 AM 12:06

SPECIAL INSTRUCTIONS:

Ack. letter sent 10/8

INFORMATION COPIES:

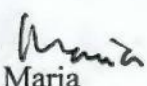
Please return to: Maree Aniba, EXC, E1227, 84138

95 OCT 19 AM 11:03

RECEIVED

cc: DECYP's copy

THE WORLD BANK GROUP
Office of the Vice President & Chief Economist
Development Economics Department

ROUTING SLIP		DATE: Oct. 11, 1995	
NAME			ROOM. NO.
Messrs. Ahmed/Winters			N-4-043
	URGENT		PER YOUR REQUEST
	FOR COMMENT		PER OUR CONVERSATION
	FOR ACTION		NOTE AND FILE
	FOR APPROVAL/CLEARANCE		FOR INFORMATION
	FOR SIGNATURE		PREPARE REPLY
	NOTE AND CIRCULATE		NOTE AND RETURN
RE: Mr. Renato Ruggiero (Dir. Gen. WTO Geneva) Letter to Mr. Wolfensohn			
REMARKS:			
Messrs. Ahmed/Winters:			
<u>For Mr. Wolfensohn's signature</u>			
Could you please prepare response to Mr. Ruggiero by noon Mon. Oct. 16, 1995 thru Mr. Bruno. Thanks.			
 Maria			
FROM Maria Fernandez		ROOM NO. N6-045	EXTENSION 33766

012

**CORRESPONDENCE MANAGEMENT FOR THE PRESIDENT'S OFFICE
CHORUS
External Correspondence Profile**

Reference #: EXC-03480

For Action: Armeane Choksi	Log Date: 10/06/95 04:57:05 PM
VPU: HRO Room #: S-13-131 Telephone: 31811	Status: Open
	Response Date:

CORRESPONDENCE DESCRIPTION:

From: Renato Ruggiero, Dir. Gen. World Trade Org. Geneva, Switzerland
To: Mr. Wolfensohn
Dated: 10/05/95
Topic: Re meeting on 9/30 -- sending background infor. on Uruguay Round Decision

ACTION INSTRUCTIONS:

Due Date: 10/17/95

3. Please prepare a response for Mr. Wolfensohn's signature according to the following instructions:
- a) Send the letter for Mr. Wolfensohn's signature back to Maree in E1227, together with the copy of the pink Log Sheet and incoming letter;
 - b) Include two (2) copies of the response letter attaching a copy of the Log Sheet and the incoming letter which should show the bccs, drafter's ID and EXC log number (these copies will be stamped " (signed) JAMES D. WOLFENSOHN ");
 - c) Once the letter is signed you will be called by staff from EXC to pick up the signed letter together with one "stamped" copy showing the bccs.
 - d) VP Units are responsible for distribution of the original signed letter and the copies.

SPECIAL INSTRUCTIONS:

Ack. letter sent 10/6

INFORMATION COPIES:

Please return to: Maree Aniba, EXC, E1227, 84138
--

RECEIVED
DEVELOPMENT & COORDINATION
95 OCT 11 AM 12:06

RECEIVED
HRO
95 OCT 10 AM 11:43

0173

HUMAN CAPITAL DEVELOPMENT
and
OPERATIONS POLICY
Vice Presidency

Assigned to:	<i>M. Brous</i>
Copied to:	<i>D. Anz</i>
1.	_____
2.	_____
3.	_____
Action Required:	
1. URGENT	
2. Please prepare a reply for Mr. Choksi's signature.	
3. Please handle.	<input checked="" type="checkbox"/>
4. For information.	
5. Other (see comments below).	
Re-assigned to:	
Due to HCOVP by:	<i>10/16</i>
Reference No.:	<i>0173</i>
File Under:	
Comments:	

EXC 3480

WORLD TRADE ORGANIZATION

154, RUE DE LAUSANNE - 1211 GENEVA 21 - SWITZERLAND
 TEL. (41-22) 739 51 00 - FAX (41-22) 739 54 60

RENATO RUGGIERO
 DIRECTOR-GENERAL

5 October 1995

Dear Jim,

When we met for lunch on 30 September, I promised to send you some background information regarding the Uruguay Round Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries (the "Decision"). This Decision was part of the agricultural negotiations and reflects the concern that the reduction of agricultural export subsidies plus the increase in world demand for agricultural products resulting from the global opening of markets could adversely affect the availability of basic foodstuffs on reasonable terms and conditions for net food-importing developing countries. At the time, Jamaica took the lead in initiating and contributing to negotiations on this issue, with active support particularly from Bangladesh, Egypt, Mexico, Morocco, Peru and Tunisia.

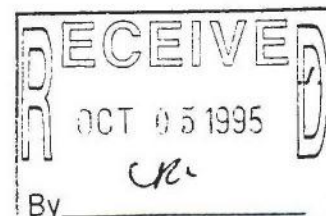
With this Decision (Annex I contains the full text), Ministers agreed to establish a number of mechanisms designed to address the concerns of the net food-importers and, in addition, Ministers recognized

"... that as a result of the Uruguay Round certain developing countries may experience short-term difficulties in financing normal levels of commercial imports and that these countries may be eligible to draw on the resources of international financial institutions under existing facilities, or such facilities as may be established, in the context of adjustment programmes, in order to address such financing difficulties. In this regard Ministers take note of paragraph 37 of the report of the Director-General to the CONTRACTING PARTIES to GATT 1947 on his consultations with the Managing Director of the International Monetary Fund and the President of the World Bank..."

A copy of the relevant part of the quoted report of the GATT Director-General (at the time, Arthur Dunkel) is also attached (Annex II).

At its meetings in June and September 1995, the WTO Committee on Agriculture held first exchanges of views on how to make the Decision operational, with Egypt being the principal player on the part of net food-importers. As a first step, the Committee agreed that the Chairman (Ambassador Tulalamba of Thailand) is to undertake informal consultations on approaches to defining which countries are to be considered as beneficiaries under the Decision and on preparatory work to be undertaken in relation to the review provided for in the Decision on the level of international food aid. In addition, I was asked to contact you in order to explore what contribution could be expected from the Bank in this matter.

Mr. James D. Wolfensohn
 The President
 World Bank
 1818 H Street, N.W.
 Washington, D.C. 20433



Broadly speaking, I would appreciate your comments on (i) whether the Bank could envisage giving net food-importing developing countries some degree of priority in access to existing facilities; (ii) whether any softening of conditionality could be envisaged in the case of net food-importers that face Uruguay Round-related adjustment problems; (iii) what are the prospects for establishing any new facilities with the specific objective of assisting net food-importers in coping with such adjustment problems; and (iv) in which ways the WTO could assist in any efforts on the part of the Bank to be forthcoming in this matter. Of course, any other idea or suggestion would also be most welcome.

The Committee on Agriculture has requested that I report on my contacts with the Bank on the occasion of its next meeting on 20-21 November.

I highly appreciate your efforts in this affair. Looking forward to seeing you again shortly.

Yours sincerely,



Renato Ruggiero

ANNEX I

**DECISION ON MEASURES CONCERNING
THE POSSIBLE NEGATIVE EFFECTS OF THE
REFORM PROGRAMME ON LEAST-DEVELOPED AND
NET FOOD-IMPORTING DEVELOPING COUNTRIES**

1. *Ministers recognize* that the progressive implementation of the results of the Uruguay Round as a whole will generate increasing opportunities for trade expansion and economic growth to the benefit of all participants.
2. *Ministers recognize* that during the reform programme leading to greater liberalization of trade in agriculture least-developed and net food-importing developing countries may experience negative effects in terms of the availability of adequate supplies of basic foodstuffs from external sources on reasonable terms and conditions, including short-term difficulties in financing normal levels of commercial imports of basic foodstuffs.
3. *Ministers accordingly agree* to establish appropriate mechanisms to ensure that the implementation of the results of the Uruguay Round on trade in agriculture does not adversely affect the availability of food aid at a level which is sufficient to continue to provide assistance in meeting the food needs of developing countries, especially least-developed and net food-importing developing countries. To this end *Ministers agree*:
 - (i) to review the level of food aid established periodically by the Committee on Food Aid under the Food Aid Convention 1986 and to initiate negotiations in the appropriate forum to establish a level of food aid commitments sufficient to meet the legitimate needs of developing countries during the reform programme;
 - (ii) to adopt guidelines to ensure that an increasing proportion of basic foodstuffs is provided to least-developed and net food-importing developing countries in fully grant form and/or on appropriate concessional terms in line with Article IV of the Food Aid Convention 1985;
 - (iii) to give full consideration in the context of their aid programmes to requests for the provision of technical and financial assistance to least-developed and net food-importing developing countries to improve their agricultural productivity and infrastructure.
4. *Ministers further agree* to ensure that any agreement relating to agricultural export credits makes appropriate provision for differential treatment in favour of least-developed and net food-importing developing countries.
5. *Ministers recognize* that as a result of the Uruguay Round certain developing countries may experience short-term difficulties in financing normal levels of commercial imports and that these countries may be eligible to draw on the resources of international financial institutions under existing facilities, or such facilities as may be established, in the context of adjustment programmes, in order to address such financing difficulties. In this regard Ministers take note of paragraph 37 of the report of the Director-General to the CONTRACTING PARTIES to GATT 1947 on his consultations with the Managing Director of the International Monetary Fund and the President of the World Bank (MTN.GNG/NG14/W/35).
6. The provisions of this Decision will be subject to regular review by the Ministerial Conference, and the follow-up to this Decision shall be monitored, as appropriate, by the Committee on Agriculture.

ANNEX II

Excerpt of the Report by the GATT Director-General "Ways of Achieving Greater Coherence in Global Economic Policy Making Through Strengthened GATT Relationships with Other Relevant International Organizations", dated 20 September 1989.

"(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."

0404

Superseded Oct. 4

ref/ii

THE WORLD BANK GROUP
Headquarters: Washington, D.C. 20433 U.S.A.
Tel. No. (202) 477-1234 • Fax (202) 477-6391 • Telex No. RCA 248423

FACSIMILE COVER SHEET AND MESSAGE

DATE:	October 2, 1995	NO. OF PAGES: 12 (including cover sheet)	MESSAGE NO.:
TO:	Mr. Michael Bruno	<i>to Mr. Barred</i>	DESTINATION FAX NO.: 21158
Title:	DECVP		
FROM:	L. Alan Winters	DIVISIONAL FAX NO.: 61341	
Title:	Chief	Dept./Div. No.: 642/10	
Dept/Div:	IEC/IT	Telephone: 33845	
Room No.:	R2-033		

SUBJECT:

MESSAGE:

Please see attached.

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

DATE: October 2, 1995

TO: Mr. Michael Bruno, DECVP

FROM: L. Alan Winters, Chief, IECIT

EXTENSION: 33845

SUBJECT: **WTO Relations**

I attach a revised provisional draft agreement prepared by Mr. Vorkink of Legal in consultation with me. I also attach a letter of transmittal to Jesús Seade and a note of explanation of the changes we are proposing.

I should appreciate comments on any of them before we prepare the final drafts.

I shall send you a note on the negotiating strategy with Seade and a note on coherence within two days.

c.c. M. Ahmed, S. Lateef (IECDR); A. Vorkink (LEGLR)

Attachments

LAW:akw

**DISCUSSION DRAFT
10/3/95**

**AGREEMENT BETWEEN THE WORLD TRADE ORGANIZATION
AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION**

AGREEMENT, dated --, ---, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and the INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter collectively referred to as the World Bank) and the WORLD TRADE ORGANIZATION (hereinafter referred to as WTO).

WHEREAS the provisions of the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations signed at Marrakesh on 15 April 1994 establishing the World Trade Organization (hereinafter referred to as "WTO Agreement"), and in particular Article III:5 of the Marrakesh Agreement, provide that with a view to achieving greater coherence in global economic policy-making, the WTO shall cooperate, as appropriate, with the International Bank for Reconstruction and Development and its affiliated agencies;

WHEREAS Article XXXVI:6 and 7 of the General Agreement on Tariffs and Trade 1994 recognizes the need for the WTO and the international lending agencies to work closely together to assist less developed countries to overcome the burdens that confront them in their quest to achieve economic development;

WHEREAS Article I (iii) of the Articles of Agreement of the International Bank for Reconstruction and Development provides that one of the objectives of the Bank shall be "to promote the long-range balanced growth of international trade and the maintenance of equilibrium in balance of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labour in their territories";

- 2 -

WHEREAS the Articles of Agreement of the World Bank provide that it will cooperate with international organizations having specialized responsibilities in related fields;

NOW THEREFORE, the WTO and the World Bank hereby agree as follows:

1. Consultations

The WTO and the World Bank shall consult together and exchange views on all matters of mutual interest with the view to ensuring both the adoption of consistent and mutually supportive policies and to achieving greater coherence in global economic policy-making. To that end, they shall establish appropriate procedures for collaboration and for keeping each other regularly informed of their programs and activities in matters related to international trade. Consultations on matters of mutual interest may be requested by either party.

2. Cooperation

The WTO and the World Bank shall cooperate in the discharge of their respective functions within the framework of the WTO Agreement and the Articles of Agreement of the World Bank.

(a) Participation in Meetings

The World Bank shall invite a representative of the WTO to attend meetings of the Executive Directors at which general trade issues are to be discussed. The World Bank agrees that the WTO be granted observer status at the Annual Meetings of its Boards of Governors and that the World Bank shall use its good offices with a view to having the WTO invited to meetings of the Development Committee.

- 3 -

The WTO shall grant the World Bank observer status at the meetings of the Ministerial Conference, General Council, Dispute Settlement Body, Trade Policy Review Body (TPRB), the three sectoral Councils, Committee on Trade and Development, Committee on Balance of Payments Restrictions, the Committee on Trade and Environment and any subsidiary bodies established by these organs.

The WTO and the World Bank shall give sympathetic consideration to each other's requests to participate in meetings of other's bodies not mentioned in this Agreement where the matters to be discussed are of relevance to their respective mandates.

(b) Exchange of Information and access to Databases

Subject to such limitations as may be necessary for the safeguarding of confidential material, the World Bank and the WTO shall arrange for access into each others relevant databases and for the exchange of information, reports agenda and other documents of mutual interest.

(c) Staff Cooperation

The staff of both organizations shall maintain close and continuous contact at all levels with a view to achieving consistency of information and greater coherence in global economic policy-making.

3. Confidentiality

Each party to this agreement shall ensure that any information communicated under the agreement shall be used only within the limits specified by the other party.

- 4 -

4. Implementation

The Director-General of the WTO and the President of the World Bank shall be responsible for the implementation of this Agreement and, to that effect, shall make such arrangements as they deem appropriate.

5. Amendments

Either party may request amendments to the provisions of this Agreement. In the event of such a request, the parties shall confer with a view to reaching mutual agreement on the proposed changes.

6. Withdrawal

Unless the parties agree otherwise, either party may withdraw from this agreement by giving the other party six month notice.

7. Entry into force

This Agreement shall enter into force upon its approval by the Board of Governors of the World Bank and the [] of the WTO.

Done in two copies as of the date above mentioned.

- 5 -

For the World Trade Organization

**For the International Bank for
Reconstruction and Development and the
International Development Association**

Director-General

President

DRAFT/LAW:akw/2-Oct-95

Mr. Jesús Seade
Deputy Director-General
World Trade Organization
CH - 1211 Geneva 21
SWITZERLAND

Dear Jesús,

Cooperation Agreement

We have studied the preliminary draft agreement you sent me on September 21, and find it a most useful starting point for producing a Cooperation Agreement between the Bank and WTO. As I warned you last week, there are several details of your draft which we are unable to accommodate and I am writing now to explain these. It seemed to me most efficient if we prepared a new draft based on yours, but with amendments where we felt them necessary. I attach this draft, along with a brief commentary explaining our proposed amendments.

In redrafting we adopted the standard forms that the Bank has evolved for similar agreements with other organizations. We have also reduced the level of specificity in places, because we expect the agreement to last many years, over which particular practices will undoubtedly change.

I look forward to seeing you on October 11. I very much hope that we will be able to conclude this matter in time for your November General Council.

Yours sincerely,

Michael Bruno

b.c.c. M. Ahmed, L.A. Winters, A. Vorkink, A. Shakow

Analysis of Principal Differences between WTO and World Bank Drafts

Title: We need to add the International Development Agency.

Preamble: This seemed somewhat unbalanced to us; we have re-balanced it without allowing it to render the document top heavy.

Consultations: Consultations should appropriately be on all matters of mutual interest not all matters in our respective competencies.

The question of focal points is an administrative detail, not appropriate for a formal agreement of this kind. We do not envisage funneling all communication through one point, although, of course, we will maintain a contact point that can deal with any enquiry and through which any formal contact should be channeled.

Participation in Meetings: The Bank's standard usage in these circumstances is to "invite to attend." While we recognize the close connection between the Bank and WTO, we could formally go beyond the status offered to the IMF.

When the Bank's Executive Board discussed WTO attendance it appeared comfortable with attendance when general issues of trade were discussed.

I think we can interpret this broadly--for example, including services, TRIPs and TRIMs—but it does not stretch to the form of words you used. It is not strictly for the Bank to offer observership at the Development Committee, but we will, of course, use our good offices in that direction. Similarly, a formal invitation to the Annual Meetings would have to be agreed by the Board of Governors.

We are anxious that Bank observership at the WTO be at least as extensive as under the GATT, in the sense that we can observe the same discussions now as previously even if the location has changed. Hence we have lengthened the list of entities slightly.

Information Exchange: This section appeared asymmetric in terms of what was available automatically. It also seemed too detailed in terms of the documents and information to be included. We prefer our looser wording and suggest that we tackle specific issues of what is available automatically in an exchange of letters describing how the agreement will be implemented.

Staff Cooperation: Specifying regular senior staff meetings in a formal agreement seems unduly prescriptive. The agreement mandates cooperation and empowers the Heads of Institutions to implement it. It seems sensible that the modalities remain flexible in order that they can be most efficiently

arranged as circumstances develop. We can, again, describe to each other our initial arrangements in an accompanying letter.

k:\coop-dif\AW2-Oct-95

**ORGANISATION MONDIALE
DU COMMERCE**

**ORGANIZACIÓN MUNDIAL
DEL COMERCIO**

WORLD TRADE ORGANIZATION

Centre William Rappard
Rue de Lausanne 154
Case postale
CH - 1211 Genève 21

Telephone: (41 22) 739 51 11
Telefax: (41 22) 731 42 06
Telex: 412 324 OMC/WTO CH
Telegram: OMC/WTO, GENÈVE
Direct line: (41 22) 739 55 00
Direct fax: (41 22) 739 57 78

T E L E F A X

Total number of pages: [2]
(including this preface)

Date: 4/10/95

To:
Mr. Michael Bruno
Vice President, Development Economics
and Chief Economist
The World Bank
Washington, D.C.

FAX No: 001202-522-1158

From:
Jesús Seade
Deputy Director-General
WTO

Please see attached.

WORLD TRADE ORGANIZATION

JESÚS SEADE
DEPUTY DIRECTOR-GENERAL

Centre William Rappard
Rue de Lausanne 154
Case postale
CH - 1211 Genève 21

Telephone: (41 22) 739 51 11
Telefax: (41 22) 731 42 06
Telex: 412 324 OMC/WTO CH
Telegram: OMC/WTO, GENÈVE
Direct telephone: (41 22) 739 55 00
Direct telefax: (41 22) 739 57 78

Reference: CO/566 (30 let)

Geneva, 4 October 1995

Dear Michael,

Thank you for your letter of 29 September 1995. I very much look forward to seeing you in Washington and carrying forward the process of drafting the agreement on WTO-World Bank relations. I also agree that it would be useful to have a first discussion on matters relating to coherence, and at this stage restrict ourselves to procedural issues.

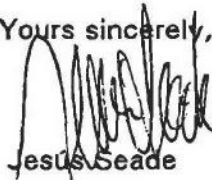
Unfortunately, we are leaving Washington on Wednesday evening, and Wednesday itself we have agreed to meet with the IMF to discuss the WTO/IMF agreement.

I imagine Monday will be particularly busy for you, but perhaps you can find some time on Sunday and/or Tuesday (minus 3-4:30 pm) for the meetings. Specifically, I would propose some time on Sunday afternoon for our meeting on the WTO/WB agreement. And then Tuesday at 3:00 pm Gary Sampson and I will be meeting with Jack Boorman and Alan Tait for a first discussion of the WTO/IMF agreement. The two of us would be free to meet on coherence immediately afterward, and I guess perhaps Jack and Alan might as well. If needed, mid-afternoon on Wednesday can also be used.

I hope something within the above suggestions is feasible for you and I leave it in your good hands.

I look forward to your reaction and to seeing you soon.

Yours sincerely,



Jesús Seade

Mr. Michael Bruno
Vice President, Development Economics
and Chief Economist
The World Bank
Washington, D.C. 20433

ROUTING SLIP

Date 10/4

NAME

ROOM NO.

~~Kate~~

Mark P/S

URGENT

For Action/Comment

Per Your Request

Appropriate Disposition

Information/Discard

Returned

Approval/Clearance

Note And Return

See My E-Mail

File

Per Our Conversation

Signature/Initial

RE:

REMARKS

For Mr. Baid's signature
on behalf of Mr. Bruno.
Thanks. Pl call me for
pick up.

Kate:

Pl stamp Michael's
signature. ok with me.

J
10/4

From

Andrey

Room No.

Ext

33712

W-1-2

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Vice President Development Economics
and Chief Economist

October 4, 1995

Mr. Jesús Seade
Deputy Director-General
World Trade Organization
CH - 1211 Geneva 21
SWITZERLAND

Dear Jesús,

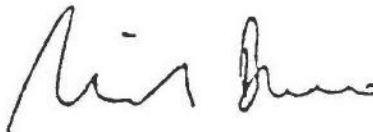
Cooperation Agreement

We have studied the preliminary draft agreement that you sent me on September 21, and find it a most useful starting point for producing a Cooperation Agreement between the Bank and WTO. We have also sought advice from the Bank's Legal Department and, on the basis of this, wish to propose a number of changes in style and substance. I am writing now to explain these. It seemed to us most efficient if we prepared a new draft based on yours, but with amendments where we felt them necessary. I attach this draft, along with a brief commentary explaining the major differences between the two texts.

In redrafting we adopted the standard forms that the Bank has evolved for similar agreements with other organizations. We have also reduced the level of specificity in places, because we expect the agreement to last many years, over which particular practices will undoubtedly change.

I look forward to seeing you on October 11. I very much hope that we will be able to conclude this matter in time for your November General Council.

Yours sincerely,



Michael Bruno

b.c.c. M. Ahmed, L.A. Winters, A. Vorkink, A. Shakow

DISCUSSION DRAFT
10/3/95 B

**AGREEMENT BETWEEN THE WORLD TRADE ORGANIZATION
AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND
DEVELOPMENT AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION**

AGREEMENT, dated --- --, ----, between the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and the INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter collectively referred to as the World Bank) and the WORLD TRADE ORGANIZATION (hereinafter referred to as WTO).

WHEREAS, having regard to the provisions of the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations signed at Marrakesh on 15 April 1994, and Article III:5 of the Marrakesh Agreement establishing the World Trade Organization (hereinafter referred to as "WTO Agreement"), which provide that with a view to achieving greater coherence in global economic policy-making, the WTO shall cooperate, as appropriate, with the International Bank for Reconstruction and Development and its affiliated agencies;

WHEREAS Article XXXVI:6 and 7 of the General Agreement on Tariffs and Trade 1994 recognizes the need for the WTO and the international lending agencies to work closely together to assist less developed countries to overcome the burdens that confront them in their quest to achieve economic development;

WHEREAS Article I (iii) of the Articles of Agreement of the International Bank for Reconstruction and Development provides that one of the objectives of the Bank shall be "To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories";

- 2 -

WHEREAS the Articles of Agreement of the World Bank provide that it will cooperate with international organizations having specialized responsibilities in related fields;

NOW THEREFORE, the WTO and the World Bank hereby agree as follows:

1. Consultations

The WTO and the World Bank shall consult together and exchange views on all matters of mutual interest with the view to ensuring both the adoption of consistent and mutually supportive policies and to achieving greater coherence in global economic policy-making. To that end, they shall establish appropriate procedures for collaboration and for keeping each other regularly informed of their programs and activities in matters related to international trade. Consultations on matters of mutual interest may be requested by either party.

2. Cooperation

The WTO and the World Bank shall cooperate in the discharge of their respective functions within the framework of the WTO Agreement and the Articles of Agreement of the World Bank.

(a) Attendance at Meetings

The World Bank shall invite a representative of the WTO to attend meetings of the Executive Directors at which general trade issues are to be discussed. The World Bank agrees that the WTO be granted observer status at the Annual Meetings of its Boards of Governors and that the World Bank shall use its good offices with a view to having the WTO invited to meetings of the Development Committee.

- 3 -

The WTO shall grant the World Bank observer status at the meetings of the Ministerial Conference, General Council, Dispute Settlement Body, Trade Policy Review Body (TPRB), the three sectoral Councils, Committee on Trade and Development, Committee on Balance of Payments Restrictions, the Committee on Trade and Environment and any subsidiary and ad hoc bodies established by these organs.

The WTO and the World Bank shall give sympathetic consideration to each other's requests to attend meetings of other's bodies not mentioned in this Agreement where the matters to be discussed are of relevance to their mutual interests.

(b) Exchange of Information and access to Databases

Subject to such limitations as may be necessary for the safeguarding of confidential material, the World Bank and the WTO shall arrange for access into each others relevant databases and for the exchange of information, reports, agenda and other documents of mutual interest.

(c) Staff Cooperation

The staff of both organizations shall maintain close and continuous contact at all levels with a view to achieving consistency of information and greater coherence in global economic policy-making.

- 4 -

3. Confidentiality

Each party to this agreement shall ensure that any information communicated under the agreement shall be used only within the limits specified by the other party.

4. Implementation

The Director-General of the WTO and the President of the World Bank shall be responsible for the implementation of this Agreement and, to that effect, shall make such arrangements as they deem appropriate.

5. Amendments

Either party may request amendments to the provisions of this Agreement. In the event of such a request, the parties shall confer with a view to reaching mutual agreement on the proposed changes.

6. Withdrawal

Unless the parties agree otherwise, either party may withdraw from this agreement by giving the other party six months notice.

7. Entry into force

This Agreement shall enter into force upon its approval by the Board of Governors of the World Bank and the [] of the WTO.

- 5 -

Done in two copies as of the date above mentioned.

For the World Trade Organization

For the International Bank for
Reconstruction and Development and the
International Development Association

Director-General

President

Analysis of Principal Differences between WTO and World Bank Drafts

Title: We need to add the International Development Agency.

Preamble: This seemed somewhat unbalanced to us; we have re-balanced it without allowing it to render the document top heavy.

Consultations: Consultations should appropriately be on all matters of mutual interest not all matters in our respective competencies.

The question of focal points is an administrative detail, not appropriate for a formal agreement of this kind. We do not envisage funneling all communication through one point, although, of course, we will maintain a contact point that can deal with any enquiry and through which any formal contact should be channeled.

Participation in Meetings: Other than in the case of the IMF, with which we share common membership and several Board members, the Bank's standard usage in these circumstances is to "invite to attend." Even the IMF is not entitled to full "participation."

When the Bank's Executive Board discussed WTO attendance it appeared comfortable with attendance when general issues of trade were discussed. I think we can interpret this broadly--for example, including services, TRIPs and TRIMs--but it does not stretch to the form of words you used. It is not strictly for the Bank to offer observership at the Development Committee, but we will, of course, use our good offices in that direction.

It seems reasonable that Bank observership at the WTO should be at least as extensive as under the GATT, in the sense that we can observe the same discussions now as previously even if their location has changed. Hence we have lengthened the list of entities slightly. We also place store on the subsequent paragraph promising sympathetic consideration (in both directions) of requests concerning other meetings.

Information Exchange: This section appeared asymmetric in terms of what was available automatically. It also seemed too detailed in terms of the documents and information to be included. We prefer our looser wording and suggest that we tackle specific issues of what is available automatically in an exchange of letters describing how the agreement will be implemented.

Staff Cooperation: Specifying regular senior staff meetings in a formal agreement seems unduly prescriptive. The agreement mandates cooperation and empowers the Heads of Institutions to implement it. It seems sensible that the modalities remain flexible in order that they can be most efficiently arranged as circumstances develop. We can, again, describe to each other our initial arrangements in an accompanying letter.

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Vice President Development Economics
and Chief Economist

September 29, 1995

Mr. Jesús Seade
Deputy Director-General
World Trade Organization
CH - 1211 Geneva 21
SWITZERLAND

Dear Jesús.

Thank you for your letter of September 20 and the draft agreement it contained. The latter clearly covers the issues that we should consider, but a first reading suggests that there are several substantive details that we need to discuss further.

In the light of our mutual interest in bringing this matter to a speedy conclusion, I have asked my staff and the Bank's Legal Department to study your draft and to submit an amended version to you by early next week. We could then meet in Washington over the Annual Meetings period to settle any remaining differences or agree on a procedure for doing so. If you agree, would 11:00 a.m. on Wednesday, October 11, at my office in the Sheraton Hotel (Rm. 4085) be convenient?

You are correct in presuming that we shall need to submit the final document to the Executive Board. It may also be, given the content of the current document, that we shall also have to submit it to the Board of Governors. This will give the arrangement greater status, but will, of course, take a longer time. The final decision on this question depends very much on the details of the final draft.

It may also be appropriate when you are in Washington for us to meet with the Fund to initiate the high-level Working Party on the Coherence of International Economic Policies. I doubt if we have enough background work to deal with substantive issues, but it may be possible to discuss some preliminaries and settle some procedural issues.

Please let me know if you would like us to arrange this meeting with the Fund and if Thursday, October 12, at 10:00 a.m. is convenient.

I look forward to seeing you shortly.

Sincerely,



Michael Bruno

b.c.c. M. Ahmed, L.A. Winters, A. Vorkink, A. Shakow

THE FOLLOWING FILE(S) ERASED

FILE	FILE TYPE	OPTION	TEL NO.	PAGE	RESULT
028	MEMORY TX		IECIT WINTERS	02/02	OK

ERRORS

- 1) HANG UP OR LINE FAIL
- 2) BUSY
- 3) NO ANSWER
- 4) NO FACSIMILE CONNECTION

The World Bank
 Washington, D.C. 20433
 U.S.A.

MICHAEL BRUNO
 Vice President Development Economics
 and Chief Economist

September 29, 1995

Mr. Jesús Seade
 Deputy Director-General
 World Trade Organization
 CH - 1211 Geneva 21
 SWITZERLAND

Dear Jesús.

Thank you for your letter of September 20 and the draft agreement it contained. The latter clearly covers the issues that we should consider, but a first reading suggests that there are several substantive details that we need to discuss further.

In the light of our mutual interest in bringing this matter to a speedy conclusion, I have asked my [unclear] to submit an amended version to you by [unclear]

wed. 10/11 SW 4085

Michael: URGENT PLS

~~Mark:~~

I will give att. to Michael for his OK. Is it OK with you (Masood is away so it has not been signed off on at a Dir. level.) I've inserted a few times to expedite things.

Pls. advise asap

Thanks

Kate

OK with Mark 9/28

OK with me
M

ALL-IN-1 NOTE

DATE: 27-Sep-1995 11:32am

TO: Kate Oram

(KATE ORAM)

FROM: L. Alan Winters, IECIT

(L. ALAN WINTERS)

EXTENSION: 33845

SUBJECT: Letter from J Seade to M Bruno, 9/20/95.

Kate,

We have been working--with Legal--on the WTO document and find a lot in it that needs amendment. This will take a few days. In the meantime I suggest you send, as soon as possible, a reply from Michael along the lines of the attached. You will see that it suggests two meetings. If Michael agrees, please could you fix these.

- (a) Seade, Bruno to discuss the cooperation agreement. I suggest that Gary Sampson and I should attend and, if Michael feels it appropriate, Legal staff from both sides. Masood has previously been happy to suggest that he not attend such meetings, but Michael or he may wish to alter that. I shall leave that to them. This meeting will probably need at least an hour--quite possibly longer.
- (b) Seade, Boorman, Bruno to discuss coherence. Their deputies should probably also attend--Sampson, Kirmani and me. This needs only half an hour, I think.

I will deliver to Michael early next week (a) an amended version of the cooperation agreement with a commentary on its differences from the WTO draft, a draft letter to Seade for transmitting it, and some notes for negotiation; and (b) some notes on the coherence issue, on which he should meet briefly with Boorman before the trilateral meeting.

I have been keeping in close touch with the Fund on both of these issues, but have not yet discussed with them our proposed response on the cooperation agreement. I am keen to keep the two organizations in parallel and may wish to update our plans when I hear theirs. I will keep you posted.

My current view is that we will be lucky to emerge from the

face-to-face meeting with a full agreement and that it is far from certain that we shall conclude in time to submit something to the WTO Council in November. We should try for the latter, however.

Tomorrow I will send a brief note to JDW's office on the current state of play. They have asked to be kept informed.

Alan

P.S. I am afraid I expect to be away over the long weekend.

cc: Masood Ahmed - IECDR

(MASOOD AHMED)

cc: ANDREW VORKINK

(ANDREW VORKINK @A1@WBWASH)

cc: Michael Finger

(MICHAEL FINGER)

cc: Sarwar Lateef

(SARWAR LATEEF)

Mr. Jesús Seade
Deputy Director-General
World Trade Organization
Centre William Rappard
Rue de Lausanne 154
Case postale
CH - 1211 Geneva 21
SWITZERLAND

Dear Jesús.

Thank you for your letter of September 20 and the draft agreement it contained. The latter clearly covers the issues that we should consider, but a first reading suggests that there are several substantive details that we need to discuss further.

In the light of our mutual interest in bringing this matter to a speedy conclusion, I have asked my staff and the Bank's Legal Department to study your draft and to submit an amended version to you by early next week. We could then meet in Washington over the Annual Meetings period to settle any remaining differences or agree on a procedure

for doing so. If you agree, would you be available to meet at my office at the Sheraton Hotel at 11:00 a.m. on Wed. 10/11 (convenient (Rm 4055) Tel. 319.3124)?

You are correct in presuming that we shall need to submit the final document to the Executive Board. It may also be, given the content of the current document, that we shall ~~have~~ ^{have} also to submit it to the Board of Governors. This will give the arrangement greater status, but will, of course, take a longer time. The final decision on this question depends very much on the details of the final draft.

It may also be appropriate when you are in Washington for us to meet with the Fund to initiate the high-level Working Party on the Coherence of International Economic Policies. I doubt if we have enough background work to deal with substantive issues, but it may be possible to discuss some preliminaries and settle some procedural issues.

Please let me know if you would like this second meeting and if Thurs. at 10.00 a.m. on 10/12 in my office at the Sheraton is convenient. If so, I will arrange
Unless you advise to the contrary, I shall schedule meetings for us on both topics. with the Fund.

I look forward to seeing you shortly.

Yours Sincerely,

Michael Bruno

b.c.c. M. Ahmed, L.A. Winters, A. Vorkink, A. Shakow

cc: Kate

The World Bank
Washington, D.C. 20433
U.S.A.

MICHAEL BRUNO
Vice President Development Economics
and Chief Economist

September 29, 1995

Mr. Jesús Seade
Deputy Director-General
World Trade Organization
CH - 1211 Geneva 21
SWITZERLAND

Dear Jesús.

Thank you for your letter of September 20 and the draft agreement it contained. The latter clearly covers the issues that we should consider, but a first reading suggests that there are several substantive details that we need to discuss further.

In the light of our mutual interest in bringing this matter to a speedy conclusion, I have asked my staff and the Bank's Legal Department to study your draft and to submit an amended version to you by early next week. We could then meet in Washington over the Annual Meetings period to settle any remaining differences or agree on a procedure for doing so. If you agree, would 11:00 a.m. on Wednesday, October 11, at my office in the Sheraton Hotel (Rm. 4085) be convenient?

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It may also be appropriate when you are in Washington for us to meet with the Fund to initiate the high-level Working Party on the Coherence of International Economic Policies. I doubt if we have enough background work to deal with substantive issues, but it may be possible to discuss some preliminaries and settle some procedural issues.

Please let me know if you would like us to arrange this meeting with the Fund and if Thursday, October 12, at 10:00 a.m. is convenient.

I look forward to seeing you shortly.

Sincerely,



Michael Bruno

b.c.c. M. Ahmed, L.A. Winters, A. Vorkink, A. Shakow

m B

THE WORLD BANK
Washington, D.C. 20433
U.S.A.

JAMES D. WOLFENSOHN
President

October 6, 1995

Mr. Renato Ruggiero
Director-General
World Trade Organization
154, Rue de Lausanne
1211 Geneva 21
SWITZERLAND

Dear Renato:

Thank you for your letter of September 20, about cooperation between the World Bank and the World Trade Organization.

I was aware of the work of your Working Party and am pleased to note that it is now bearing fruit. Our staffs have recently exchanged views on the cooperation agreement and will be meeting to discuss them next week. I very much hope that we can bring that matter to a speedy conclusion.

Like you, I believe that coherence in international policy making is an important issue and look forward to an exchange of views. To that end, Mr. Bruno recently contacted Mr. Seade and Mr. Boorman of the IMF to fix a meeting of the trilateral Working Group on coherence during the Annual Meetings. They will doubtless agree the next steps and keep us both informed.

Best personal regards,

Sincerely yours,

(SIGNED) James D. Wolfensohn

James D. Wolfensohn

Mr. Renato Ruggiero

- 2 -

October 6, 1995

b.c.c. M. Bruno, M. Ahmed, S. Lateef, A. Shakow

15127

Reference #: EXC-03268

A L L - I N - 1 N O T E

DATE: 19-Sep-1995 10:10am

TO: Alexander Shakow (ALEXANDER SHAKOW@A1@WBWASH)

FROM: Sven Sandstrom, EXC (SVEN SANDSTROM@A1@WBWASH)

EXT.: 81138

SUBJECT: RE: Update - WTO/Development Committee

Alex,

I spoke to Jim in Shanghai. He agrees with the substance of what we propose but wants to proceed in a more deliberate manner. Hence, we agreed to move ahead as follows, subject to any hitches that you may see in this scenario:

1. Please prepare a background note (chapter and verse) for Jim on the reasons why we cannot agree to Ruggiero's request and on what we are proposing instead. This could be done quite easily based on the many EMs and notes you have already prepared on this subject. You would attach the note which I understand Alan Winters is doing to help bring us up to date on the "negotiations" with WTO staff

2. Please prepare a joint letter from Jim and Michel to Ruggiero politely informing him of how we are going to proceed, and why, for the meeting on Oct 9. This letter should be cleared with Michel this week.

3. Jim would then like to call Ruggiero on the 26th at 1 pm, together with Michel. The two would jointly inform Ruggiero about the decision, drawing on the agreed letter. The letter could then be sent immediately, if appropriate/necessary.

Sven

CC: L. ALAN WINTERS (L. ALAN WINTERS@A1@WBHQB)
CC: MICHAEL BRUNO (MICHAEL BRUNO@A1@WBHQB)
CC: Josie Bassinette (JOSIE BASSINETTE@A1@WBWASH)
CC: Rachel Lomax (RACHEL LOMAX@A1@WBWASH)

1563

ORGANISATION MONDIALE
DU COMMERCE

ORGANIZACIÓN MUNDIAL
DEL COMERCIO

WORLD TRADE ORGANIZATION

Centre William Rappard
Rue de la Confédération 15
Case postale
CH - 1211 Genève 1

Téléphone: (41 22) 739 81 11
Téléfax: (41 22) 739 57 74
Télégramme: OMCAUTO, GENEVE

TELEFAX

Total number of pages: [6]
(including this message)

Date: 21/9/95

To:
Mr. Michael Bruno
VICE PRESIDENT & CHIEF ECONOMIST
Development Economics & Chief Economist Dept.
The World Bank
1818 H Street, N.W.
Washington D.C. 20433
USA

Messrs. Ahmed / Winters

FAX No: 00 1 202 477 0540

From:
José Ouedj
Director General

Reference:

Signature:

95 SEP 21 AM 10:41
RECEIVED
DEVELOPMENT ECONOMICS
WORLD TRADE ORGANIZATION

C. L. Squire Acting U.p.

WORLD TRADE ORGANIZATION

JESÚS SEADE
DEPUTY DIRECTOR-GENERAL

Centre William Rappard
Rue de Lausanne 154
Case postale
CH - 1211 Genève 21

Telephone: (41 22) 739 51 11
Telefax: (41 22) 731 42 06
Telex: 412 324 OMC/WTO CH
Telegram: OMC/WTO, GENÈVE
Direct telephone: (41 22) 739 55 00
Direct telefax: (41 22) 739 57 78

Reference: CO/555

Geneva, 20 September 1995

Dear Michael,

As you are aware, the Heads of Delegations of the WTO created a Working Party under the Chairmanship of H.E. Mr. William Rossier of Switzerland to ascertain the elements to be included in an agreement between the WTO and the World Bank. This process has been completed, and those elements were conveyed to the World Bank in July.

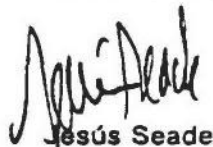
Pursuant to that, we have, within the Secretariat, attempted to draft an agreement which captures the elements in a structured manner. This draft is attached. I must stress that this is very much a first effort on our own part and has only been provisionally looked at by our Legal Department.

I very much hope that this draft comes close to your expectations and would appreciate your comments. If after an initial exchange in the coming weeks, there are still major outstanding questions to be addressed, perhaps we could do so during my forthcoming visit to Washington at the time of the meeting of the Interim and Development Committees.

The final acceptance of what we agree on could be in the hands of our General Council which will meet on 15 November 1995. I believe that from your side, the approval of the Executive Board will also be necessary.

I look forward to receiving your comments and to seeing you in Washington in the not too distant future.

Yours sincerely,



Jesús Seade

Mr. Michael Bruno
Vice President & Chief Economist
Development Economics & Chief Economist Dept.
The World Bank
1818 H Street, N.W.
Washington D.C. 20433

20/9/95

**AGREEMENT BETWEEN THE WORLD TRADE ORGANIZATION AND THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**

Having regard to the provisions of the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations signed at Marrakesh on 15 April 1994 and in particular those dealing with the relations between the World Trade Organization (hereinafter referred to as the "WTO") and the International Bank for Reconstruction and Development (hereinafter referred to as the "World Bank");

Having regard to Article III:5 of the Marrakesh Agreement establishing the World Trade Organization (hereinafter referred to as "WTO Agreement"), which provides that "with a view to achieving greater coherence in global economic policy-making, the WTO shall cooperate, as appropriate, with the International Monetary Fund and with the International Bank for Reconstruction and Development and its affiliated agencies";

Whereas Article V:1 of the WTO Agreement provides that "the General Council shall make appropriate arrangements for effective cooperation with other intergovernmental organizations that have responsibilities related to those of the WTO";

Whereas Articles XXXVI:6 and 7 of the General Agreement on Tariffs and Trade 1994 recognize the need for the WTO and the international lending agencies to work closely together to assist less-developed countries to overcome the burdens that confront them in their quest to achieve economic development;

Having regard to Article I:(iii) of the Articles of Agreement of the World Bank, which provides that one of the objectives of the Bank shall be "to promote the long-range balanced growth of international trade and the maintenance of equilibrium in balance of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labour in their territories";

The WTO and the World Bank hereby agree as follows:

- 2 -

1. Consultations

The WTO and the World Bank shall consult with each other on all matters within their respective competencies with the view to ensuring both the adoption of consistent and mutually supportive policies and to achieving greater coherence in global economic policymaking. To that end, they shall establish focal points within their respective institutions and agree on appropriate procedures for collaboration.

Consultations on matters of mutual interest may be requested by either party.

2. Cooperation

The WTO and the World Bank shall cooperate in the discharge of their respective functions within the framework of the WTO Agreement and the Articles of Agreement of the World Bank.

(a) Participation in Meetings

The World Bank shall invite a representative of the WTO to participate in meetings of the Executive Directors convened to examine trade policy issues and other matters, whether of a multi-country or country-specific nature, which could affect the rights and obligations of WTO Members under the WTO Agreement. The World Bank agrees to grant the WTO observer status at the World Bank/International Monetary Fund (hereinafter referred to as the "Fund") bi-annual Development Committee Meetings and World Bank/Fund Annual Meetings.

The WTO shall grant the World Bank observer status at the meetings of the Ministerial Conference, General Council, Dispute Settlement Body, Trade Policy Review Body (TPRB), the three sectoral Councils, Committee on Trade and Development and Committee on Balance of Payments Restrictions.

The WTO and the World Bank shall give sympathetic consideration to each other's requests to participate in meetings of other bodies not mentioned in this Agreement, or where the matters to be discussed by any of their bodies are of relevance to their respective mandates.

The representatives of the WTO and the World Bank shall not have the right to vote in each other's meetings to which they are invited.

h-imfwb4

- 3 -

The WTO and the World Bank shall make available to each other in advance the agenda, and relevant documents, for the meetings to which they are invited pursuant to the terms of this Agreement.

(b) Exchange of Information and Access to Databases

The World Bank shall grant the WTO access to its databases and, for the confidential use of its Secretariat, supply it with any relevant information on common members. It shall also provide relevant information on any of its members that is seeking accession to the WTO, provided the member concerned does not object to the disclosure of the information to the WTO.

The WTO shall grant the World Bank access to its Integrated Data Base and provide it with Trade Policy Review reports, relevant documents of the Ministerial Conference, General Council, the Dispute Settlement Body, the three sectoral Councils and other bodies of the WTO, except where any of its Members objects to the disclosure of the information to the World Bank.

(iii) Staff Cooperation

The WTO and the World Bank shall hold regular meetings at the senior level between their staff members to discuss any matter falling within their respective competencies and explore the possibilities of undertaking projects on a cooperative basis.

The Director-General of the WTO and the President of the World Bank shall ensure cooperation between the staff of the two institutions on matters of common interest.

3. Confidentiality

Each party to this Agreement shall ensure that any information communicated under the Agreement shall be used only within the limits specified by the other party.

4. Implementation

The Director-General of the WTO and the President of the World Bank shall be responsible for the implementation of this Agreement and, to that effect, shall make such arrangements as they deem appropriate.

h-imfwb4

5. Amendments

The provisions of this Agreement may be amended at the request of either the WTO or the World Bank. In the event of such a request, the parties shall confer together with a view to reaching mutual agreement on the proposed changes.

6. Withdrawal

Either party may withdraw from this Agreement on a date agreed by the parties or upon giving the other party six month's notice in writing of the intention to withdraw. If the parties fail to agree on a date, the withdrawal shall take effect upon the expiry of six months from the day on which the written notice was received by the other party.

7. Date of Entry into Force

This Agreement shall enter into force on the date of its signature.

Done at on, in two copies, in the English language.

For the World Trade Organization:

For the World Bank:

Director-General:

The President of the Bank: :

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: September 6, 1995 10:59am

TO: See Distribution Below

FROM: Atsuko Horiguchi, EXC

(ATSUKO HORIGUCHI@A1@WBWASH)

EXT.: 84256

SUBJECT: WTO Update: FYI

DISTRIBUTION:

TO: LYN SQUIRE

(LYN SQUIRE@A1@WBHQB)

TO: L. ALAN WINTERS

(L. ALAN WINTERS@A1@WBHQB)

TO: SARWAR LATEEF

(SARWAR LATEEF@A1@WBHQB)

CC: MICHAEL BRUNO

(MICHAEL BRUNO@A1@WBHQB)

CC: MASOOD AHMED

(MASOOD AHMED@A1@WBHQB)

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: September 1, 1995 02:44am EDT

TO: Alexander Shakow (ALEXANDER SHAKOW@A1@WBWASH)

FROM: Atsuko Horiguchi, EXC (ATSUKO HORIGUCHI@A1@WBWASH)

EXT.: 84256

SUBJECT: Development Committee and WTO

Alex:

Sorry to bother you at the beach! Just to touch base before I run from the Wild West to the Far East:

WTO Geneva office (Evan Rogerson) called me several times to register their displeasure at your August 18 invitation letter that was sent out to all observers. Specifically, their grievances were as follows:

- o The form letter was "presentationally unfortunate" -- it was "cold" and didn't begin to acknowledge the special relationship between WTO and the Bank, nor between JDW and Renato Ruggiero. It was "not correct in terms of the politics of the relationship."

- o RR wanted to know whether his participation could be scaled up -- especially given Boutros-Ghali's role -- to make it worth his while to travel.

I relayed your points, which were that:

- o BBG was asked to join only because of the 50th anniversary of the UN;

- o RR wasn't being asked to participate on a special basis since debt and IDA were the main topics, not trade (referring to the Joint Resolution that participation would be based on relevance of topics);

- o you would be happy to explain and discuss the matter in great detail with them if they wished;

- o a new and special status for the WTO -- if it were to be requested -- was something that needed to be explored in full over some time and discussed with the Ministers.

WTO was still not satisfied, and said that RR would probably want to talk about it with JDW. I briefed JDW on the matter, and he wanted to call RR himself, but Rogerson said that he was traveling and difficult to reach.

Meanwhile, Rogerson asked me if we could help them get a hotel room in Washington!

Sorry if the EM is a little disjointed (it's a little late), but wanted you to know the scoop.

Please thank your staff (Janet Henrichsen and also a gentleman that answers your phone) for their follow-up with us.

Best,
Atsuko

CC: MASOOD AHMED	(MASOOD AHMED@A1@WBHQB)
CC: Jane Holden	(JANE HOLDEN@A1@WBWASH)
CC: Josie Bassinette	(JOSIE BASSINETTE@A1@WBWASH)
CC: Khin Mala U	(KHIN MALA U@A1@WBWASH)

The World Bank/IFC/MIGA
OFFICE MEMORANDUM

DATE: September 2, 1995 05:44pm EDT

TO: Atsuko Horiguchi (ATSUKO HORIGUCHI@A1@WBWASH)

FROM: Alexander Shakow, OPRDR (ALEXANDER SHAKOW@A1@WBWASH)

EXT.: 31828

SUBJECT: RE: Development Committee and WTO

Atsuko - Am now back in DC, while I hope you are in Aspen for a little bit of holiday! Thanks for the update on WTO - sorry to cause any complications, and indeed what was sent was designed as a form letter for all the observers - of which there are 18 - with no special cases (except for the UN S-G) in order to avoid misleading any observers - all of which would like special treatment. You made just the right points, and of course there was no intention to be cool towards the WTO - just not to distinguish one observer from another.

Anyway, JDW can blame all this on me, for he knew nothing about it and I was simply playing my Exec Secy role in notifying the observers of the impending changes. As I said, though, it was my impression Ruggiero was invited to the Interim Committee - where he has a more specific role - and so will be here anyway. Whether he wishes to come for an hour to the D/C is another matter. And in the future, perhaps the WTO should have a special relationship with the D/C, but if the move is towards a Bank-centric committee, this would be an unusual step to take.

Masood - has there been any discussion of this in your hearing with WTO? I had understood there had not been, but I may have not heard properly.

Anyway, Atsuko, thanks again. Let's chat on Tuesday re this and what I can do to ease JDW's concerns on this point.

Alex

CC: MASOOD AHMED (MASOOD AHMED@A1@WBHQB)
CC: Jane Holden (JANE HOLDEN@A1@WBWASH)
CC: Josie Bassinette (JOSIE BASSINETTE@A1@WBWASH)
CC: Khin Mala U (KHIN MALA U@A1@WBWASH)

OFFICE MEMORANDUM

DATE: July 28, 1995

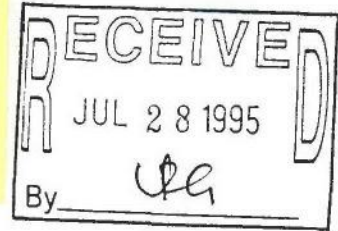
TO: Mr. James D. Wolfensohn, EXC

FROM: Michael Bruno, DECVP *MB*

EXTENSION: 33774

SUBJECT: **Board Seminar on Relations with the WTO**

I.E.C. to respond



1. On July 26, the Board discussed possible modalities for cooperation between the Bank and WTO. The discussion was structured around the mandate which the WTO members had given their Secretariat to negotiate arrangements with the Bank. The staff had circulated an annotated version of this mandate setting out the background to the issues and the alternatives that might be open to the Bank in negotiations. The seminar went well and the discussion was generally supportive and constructive.

2. The Board expressed wholehearted support for cooperating with WTO and for concluding negotiations speedily. The Board concurred that, despite their slightly differing mandates, the Bank and WTO shared many common objectives and should seek to act in a mutually supportive fashion. They recognized that the Bank would frequently support countries in pursuing policies that were permitted but not required by the WTO and agreed that Bank and WTO advice should try to distinguish carefully between policy recommendations that were necessary to meet the requirements of WTO and those that were desirable in the name of good economic policy.

3. On specifics, there was a broad consensus that the Bank should seek observership on the WTO's Dispute Settlement Body, and that in return it should offer some form of observership at its own deliberations. The majority opinion was that the Director General or his representative should be invited to observe Board proceedings at all general discussions of international trade and trade policy, and that they might observe some country discussions when trade policy was a major component. Most Executive Directors felt that invitations to country discussions should be at Bank discretion, but that the WTO might solicit invitations on its own initiative. A few Executive Directors did not wish to go so far but there was little opposition to WTO attending general discussions. It was universally agreed that informal contacts at staff level were the best means of making cooperation and collaboration operational.

4. We will start discussions on cooperation with the WTO, and also with the IMF, with which we wish to maintain a degree of parallelism on this matter. When we are close to agreement we will consult with you and then draw up a draft memorandum of understanding for submission to the Executive Board and ultimately

great

the Board of Governors. I hope this will be in time for the WTO to approve the arrangements at their General Council meeting in November this year.

5. Two other contentious issues arose at the Board Seminar. First, Mrs. Herfkens and Mr. Gerber stressed the importance for the Bank to reopen its office in Geneva, arguing that only through full-time official representation, could the Bank adequately monitor and cooperate with activities in the WTO. We replied that we would review the future of the Geneva office as the form of cooperation with WTO emerged over the next year or so. They will probably come back to this issue at some stage.

6. Second, Executive Directors representing transition countries which are currently not members of the WTO complained that the Bank did too little to aid these countries' accession to WTO. We explained that the Bank gives a good deal of general advice on international trade policy to these countries but that, despite our strong desire that they should accede to the WTO, we were neither qualified nor institutionally able to become involved in the detailed negotiation of accession. Moreover, the WTO Secretariat already provides technical assistance on detailed negotiating issues. We explained that, subject to resource constraints, the Bank would entertain any requests for assistance that these countries' authorities made. Executive Directors, and particularly Mrs. Herfkens, were still unhappy with the extent of Bank support on trade issues for these countries. As a result, in consultation with the ECA Region, we are compiling an inventory of the Bank's recent trade-related work in these countries.

I wd like to see it

c.c. Messrs. G. Kaji, S. Sandstrom, R. Frank, EXC,
M. Ahmed, L.A. Winters, J.M. Finger, IEC

Thank

him

8/1

*Please
Ask
someone to
get me the
background
on this*

OFFICE MEMORANDUM

DATE: July 3, 1995

TO: Ms. Atsuko Horiguchi, EXC

FROM: L. Alan Winters, Acting IECDR

EXTENSION: 33800

SUBJECT: **Mr. Wolfensohn's Meeting in Geneva, July 6**

I have obtained sight of the WTO's proposed agenda for this meeting from the IMF and attach it herewith. It contains a significant section on Africa and I understand that this is the section which Mr. Camdessus will seek to emphasize. Accordingly I also attach a brief note for Mr. Wolfensohn detailing examples of on-going inter-agency collaboration on international trade policy for Africa. I would anticipate that this topic will be Mr. Ruggiero's specific interest in the discussion. The Bank's role in Africa is far broader than just trade policy, but I assume that if you need further details you will ask AFR.

I have just heard from John Croome, our consultant in Geneva, that the WTO now believes that it will not be able to agree the modalities for Bank-WTO collaboration in time for its July General Council. Since we now cannot make any statement on that issue, any press release is likely to be rather thin.

On communication, I am sure that Mr. Wolfensohn can determine how often he wishes to meet his fellow Heads. I hope, however, that such meetings will not overshadow the regular informal contact between the staff who actually do the work of common interest in different institutions, which Mr. Wolfensohn advocated as the means of cooperation and coherence when he met Mr. Ruggiero in June.

Attachments

c.c. M. Ahmed, IECDR (o/r); M. Bruno (o/r), M. Baird, DECVP

MEETING OF FOUR HEADS OF INSTITUTIONS

I. Purpose of Meeting

To provide a quick and effective response to the many calls from political leaders, including the recent G7 Communiqué, for greater cooperation between the multilateral institutions and elimination of overlap.

II. Agenda

1. Communication

- Creation of a "hot line" between the Heads of Institution to enhance effective communication between Heads and their staffs.
- The Heads will meet, in principle, twice a year.

2. Africa

- Overall approach to cooperation to ensure the necessary domestic institutional development and capacity building to fully benefit from the advantages accruing from the Uruguay Round; create and improve the domestic capabilities for African countries to participate in the multilateral trading system and expand and diversify their exports.
- Substantive interagency cooperation in the preparation and implementation of the WTO planned study and symposium on Africa.
- Commitment by WTO to do likewise in initiatives of other organizations.
- Coordinated follow-up by each institution in work relating to the Uruguay Round Ministerial Decisions on Net-Food Importing Countries and on Least-Developed

Countries, particularly relevant for Africa: enhanced cooperation between the WTO and the WTO/UN ITC, and between these and other institutions.

3. Cooperation

- Identify areas of overlap and propose what to do about them; enhance complementarity between existing functions and avoid duplication in the future.
- Intensify cooperation:
 - Each Head of Agency to address relevant fora in the other three institutions on appropriate occasions.
 - Enhance effectiveness of the agencies' technical assistance programmes through greater cooperation and mutual support among the activities of the WTO, IMF, World Bank, UN agencies and other organizations.
 - Cooperative efforts to be increased in the organization of seminars or conferences on specific issues (see item on Africa).
 - Intensify the exchange of quantitative and other information on a regular basis between the organizations.
 - More general follow-up on the Ministerial Decisions referred to above (under "Africa"), as they pertain to other developing and particularly least-developed countries; linkages between the WTO and the Financial Institutions and/or UN Agencies as appropriate, as called for in the Ministerial Decisions.

4. Outcome of the meeting: Joint Communiqué? Press Release

Inter-Agency Collaboration on Africa

Note for Meeting of Heads of Institutions:
IMF, UN, World Bank, WTO

The development problems of Africa are manifest and clearly deserve the concerted and coordinated attention of the international community. The World Bank devotes substantial resources to lending in Africa and to the analysis of African economies. It is happy to make the latter resources available to sister institutions as appropriate.

The Bank's work on Africa covers many topics. In the area of international trade policy, which Mr. Ruggiero will presumably raise, the Bank is conducting analysis on the extent of trade reform in Africa, on the effects of the Uruguay Round and on the cost of transportation of African exports. It is enthusiastic to cooperate with other agencies and, indeed, already has a number of cooperative arrangements. For example:

The UN Initiative on Africa: The Bank has contributed analysis on several fronts and is leading a study of foreign barriers to African exports to industrial countries. The WTO (through its Chief Economist) and UNCTAD (through the Manufactures Division) are collaborating on this.

UNCTAD and the Bank (International Trade Division) are collaborating on a study of barriers to African imports, which is at least as important a policy issue as barriers to exports.

The WTO is initiating a major study to help Africa take advantage of the Uruguay Round in collaboration with other Geneva-based agencies—UNCTAD, WIPO and the International Trade Centre. The Bank (International Trade Division) has been asked and has agreed to collaborate on this, although details are yet to be fixed.

UNDP, UNCTAD and the Bank are studying trade and investment policy in services (Expansion of Foreign Direct Investment and Trade in Services) and produced a joint handbook on "Liberalizing International Trade in Services" in 1994.

A L L - I N - 1 N O T E

DATE: 29-Jun-1995 12:52pm

TO: ATSUKO HORIGUCHI (ATSUKO HORIGUCHI @A1@WBWASH)

FROM: Masood Ahmed - IECDR, IECDR (MASOOD AHMED)

EXT.: 33800

SUBJECT: Mr. Wolfensohn's July 6 Meeting

Atsuko,

Thanks for the update on status of preparations. I haven't heard at all from Gary, but we will try to touch base with the Fund again today and see if they have anything new.

On your question of where Gary fits into the WTO, the answer is that he's the Director of Development Policy, reporting to Jesus Seade, Deputy-DG. He is responsible for general relations with World Bank and IMF and, I believe, UN agencies. As here, however, liason on specific tasks is undertaken by the staff concerned with those tasks. Thus we liase also with Richard Blackhurst on economic research and policy, Jean-Maurice Leger on data, Peter Tullock on TPRM.

Ruggiero will have a personal office and also has an advisor who handles press and other matters--David Wood, who also came to the Bank on June 13.

In some ways, it would be easier to work with someone other than Gary, but as long as he is the designated contact I think we should use him. It is a problem tha Gary likes to confuse lines of communication, but I believe that firm action on our side to direct queries back to Alan will help to sort this out after a while.

All the best.

Masood

CC: Michael Bruno (MICHAEL BRUNO)
CC: Mark Baird (MARK BAIRD)
CC: L. Alan Winters (L. ALAN WINTERS)
CC: Nancy Barrett (NANCY BARRETT)

A L L - I N - 1 N O T E

DATE: 28-Jun-1995 09:47pm

TO: MASOOD AHMED (MASOOD AHMED @A1@WBHQB)

FROM: Atsuko Horiguchi, EXC (ATSUKO HORIGUCHI@A1@WBWASH)

EXT.: 82964

SUBJECT: Mr. Wolfensohn's July 6 Meeting with

Masood:

Thanks for the briefing notes. I've spoken to Gary Sampson several times, and still await clarification of plans and agenda items. He has now promised first thing Thursday morning. I will of course let you know as soon as he comes through with something.

By the way, is Gary in the office of Mr. Ruggiero? Where does he fit into the scheme of things, WTO-wise? Is there anybody else that is a point of contact for us there? Please advise.

Thanks and all the best,
Atsuko

CC: MICHAEL BRUNO (MICHAEL BRUNO @A1@WBHQB)
CC: MARK BAIRD (MARK BAIRD @A1@WBHQB)
CC: L. ALAN WINTERS (L. ALAN WINTERS @A1@WBHQB)
CC: NANCY BARRETT (NANCY BARRETT @A1@WBHQB)

In File

June 28, 1995

Note to Ms. Atsuko Horiguchi

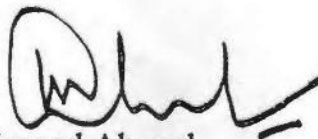
Atsuko,

Re: Briefing Material for July 6 Meeting with Mr. Ruggiero et al.

I understand that you requested Alan Winters to send up the draft briefing note and related material that we have prepared in anticipation of the July 6 meeting. This material is attached.

As he mentioned to you, we are still awaiting inputs from both Gary Sampson and our colleagues in the Fund on the issues they would like to table at the meeting. So the attached drafts will need to be modified in the light of these inputs closer to the date. If you get any feedback from Gary directly on suggested agenda items, please let us know and we can then prepare additional briefing material as required.

Regards,



Masood Ahmed

Attachments

cc: Messrs. Kaji (o/r), Bruno (o/r), Baird, Winters

0786

June 21, 1995

95 JUN 22 PM 3:01
RECEIVED
DEVELOPMENT ECONOMICS
CHIEF ECONOMIST

To Distribution:

Summary of the Wolfensohn-Ruggiero Meeting on June 13, 1995

This note is a summary of the above meeting and also reports on a subsequent visit by Mr. Sampson to Atsuko Horiguchi the following day.

Mr. Ruggiero visited the Bank on June 13, 1995 to meet with Mr. Wolfensohn for 30 minutes. He was accompanied by Gary Sampson (responsible for Bank-IMF relations in the WTO Secretariat) and two other staff members. Atsuko Horiguchi and I joined for the Bank.

This was Mr. Ruggiero's first visit to the Bank and the first official meeting between the two men, although they have known each other for many years and had participated in a forum at Bildeburg two days before.

Mr. Ruggiero opened the meeting by giving a brief account of the status of WTO deliberations on formalizing working arrangements with the Bank (and the IMF). He said that this had taken a little longer than he would have liked but he was hopeful that things would proceed quickly now and was targetting the July 19 meeting of his General Council to get the delegations' approval of a mandate for the Secretariat to proceed with negotiating these arrangements.

The one sticky issue was the observership of the Bank at the DSB, but he expected that this too would be resolved.

He then expressed his desire to move forward with defining and implementing arrangements to maximize the collaboration and cooperation between the two staffs, both in country specific discussions and on general issues. He also thought it was now opportune to start thinking about how the concept of "coherence" could be operationalized.

Mr. Wolfensohn reciprocated by confirming that the Bank was eager to build upon the good working relationship that the two organizations had traditionally enjoyed. He had found the draft staff note on future working relationships to be sensible and non-controversial; he was happy that these arrangements would now be expedited. Beyond the initial arrangements, he was committed to making sure that the staff output and expertise in the Bank

would be made freely available to WTO colleagues, and thus saw little point in the WTO setting up a parallel capacity to do similar analysis at a time when resources would be constrained everywhere.

On the question of "coherence," Mr. Wolfensohn stressed the view that the best collaboration and coherence came from informal, frequent and close contact at all levels in the two organizations. He appreciated that some formalization of collaborative arrangements was necessary and would be happy to look at specific ideas on this, but this did not replace the need for regular professional interaction. He informed Mr. Ruggiero of his planned regular meetings with Mr. Camdessus and Mr. Boutros-Ghali and suggested that Mr. Ruggiero might care to join some of these meetings. He also proposed that the heads of the WTO/IMF and World Bank could meet during the Annual Meetings and the Spring Meetings on a regular basis.

Mr. Sampson raised the specific issue of a focal point for WTO related operational issues in the Bank. He pointed out that there had been cases in the past of Bank advice to a country contravening GATT obligations. I explained that this problem had indeed occurred in the case of Egypt some years ago but was not a widespread issue. Nevertheless, it was important to ensure that consistency with WTO obligations was reviewed early in future trade related operations. The country departments had primary responsibility for this, with the International Trade Division in IEC providing advice and support and also a secondary line of review in the context of DEC's participation in the Loan Committee. (FYI: the circulation to operational staff of the guidelines for Bank-WTO collaboration, once they have been finalized with the WTO, will provide an occasion to stress the importance of this issue in preparing trade related operations.)

The meeting ended with Mr. Ruggiero inviting Mr. Wolfensohn to dinner during his visit to Geneva in early July. This dinner has now been set for the evening of July 6; Mr. Camdessus will also join the dinner.

Post Script from Atsuko Horiguchi: Gary Sampson came to see me (Atsuko) the day after the June 13 meeting to communicate a level of frustration on WTO's part that some substantive issues did not get discussed. He also relayed an impression that Mr. Wolfensohn wasn't adequately briefed on the agenda items. I told him that I appreciated his initiative to contact me and that in future, we would work closely together and coordinate the agenda items.

COHERENCE/RECIPROCITY/COLLABORATION: Mr. Sampson repeated Mr. Ruggiero's point about WTO's ministerial mandate to create coherence with the Bank and IMF. He said that they were "much further down the road" with the Fund. In fact, he's just come across 19th Street, where Mr. Ruggiero had an hour session with the full Executive Board of the IMF, chaired by Mr. Camdessus. WTO has requested observership on the Fund's Interim Committee, and has been told that it's not a problem. WTO would like observership status on Interim and Development Committees and exchange of staff. He sees Mr. Wolfensohn's Presidency as an opportunity to strengthen relations between the two institutions.

WTO is presently drafting an agreement to sign with the Bank and the Fund that would include reciprocity and collaboration on: ministerial meetings with JDW participation, periodic senior management meetings, observership status on Interim and Development Committees and exchange of staff. He sees Mr. Wolfensohn's Presidency as an opportunity to strengthen relations between the two institutions.

CROSS-CONDITIONALITY: Another message Mr. Sampson reiterated was their concern that Bank financial assistance packages with trade components don't violate WTO rules. Contrary to what was said in the meeting, he claimed, there had been "more than 'just a few' cases" where inconsistent policy advice from our two institutions have been a problem. I assured him that I would look into it and ensure that channels of communications are clear on this matter.

I promised Mr. Sampson even closer coordination in advance of Ruggiero-Wolfensohn meetings so that all substantive issues get discussed openly and to both parties' satisfaction.

Masood explained to me that:

- WTO already has observership on the Development Committee;
- Cross conditionality has been on ongoing gripe but WTO has failed to produce evidence of this problem aside from Egypt's case;
- There are some internal turf battles in WTO that may explain Mr. Sampson's frustrations

Masood and I agreed that we would make sure communications on our end are open and thorough so that we are working with a united front with the WTO.

Next Steps

- We need to check again if there are additional cases of Bank advice that is inconsistent with WTO obligations: IEC will prepare a note and also ask Mr. Sampson to provide specific examples of the additional instances he has referred to.
- Strengthen review of Trade operations for WTO consistency: when the WTO-Bank cooperation agreement is circulated to staff, the cover note should stress the importance of early focus on WTO obligations; DEC is also moving its review of operations progressively upstream into the Regional Loan Committees.
- Progress in finalizing Cooperation Agreement: IEC will follow up with WTO staff on progress at their end; including outcome of July 19 General Council Meeting.
- Brief for July 6 dinner meeting: IEC will contact counterparts in WTO and IMF to prepare brief for Mr. Wolfensohn's trip.



Masood Ahmed

Distribution:

Messrs/Mme . Kaji, Bruno, Baird, Winters, Horiguchi

A L L - I N - 1 N O T E

DATE: 19-Jun-1995 07:33pm

TO: L. Alan Winters (L. ALAN WINTERS)

FROM: Masood Ahmed - IECDR, IECDR (MASOOD AHMED)

EXT.: 33800

SUBJECT: wto FUN AND GAMES

Atsuko Horiguchi called me to say that after the meeting last week between Messrs Wolfensohn and Ruggiero, Gary Sampson had come to see her to say that he was surprized and unhappy at how poorly Mr W. had been briefed for the meeting. He was particularly unhappy that the issue of ensuring consistency of advice between the Bank and the WTO was made by me to appear less important than it was.

(I had said at the meeting in response to the issue which he raised, that inconsistent advice had in fact been a problem in a couple of operations (notably Egypt) but this was not a widespread problem; I had also said that the primary responsibility for ensuring WTO consistency in Bank operations lay with the country departments concerned but that DEC's input into the loan committee was an opportunity for a central review of WTO consistency in adjustment operations, and that we were moving this review progressively upstream into the regional loan committee stage.)

Gary complained to Atsuko that in fact the problem was much more widespread than a few cases, and that the absence of a central unit that could ensure the consistency of Bank operations was a source of concern and frustration for the WTO. He then proceeded to a more general griping session about how things were much better organized in the Fund and how the definition of cooperative arrangements was more advanced with the Fund, whereas with the Bank we had been much less effective. Needless to say, he did not convey any of the above sentiments to me directly. Indeed, his meeting with me prior to the Wolfensohn meeting was all about how things were moving in parallel on defining WTO arrangements for collaborating with the Fund and the Bank, and there was no need for us to raise this as an issue at this stage. (This is also the impression that Mr Ruggiero's remarks at the meeting left).

Part of this is simply the internal game playing among WTO staff, and Gary as we know is a slippery customer. I gave ATsuko some of the background on this, including the desire on the part of some of the WTO staff to set up a Washington office. I also thanked her for sharing this with me, since this was the only way to make sure that the President was fully briefed on this relationship in the future. (Gary of course had told her all this in confidence!) However, we should be prepared to give Mr W. more info on the

specifics of the GATT consistency issue including how often there has been a problem in the past and how our current arrangements for review help deal with the problem.

We need to do this by early next week since MrW might want to have a follow up briefing prior to his visit to GENEVA and the dinner with Ruggiero and Camdessus. More generally, we will need to document much more the discussions with the WTO staff in the coming weeks, since Gary's desire to set up a direct line with the President's office will not be easily thwarted.

Let's discuss on your return.

Masood

CC: Michael Bruno
CC: ANA MARIA CHASSELOUP
CC: Mark Baird

(MICHAEL BRUNO)
(ANA MARIA CHASSELOUP @A1@WBWASH)
(MARK BAIRD)

A L L - I N - 1 N O T E

DATE: 19-Jun-1995 07:37pm

TO: See Distribution Below

FROM: Masood Ahmed - IECDR, IECDR (MASOOD AHMED)

EXT.: 33800

SUBJECT: fyi/

I forgot to mention in the em I just sent you that what prompted Atsuko's call back was the attached draft note on the meeting which I sent her for coments. After our conversation we agreed that the best way to proceed was to add a para in the note on the "Postscript Visit" by Gary so that the note would be a complete record jointly drafted by her and me.

DISTRIBUTION:

TO: L. Alan Winters (L. ALAN WINTERS)
TO: Michael Bruno (MICHAEL BRUNO)
TO: Mark Baird (MARK BAIRD)
CC: ANA MARIA CHASSELOUP (ANA MARIA CHASSELOUP @A1@WBWASH

A L L - I N - 1 N O T E

DATE: 18-Jun-1995 12:53pm EST

TO: ATSUKO HORIGUCHI (ATSUKO HORIGUCHI @A1@WBWASH)

FROM: Masood Ahmed - IECDR, IECDR (MASOOD AHMED)

EXT.: 33800

SUBJECT: Note on Wolfensohn-Ruggiero Meeting

Atsuko,

I was planning to send out the following em for the record on the meeting last week. Do you want to add anything to it?

"To: Distribution

Fr: MA

Subj: Meeting between Messrs. Wolfensohn and Ruggiero.

Mr. Ruggiero visited the Bank on June 13, 1995 to meet with Mr Wolfensohn for 30 minutes. He was accompanied by Gary Sampson (responsible for Bank-IMF relations in the WTO secretariat) and two other staff members. Atsuko Horiguchi and I joined for the Bank.

This was Mr Ruggiero's first visit to the Bank and the first official meeting between the two men, although they had participated in a forum at Bildeburg two days before.

Mr Ruggiero opened the meeting by giving a brief account of the status of WTO deliberations on formalizing working arrangements with the Bank (and the IMF). He said that this had taken a little longer than he would have liked but he was hopeful that things would proceed quickly now and was targetting the July 19 meeting of his general council to get the delegations' approval of a mandate for the Secretariat to proceed with negotiating these arrangements. The one sticky issue was the observership of the Bank at the DSB, but he expected that this too would be resolved.

He then expressed his desire to move forward with defining and implementing arrangements to maximize the collaboration and cooperation between the two staffs, both in country specific discussions and on general issues. He also thought it was now opportune to start thinking about how the concept of "coherence" could be operationalized.

Mr W. reciprocated by confirming that the Bank was eager to build upon the good working relationship that the two organizations had traditionally enjoyed. He had found the draft staff note on future working relationships to be sensible and non-controversial; he was happy that these arrangements would now be expedited. Beyond the initial arrangements, he was committed to making sure that the staff output and expertise in the Bank

would be made freely available to WTO colleagues, and thus saw little point in the WTO setting up a parallel capacity to do similar analysis at a time when resources would be constrained everywhere.

On the question of "coherence", Mr W. stressed the view that the best collaboration and coherence came from informal, frequent and close contact at all levels in the two organizations. He appreciated that some formalization of collaborative arrangements was necessary and would be happy to look at specific ideas on this, but this did not replace the need for regular professional interaction. He informed Mr. Ruggiero of his planned regular meetings with Mr Camdessus and Mr Boutros-Ghali and suggested that Mr Ruggiero might care to join some of these meetings. He also proposed that the heads of the WTO/IMF and World Bank could meet during the annual meetings and the spring meetings on a regular basis.

Mr Sampson raised the specific issue of a focal point for WTO related operational issues in the Bank. He pointed out that there had been cases in the past of Bank advice to a country contravening GATT obligations. I explained that this problem had indeed occurred in the case of Egypt some years ago, but was not a widespread issue. Nevertheless, it was important to ensure that consistency with WTO obligations was reviewed early in future trade related operations. The country departments had primary responsibility for this, with the International Trade division in IEC providing advice and support and also a secondary line of review in the context of DEC's participation in the loan committee. (FYI: the circulation to operational staff of the guidelines for Bank-WTO collaboration, once they have been finalized with the WTO, will provide an occasion to stress the importance of this issue in preparing trade related operations).

The meeting ended with Mr Ruggiero inviting Mr W. to dinner during his visit to Geneva in early July. This dinner has now been set for the evening of July 6; Mr Camdessus will also join the dinner. "

Distribution:

Messrs./Mesdames Kaji, Bruno, Baird, Winters. Ms Horiguchi. (pls suggest additions)

Regards.

Masood

CC: ANA MARIA CHASSELOUP

(ANA MARIA CHASSELOUP @A1@WBWASH

THE WORLD BANK GROUP

ROUTING SLIP		DATE: August 4, 1995	
NAME			ROOM. NO.
Mr. S. Lateef, Acting Director, IEC			S9-065
cc.: Mr. Alan Winters			R2-033
	URGENT		PER YOUR REQUEST
	FOR COMMENT		PER OUR CONVERSATION
	FOR ACTION		NOTE AND FILE
	FOR APPROVAL/CLEARANCE		FOR INFORMATION
	FOR SIGNATURE		PREPARE REPLY
	NOTE AND CIRCULATE		NOTE AND RETURN
RE: Attached			
REMARKS:			
<p>Sarwar,</p> <p>Could IEC please prepare a response to Mr. Wolfensohn? I suggest the response be in the form of a memo from Michael to Mr. Wolfensohn. Kate will fax it to Michael for his approval. Thanks.</p> <p style="text-align: center;">Greg Ingram</p> <p>(We faxed a copy to Alan today.)</p>			
FROM Gregory Ingram		ROOM NO. N9-033	EXTENSION 31052

THE WORLD BANK/IFC/M.I.G.A.

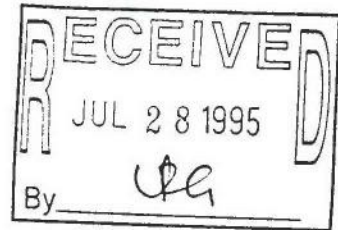
OFFICE MEMORANDUM

DATE: July 28, 1995

TO: Mr. James D. Wolfensohn, EXC

FROM: Michael Bruno, DECVP *MB*

EXTENSION: 33774

SUBJECT: **Board Seminar on Relations with the WTO**

1. On July 26, the Board discussed possible modalities for cooperation between the Bank and WTO. The discussion was structured around the mandate which the WTO members had given their Secretariat to negotiate arrangements with the Bank. The staff had circulated an annotated version of this mandate setting out the background to the issues and the alternatives that might be open to the Bank in negotiations. The seminar went well and the discussion was generally supportive and constructive.

2. The Board expressed wholehearted support for cooperating with WTO and for concluding negotiations speedily. The Board concurred that, despite their slightly differing mandates, the Bank and WTO shared many common objectives and should seek to act in a mutually supportive fashion. They recognized that the Bank would frequently support countries in pursuing policies that were permitted but not required by the WTO and agreed that Bank and WTO advice should try to distinguish carefully between policy recommendations that were necessary to meet the requirements of WTO and those that were desirable in the name of good economic policy.

3. On specifics, there was a broad consensus that the Bank should seek observership on the WTO's Dispute Settlement Body, and that in return it should offer some form of observership at its own deliberations. The majority opinion was that the Director General or his representative should be invited to observe Board proceedings at all general discussions of international trade and trade policy, and that they might observe some country discussions when trade policy was a major component. Most Executive Directors felt that invitations to country discussions should be at Bank discretion, but that the WTO might solicit invitations on its own initiative. A few Executive Directors did not wish to go so far but there was little opposition to WTO attending general discussions. It was universally agreed that informal contacts at staff level were the best means of making cooperation and collaboration operational.

great / 4. We will start discussions on cooperation with the WTO, and also with the IMF, with which we wish to maintain a degree of parallelism on this matter. When we are close to agreement we will consult with you and then draw up a draft memorandum of understanding for submission to the Executive Board and ultimately

the Board of Governors. I hope this will be in time for the WTO to approve the arrangements at their General Council meeting in November this year.

5. Two other contentious issues arose at the Board Seminar. First, Mrs. Herfkens and Mr. Gerber stressed the importance for the Bank to reopen its office in Geneva, arguing that only through full-time official representation, could the Bank adequately monitor and cooperate with activities in the WTO. We replied that we would review the future of the Geneva office as the form of cooperation with WTO emerged over the next year or so. They will probably come back to this issue at some stage.

6. Second, Executive Directors representing transition countries which are currently not members of the WTO complained that the Bank did too little to aid these countries' accession to WTO. We explained that the Bank gives a good deal of general advice on international trade policy to these countries but that, despite our strong desire that they should accede to the WTO, we were neither qualified nor institutionally able to become involved in the detailed negotiation of accession. Moreover, the WTO Secretariat already provides technical assistance on detailed negotiating issues. We explained that, subject to resource constraints, the Bank would entertain any requests for assistance that these countries' authorities made. Executive Directors, and particularly Mrs. Herfkens, were still unhappy with the extent of Bank support on trade issues for these countries. As a result, in consultation with the ECA Region, we are compiling an inventory of the Bank's recent trade-related work in these countries.

I wd like to see it

c.c. Messrs. G. Kaji, S. Sandstrom, R. Frank, EXC,
M. Ahmed, L.A. Winters, J.M. Finger, IEC

Thank

him

8/1

*Please
Ask
someone to
get me the
background
on this*

0277

The World Bank
Washington, D.C. 20433
U.S.A.

JAMES D. WOLFENSOHN
President

95 AUG -7 PM 4: 17
RECEIVED
DEVELOPMENT ECONOMICS
V.P. & ASSISTANT ECONOMIST
August 1, 1995

Mr. Renato Ruggiero
Director General
World Trade Organization
Centre William Rappard
Rue de Lausanne 154
CH-1211 Geneva 21
SWITZERLAND

Dear Renato:

It was a great pleasure to see you in Geneva on July 6; I am grateful to you for orchestrating our meeting with Boutros and Michel. Thank you for your note of July 11. I apologize for not responding earlier, but since I saw you at Hotel Richmond, I traveled to another dozen countries and just returned from Latin America last week.

As arranged, I did speak to Mickey Kantor concerning the agreement on financial services. He confirmed that he was in favor but that there was absolutely no support in the Congress. I did all that I could, also with other government members, but I was not greatly effective. Nevertheless, I congratulate you on your achievement in bringing the negotiations to agreement.

On a broader level, I would like to assure you that the commitment to continuing and deepening the cooperation between the WTO and the Bank is strong at all levels of my staff. In fact, the Bank's Executive Board discussed this very matter last week, and I am pleased to report to you the Board's unambiguous enthusiasm for our two organizations to intensify cooperation. There should be no difficulties in obtaining observership for you at Board meetings when general trade policy issues are discussed. Both the Board and I hope that our respective staff can settle the modalities of cooperation quickly; I hope that discussions will commence expeditiously to that end.

From my end, I look forward to hearing about the deliberations of the high-level working group on coherence in international economic policy making.

The imperative for you, Boutros, Michel and I to continue meeting on a regular basis is clear. Thank you for hosting the first of what will be a series of such forums. Incidentally, I would love to receive copies of photographs from that momentous occasion.

James D. Wolfensohn

Sincerely yours,

JW

James D. Wolfensohn

*cc: Messrs. Frank. Kaji, Sandström, Bruno, Ahmed, Winters, Malloch-Brown;
Ms. Horiguchi*

cc: Messrs. Frank. Kaji, Sandström, Bruno, Ahmed, Winters, Malloch-Brown;
Ms. Horiguchi

HUMAN RESOURCES DEVELOPMENT
and
OPERATIONS POLICY
Vice Presidency

Assigned to:

JA Mr. Bruno

Copied to:

S9035

1. _____
2. _____
3. _____

Action Required:

1. URGENT

2. Please prepare a reply for Mr. Choksi's signature

3. Please handle

4. For information

5. Other (see Comments below)

Re-assigned to:

Due to HROVP by:

6/13/95

Reference No.:

146

File Under:

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Should go to DEC for reply

Comments:

To Ahmed / Winters
6/15



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for the President's Office

Correspondence
Normal

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JUN 15 11 24 AM '95
HROVP

Reference #: EXC-00193

For Action: Armeane Choksi VPU: HRO Room #: S-13-131 Telephone: 31811	Date: 06/07/95 Status: Open
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Correspondence Description:

From: WTO To: Mr. Wolfensohn Dated: 06/07/95 Topic: Tokyo Round
--

Action Instructions

Please handle

Due Date: 06/14/95

Special Instructions

None

Information Copies:

Please return to: Maree Aniba, EXC, E1227, 84138

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DEVELOPMENT ECONOMICS
JUN 15 11 10 AM '95

WORLD TRADE ORGANIZATION

Centre William Rappard
Rue de Lausanne 154
Case postale
CH - 1211 Genève 21

Téléphone: (41 22) 739 51 11
Ligne directe: (41 22) 739 51 09
Téléfax: (41 22) 731 42 08
Télex: 412 324 OMC/WTO CH
Télégramme: OMC/WTO, GENÈVE

TELEFAX

Total number of pages: [5]
(including this preface)

Date: 7/6/95

To:
The President
The World Bank
1818 H Street, N.W.
Washington D.C. 20433

FAX No: 001 202 477 6391

From:
J. Czako/J. Kreier
Rules Division

Reference:

Signature: JK

30 MAY 1995

SUBJECT: TOKYO ROUND COMMITTEE ON ANTI-DUMPING PRACTICES - REGULAR MEETING TO BE HELD ON 12 JUNE 1995

THE COMMITTEE ON ANTI-DUMPING PRACTICES WILL HOLD A REGULAR MEETING ON MONDAY, 12 JUNE 1995 STARTING IMMEDIATELY AFTER THE CONCLUSION OF THE WTO COMMITTEE MEETING IN THE CENTRE WILLIAM RAPPARD.

2. THE FOLLOWING AGENDA IS PROPOSED FOR THIS REGULAR MEETING:

- A. ELECTION OF VICE-CHAIRMAN
- B. LEGISLATION AND REGULATIONS (ADP/1 AND ADDENDA)
- C. SEMI-ANNUAL REPORTS OF ANTI-DUMPING ACTIONS TAKEN WITHIN THE PERIOD 1 JULY-31 DECEMBER 1995 (ADP/134 AND ADDENDA)
- D. REPORTS ON ALL PRELIMINARY OR FINAL ANTI-DUMPING DUTY ACTIONS (ADP/W/385)
- E. EC - ANTI-DUMPING DUTIES ON AUDIO CASSETTES ORIGINATING IN JAPAN - REPORT OF THE PANEL (ADP/136)
- F. UNITED STATES - IMPOSITION OF ANTI-DUMPING DUTIES ON IMPORTS OF SEAMLESS STAINLESS STEEL HOLLOW PRODUCTS FROM SWEDEN - REPORT OF THE PANEL (ADP/117)
- G. UNITED STATES - ANTI-DUMPING DUTIES ON GRAY PORTLAND CEMENT AND CEMENT CLINKER FROM MEXICO - REPORT OF THE PANEL (ADP/82)
- H. UNITED STATES - ANTI-DUMPING DUTIES ON IMPORTS OF STAINLESS STEEL PLATE FROM SWEDEN - REPORT OF THE PANEL (ADP/117 AND CORR.1)
- I. EC - ANTI-DUMPING INVESTIGATION OF IMPORTS OF 3.5 INCH MAGNETIC DISKS FROM HONG KONG (ADP/123; ADP/M/44, PARAGRAPHS 157-167)
- J. GUIDELINES FOR INFORMATION PROVIDED IN THE SEMI-ANNUAL REPORTS (ADP/122; ADP/M/44, PARAGRAPH 73)
- K. ONGOING PANELS AND OTHER DISPUTE SETTLEMENT ISSUES
- L. OTHER BUSINESS

3. PARTIES TO THE AGREEMENT AND OBSERVERS WISHING TO BE REPRESENTED AT THIS REGULAR MEETING ARE REQUESTED TO INFORM ME AS SOON AS POSSIBLE OF THE NAMES OF THEIR REPRESENTATIVES.

RENATO RUGGIERO

95-1414

SUBJECT: COMMITTEE ON ANTI-DUMPING PRACTICES - REGULAR MEETING TO BE HELD ON 12 JUNE 1995

1. THE COMMITTEE ON ANTI-DUMPING PRACTICES WILL HOLD A REGULAR MEETING ON MONDAY, 12 JUNE 1995 STARTING AT 10 A.M. IN THE CENTRE WILLIAM RAPPARD.

2. THE FOLLOWING AGENDA IS PROPOSED FOR THIS REGULAR MEETING:

- A. OBSERVERS: INTERNATIONAL ORGANIZATIONS
- B. ELECTION OF VICE-CHAIRMAN
- C. RULES OF PROCEDURE
- D. NOTIFICATIONS OF LEGISLATION (ARTICLE 18.5 AND G/ADP/N/1/SUPP.1 AND ADDENDA)
- E. SEMI-ANNUAL REPORTS OF ANTI-DUMPING ACTIONS: FORMATS (ADP/122, G/ADP/M/1, PARA. 53)
- F. SEMI-ANNUAL REPORTS OF ANTI-DUMPING ACTIONS (G/ADP/N/2 AND ADDENDA)
- G. PRELIMINARY AND FINAL ANTI-DUMPING ACTIONS: FORMAT (ADP/124, G/ADP/M/1, PARA. 57)
- H. PRELIMINARY AND FINAL ANTI-DUMPING ACTIONS: NOTIFICATIONS (G/ADP/N/3)
- I. PROPOSAL TO MAKE NOTIFICATIONS UNRESTRICTED
- J. ANTI-CIRCUMVENTION
- K. EU ENLARGEMENT AND AUTOMATIC APPLICATION OF ANTI-DUMPING DUTIES TO THE NEW MEMBERS OF THE EU - ITEM REQUESTED BY JAPAN
- L. OTHER BUSINESS

3. MEMBERS OF THE WTO AND OTHER SIGNATORIES OF THE FINAL ACT THAT ARE CONTRACTING PARTIES TO THE GATT 1947 AND ARE ELIGIBLE TO BECOME ORIGINAL MEMBERS OF THE WTO (DECISION OF THE GENERAL COUNCIL CONTAINED IN WT/L/27) AS WELL AS GOVERNMENTS OBSERVERS TO WTO BODIES WHICH WISH TO BE REPRESENTED AT THIS MEETING ARE REQUESTED TO INFORM THE SECRETARIAT OF THE NAMES OF THEIR REPRESENTATIVES AS SOON AS POSSIBLE.

RENATO RUGGIERO

95-1413

SUBJECT: COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES - REGULAR MEETING TO BE HELD ON 13 JUNE 1995

1. THE COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES WILL HOLD A REGULAR MEETING ON TUESDAY, 13 JUNE 1995 AT 10 A.M. IN THE CENTRE WILLIAM RAPPARD.

2. THE FOLLOWING ITEMS ARE PROPOSED FOR DISCUSSION:

- A. OBSERVERS: INTERNATIONAL ORGANIZATIONS
- B. ELECTION OF VICE-CHAIRMAN
- C. RULES OF PROCEDURE
- D. EXISTING INCONSISTENT SUBSIDIES PROGRAMMES (G/SCM/N/2 AND ADDENDA)
- E. NOTIFICATIONS BY COUNTRIES IN TRANSFORMATION (ARTICLE 29.2 AND 29.3)
- F. NOTIFICATIONS OF LEGISLATION (G/SCM/N/1 AND WTO/AIR/78)
- G. FORMATS FOR SEMI-ANNUAL REPORTS OF COUNTERVAILING DUTY ACTIONS (G/SCM/W/1 AND CORR.1)
- H. SEMI-ANNUAL REPORTS OF COUNTERVAILING DUTY ACTIONS (G/SCM/N/4 AND ADDENDA)
- I. FORMATS FOR REPORTS OF PRELIMINARY AND FINAL COUNTERVAILING DUTY ACTIONS (G/SCM/W/4 AND CORR.1)
- J. PRELIMINARY AND FINAL COUNTERVAILING DUTY ACTIONS (G/SCM/N/5)
- K. SUBSIDY NOTIFICATIONS (G/SCM/N/3 AND ADDENDA)
- L. ARBITRATION PROCEDURES (G/SCM/W/5)
- M. WORKING PARTY ON SUBSIDY NOTIFICATIONS
- N. PERMANENT GROUP OF EXPERTS (ARTICLE 24.3)
- O. UNDERSTANDING REGARDING SUBSIDIES CALCULATIONS UNDER ANNEX IV
- P. PROPOSAL TO MAKE NOTIFICATIONS UNRESTRICTED
- Q. OTHER BUSINESS

3. MEMBERS OF THE WTO AND OTHER SIGNATORIES OF THE FINAL ACT THAT ARE CONTRACTING PARTIES TO THE GATT 1947 AND ARE ELIGIBLE TO BECOME ORIGINAL MEMBERS OF THE WTO (DECISION OF THE GENERAL COUNCIL CONTAINED IN WT/L/27) AS WELL AS GOVERNMENTS OBSERVERS TO WTO BODIES WHICH WISH TO BE REPRESENTED AT THIS MEETING ARE REQUESTED TO INFORM THE SECRETARIAT OF THE NAMES OF THEIR REPRESENTATIVES AS SOON AS POSSIBLE.

RENATO RUGGIERO

95-1415

30 MAY 1995

SUBJECT: TOKYO ROUND COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES - MEETING OF 13 JUNE 1995

1. THE COMMITTEE ON SUBSIDIES AND COUNTERVAILING MEASURES WILL HOLD A REGULAR MEETING ON TUESDAY, 13 JUNE 1995, STARTING IMMEDIATELY AFTER THE CONCLUSION OF THE WTO COMMITTEE MEETING IN THE CENTRE WILLIAM RAPPARD.

2. THE FOLLOWING AGENDA IS PROPOSED FOR DISCUSSION:

- A. ELECTION OF VICE-CHAIRMAN
- B. NOTIFICATION OF SUBSIDIES UNDER ARTICLE XVI:1 OF THE GENERAL AGREEMENT
 - (i) NOTIFICATIONS DUE IN 1995 (L/7611 AND ADDENDA)
 - (ii) UPDATING NOTIFICATIONS DUE IN 1994 (L/7375 AND ADDENDA)
 - (iii) FULL NOTIFICATIONS DUE IN 1993 (L/7162 AND ADDENDA)
- C. SEMI-ANNUAL REPORTS OF COUNTERVAILING DUTY ACTIONS TAKEN WITHIN THE PERIOD 1 JULY-31 DECEMBER 1994 (SCM/190 AND ADDENDA)
- D. REPORTS ON PRELIMINARY OR FINAL COUNTERVAILING DUTY ACTIONS (SCM/W/320)
- E. UNITED STATES - IMPOSITION OF COUNTERVAILING DUTIES ON CERTAIN HOT-ROLLED LEAD AND BISMUTH CARBON STEEL PRODUCTS ORIGINATING IN FRANCE, GERMANY AND THE UNITED KINGDOM - REPORT OF THE PANEL (SCM/185)
- F. UNITED STATES - COUNTERVAILING DUTIES ON NON-RUBBER FOOTWEAR FROM BRAZIL - REPORT OF THE PANEL (SCM/94 AND 96)
- G. GERMAN EXCHANGE RATE SCHEME FOR DEUTSCHE AIRBUS - REPORT OF THE PANEL (SCM/142)
- H. CANADA - IMPOSITION OF COUNTERVAILING DUTIES ON IMPORTS OF BONELESS MANUFACTURING BEEF FROM THE EEC - REPORT OF THE PANEL (SCM/85)
- I. EEC SUBSIDIES ON EXPORTS OF PASTA PRODUCTS - REPORT OF THE PANEL (SCM/43)
- J. EEC SUBSIDIES ON EXPORTS OF WHEAT FLOUR - REPORT OF THE PANEL (SCM/42)
- K. OTHER BUSINESS ..

3. SIGNATORIES OF THE AGREEMENT AND OBSERVERS WISHING TO BE REPRESENTED AT THE MEETING ARE REQUESTED TO INFORM ME AS SOON AS POSSIBLE OF THE NAMES OF THEIR REPRESENTATIVES.

RENATO RUGGIERO

95-1416

WB DECVP 2024770549

(AUTO)

THE FOLLOWING FILE(S) ERASED

FILE	FILE TYPE	OPTION	TEL NO.	PAGE	RESULT
059	MEMORY TX		IECIT WINTERS	02/02	OK



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- 2) BUSY
- 3) NO ANSWER
- 4) NO FACSIMILE CONNECTION

INT # 118

THE WORLD BANK/IFC/M.I.G.A.

OFFICE MEMORANDUM

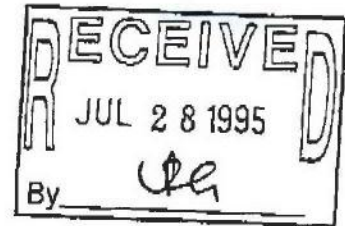
DATE: July 28, 1995

TO: Mr. James D. Wolfensohn, EXC

FROM: Michael Bruno, DECVP MB

EXTENSION: 33774

SUBJECT: Board Seminar on Relations with the WTO



1. On July 26, the Board discussed possible modalities for cooperation between the Bank and WTO. The discussion was structured around the mandate which the WTO members had given their Secretariat to negotiate arrangements with the Bank. The staff had circulated an annotated version of this mandate setting out the background to the issues and the alternatives that might be open to the Bank in negotiations. The seminar went well and the discussion was generally supportive and constructive.

2. The Board expressed wholehearted support for cooperating with WTO and for concluding negotiations speedily. The Board concurred that, despite their

OFFICE MEMORANDUM

DATE: July 28, 1995

TO: Mr. James D. Wolfensohn, EXC

FROM: Michael Bruno, DECVP MB

EXTENSION: 33774

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1. On July 26, the Board discussed possible modalities for cooperation between the Bank and WTO. The discussion was structured around the mandate which the WTO members had given their Secretariat to negotiate arrangements with the Bank. The staff had circulated an annotated version of this mandate setting out the background to the issues and the alternatives that might be open to the Bank in negotiations. The seminar went well and the discussion was generally supportive and constructive.

2. The Board expressed wholehearted support for cooperating with WTO and for concluding negotiations speedily. The Board concurred that, despite their slightly differing mandates, the Bank and WTO shared many common objectives and should seek to act in a mutually supportive fashion. They recognized that the Bank would frequently support countries in pursuing policies that were permitted but not required by the WTO and agreed that Bank and WTO advice should try to distinguish carefully between policy recommendations that were necessary to meet the requirements of WTO and those that were desirable in the name of good economic policy.

3. On specifics, there was a broad consensus that the Bank should seek observership on the WTO's Dispute Settlement Body, and that in return it should offer some form of observership at its own deliberations. The majority opinion was that the Director General or his representative should be invited to observe Board proceedings at all general discussions of international trade and trade policy, and that they might observe some country discussions when trade policy was a major component. Most Executive Directors felt that invitations to country discussions should be at Bank discretion, but that the WTO might solicit invitations on its own initiative. A few Executive Directors did not wish to go so far but there was little opposition to WTO attending general discussions. It was universally agreed that informal contacts at staff level were the best means of making cooperation and collaboration operational.

4. We will start discussions on cooperation with the WTO, and also with the IMF, with which we wish to maintain a degree of parallelism on this matter. When we are close to agreement we will consult with you and then draw up a draft memorandum of understanding for submission to the Executive Board and ultimately

Great!

the Board of Governors. I hope this will be in time for the WTO to approve the arrangements at their General Council meeting in November this year.

5. Two other contentious issues arose at the Board Seminar. First, Mrs. Herfkens and Mr. Gerber stressed the importance for the Bank to reopen its office in Geneva, arguing that only through full-time official representation, could the Bank adequately monitor and cooperate with activities in the WTO. We replied that we would review the future of the Geneva office as the form of cooperation with WTO emerged over the next year or so. They will probably come back to this issue at some stage.

6. Second, Executive Directors representing transition countries which are currently not members of the WTO complained that the Bank did too little to aid these countries' accession to WTO. We explained that the Bank gives a good deal of general advice on international trade policy to these countries but that, despite our strong desire that they should accede to the WTO, we were neither qualified nor institutionally able to become involved in the detailed negotiation of accession. Moreover, the WTO Secretariat already provides technical assistance on detailed negotiating issues. We explained that, subject to resource constraints, the Bank would entertain any requests for assistance that these countries' authorities made. Executive Directors, and particularly Mrs. Herfkens, were still unhappy with the extent of Bank support on trade issues for these countries. As a result, in consultation with the ECA Region, we are compiling an inventory of the Bank's recent trade-related work in these countries.

c.c. Messrs. G. Kaji, S. Sandstrom, R. Frank, EXC,
M. Ahmed, L.A. Winters, J.M. Finger, IEC

*Please
Ask
someone to
fill me the
background
on this*

I wd like to see it

Thanks

*hi
8/1*

THE WORLD BANK GROUP
Office of the Vice President and Chief Economist
Development Economics Department
1818 H Street, Room N6-045
Washington, D.C. 20433 U.S.A.
Tel. No. (202) 473-1107 • Fax (202) 522-1158•

FACSIMILE COVER SHEET AND MESSAGE

DATE: August 4, 1995 NO. OF PAGES: 1
(including cover sheet)

TO: Mr. Greg Ingram

FAX:

FROM: Kate Oram

SUBJECT: Attached

MESSAGE: Greg,

Re attached:

As Alan Winters is not in the office next Monday, I've gone ahead and faxed a copy of attached to him so that he could initiate action. IEC are moving today, so Sarwar, who is Acting Director, is not here today. If you agree, I'll get a copy to him on Monday under cover of the attached routing slip from you. Let me know if this is how you'd like it handled.

Thanks.

Kate

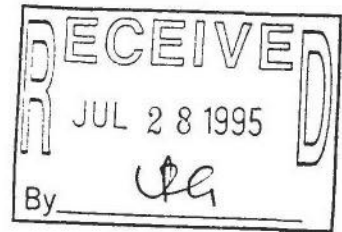
OFFICE MEMORANDUM

DATE: July 28, 1995

TO: Mr. James D. Wolfensohn, EXC

FROM: Michael Bruno, DECVP *MB*

EXTENSION: 33774

SUBJECT: **Board Seminar on Relations with the WTO**

1. On July 26, the Board discussed possible modalities for cooperation between the Bank and WTO. The discussion was structured around the mandate which the WTO members had given their Secretariat to negotiate arrangements with the Bank. The staff had circulated an annotated version of this mandate setting out the background to the issues and the alternatives that might be open to the Bank in negotiations. The seminar went well and the discussion was generally supportive and constructive.

2. The Board expressed wholehearted support for cooperating with WTO and for concluding negotiations speedily. The Board concurred that, despite their slightly differing mandates, the Bank and WTO shared many common objectives and should seek to act in a mutually supportive fashion. They recognized that the Bank would frequently support countries in pursuing policies that were permitted but not required by the WTO and agreed that Bank and WTO advice should try to distinguish carefully between policy recommendations that were necessary to meet the requirements of WTO and those that were desirable in the name of good economic policy.

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great!
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I would like to see it

c.c. Messrs. G. Kaji, S. Sandstrom, R. Frank, EXC,
M. Ahmed, L.A. Winters, J.M. Finger, IEC

Thank

him

8/1

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0215

THE WORLD BANK GROUP

ROUTING SLIP		DATE: July 24, 1995	
NAME		95 JUL 24 PM 4:46	ROOM. NO.
Mr. Michael Bruno			N 6043
Mr. Alan Winters		RECEIVED DEVELOPMENT ECONOMICS & FINANCE	R 2033
<input type="checkbox"/>	URGENT	<input type="checkbox"/>	PER YOUR REQUEST
<input type="checkbox"/>	FOR COMMENT	<input type="checkbox"/>	PER OUR CONVERSATION
<input type="checkbox"/>	FOR ACTION	<input type="checkbox"/>	NOTE AND FILE
<input type="checkbox"/>	FOR APPROVAL/CLEARANCE	<input checked="" type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FOR SIGNATURE	<input type="checkbox"/>	PREPARE REPLY
<input type="checkbox"/>	NOTE AND CIRCULATE	<input type="checkbox"/>	NOTE AND RETURN
RE: The Relations Between the World Bank and the World Trade Organization			
REMARKS:			
Please find attached Remarks by Jean-Daniel Gerber on the issue mentioned above.			
FROM		ROOM NO.	EXTENSION
Masood Ahmed		S 8055	33800

*a. Nam
Michael*

Seminar of July 25, 1995

EDS95-307

July 21, 1995

Remarks by Jean-Daniel GerberThe Relations Between the World Bank and the World Trade Organization

Some Ideas

1. The note "Staff Cooperation with the WTO" circulated on February 7, 1995, as well as the Annotated WTO's Secretariat's Negotiating Mandate, acknowledge the importance of a closer collaboration between the Bank and the WTO in areas of common interest. It does establish the general principle of the cooperation between the two institutions whose main thrust I agree with.

The need for consistency between the Bank's policy advice and conditionalities, on one hand, and the legal rights and obligations of WTO's contracting parties, on the other hand, needs not be demonstrated. In this regard, para. 5 of the note of February 7, 1995, is quite satisfactory as it clearly spells out actions to be taken by Bank staff in cases when the Bank's advice or conditionalities may be inconsistent with a country's obligations under the WTO. It is indeed of utmost importance that when Bank's recommendations entail a breach of obligations contracted by a WTO member, such member should be duly informed by the Bank of the steps to be undertaken to deal with the matter. The member will have to consult with the WTO in order to find ways and means to implement the Bank/WTO-inconsistent recommendations according to the WTO procedures (requesting a waiver or offering compensation for withdrawal of concessions) with a view to work out an acceptable solution for WTO members¹. Only then would the Bank's recommendations be implemented by the concerned member.

However, we would have liked to see management take a more proactive stance regarding the ways and means by which the collaboration between the Bank and the WTO is enhanced. Improving the collaboration between the Bank and the WTO should go beyond strengthened informal staff contacts. One way of achieving greater policy coherence while avoiding problems of competence is to develop a voluntary collaboration between the two institutions, through their respective staff. The system could, for instance, work as follows:

- a. WTO staff could participate, as individual trade policy consultants, in certain missions and in the preparation of reports by the Bank (e.g., structural adjustment programs with important trade components). It is understood that the responsibility of the reports and their content would fully remain within the Bank. WTO, as an institution, would not be responsible for the conclusion reached.

¹ When referring to WTO, it includes also the anti-dumping and counter-veiling mechanisms.

- b. Bank experts could be used as macro-economic or sectorial consultants in the preparation of WTO-TPRM reports. The responsibility of the reports would entirely be the one of WTO.

Such collaboration would ensure a full account of each other's activities in accordance with the interest of all contracting parties of WTO and shareholders of the Bank. The Bank's and WTO's sensitivity to sectorial issues, including debt, finance and trade, would be enhanced; the involvement of WTO's expertise in structural adjustment analysis would allow the countries concerned to design their unilateral trade liberalization measures with full knowledge of the requirement to be fulfilled in respect to WTO.

2. We are pleased to note that the WTO's Secretariat Negotiating Mandate foresees that the Bank will be accorded observer status in most of the WTO bodies. Among others, the Bank will be able to attend the meetings of the most important bodies of the WTO: the Ministerial Conference, the General Council, The Dispute Settlement Body, the sectoral councils on trade in goods, services, and trade-related intellectual property rights. To promote greater coherence in economic policy-making, the Bank should also grant observership to the WTO Director General (or his representative) in meetings of the Bank's Executive Board, when trade policy questions arise. Without taking a definitive stance on the level of the WTO's access to Bank's Executive Board meetings, which will obviously depend on the outcome of the negotiations between the Bank and the WTO, I believe that, out of the four benchmark level of access proposed in the Annotated WTO's Negotiating Mandate, an agreement based, at least, on solution 3 (b), i.e. invitations at Bank discretion, but with WTO having the right to solicit invitations, would be an adequate compromise for both parties. It is of course important that the Bank obtain full reciprocity from the WTO and that there is a symmetry between the Agreements reached by the Bank and the Fund regarding their respective relations with the WTO.

Regarding the access to the documentation, I agree with point 3 of the Annotated WTO's Negotiating Mandate. The Bank as an observer organization receives copies of the main WTO document series and of other document series relating to the work of the subsidiary bodies which it attends. It may also receive such additional documents as may be specified by the terms of any formal arrangements for cooperation between the Bank and the WTO. The Bank should adopt the same procedures which would be part of the agreement between the two organizations. The WTO would also automatically receive all documents relating to Bank-supported programs or Bank policy advice which are WTO-relevant.

3. We are aware that the cooperation between the Bank and the WTO is under way; it will result in a formal agreement on the respective responsibilities of the Bank and the WTO and the collaboration between both institutions. This could also include a proposal to open a WTO office in Washington to provide liaison between the Bretton Woods Institutions and the WTO on an ongoing basis. In this regard, I share Mrs. Herfkens disappointment (her note of February 17, 1995) on the fact that the question of the establishment of a Bank resident mission in Geneva is not considered. In order to save costs, the Bank could get in touch with the IMF in order to examine the possibility of expanding the already existing IMF office in Geneva with a member of the Bank's staff.
4. Finally, we wonder whether the present status of the WTO in the Development Committee could not be enhanced.

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WBG ARCHIVES

SecM95-733

FROM: The Deputy Secretary

July 19, 1995

Relations with the World Trade Organization

In February, Executive Directors received for comment draft guidelines for staff on relations with the WTO (SecM95-145). Several comments were received and will be taken into account in preparing a revised version. In addition, Executive Directors requested a seminar on relations between the Bank and the WTO at an appropriate point in time. Accordingly, a seminar on the attached will take place on Tuesday, July 25, 1995, in the Board Room.

Staff discussions have been proceeding with the WTO since February and the WTO Secretariat has now received a mandate to negotiate with the Bank the modalities for mutual cooperation (Attachment II). A nearly identical mandate has been passed down to them to negotiate with the IMF, along with a statement that, save for certain legal relationships, the issues surrounding WTO relations with the Bank and the Fund are the same. Also attached is a version of the mandate annotated by the Bank staff to highlight issues that may arise within the forthcoming negotiation (Attachment I).

The seminar is intended to allow staff to brief Executive Directors on the progress of staff discussions with the WTO and to give Executive Directors the opportunity to discuss and advise on issues that may arise in the negotiation. The final arrangements will be submitted to the Board for approval.

Questions and comments should be addressed to Mr. L. Alan Winters (ext. 33845).

Distribution:

Executive Directors and Alternates
Office of the President
Senior Management, Bank, IFC and MIGA

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

OFFICE MEMORANDUM

DATE: July 12, 1995

TO: Mr. Gautam Kaji, EXC

FROM: Michael Bruno, DECVP *MB*

EXTENSION: 33774

SUBJECT: **Relations with WTO**

1. You will recall that in February we circulated to the Board a draft guideline to staff on relations with the WTO. Several comments were received as was a request for a seminar. The Board's Steering Committee agreed that the latter should take place at an appropriate time. That time now appears to have arrived, since the WTO Secretariat has at last received a mandate to negotiate arrangements for cooperation with the Bank.

2. I should be grateful if you would approve the transmission of the attached document, which has been reviewed by the Legal Department, to the Secretary's Department for circulation to the Board. The seminar is scheduled for July 25.

Attachment

c.c. A. Rigo (LEGVP), M. Ahmed (IECDR), L.A. Winters (IECIT)

DRAFT COVER FOR SECRETARY'S DEPARTMENT

Board Seminar July 25, 1995

Relations with the World Trade Organization

In February, Executive Directors received for comment draft guidelines for staff on relations with the WTO (SecM95-145). Several comments were received and will be taken into account in preparing a revised version. In addition, Executive Directors requested a seminar on relations between the Bank and the WTO at an appropriate point in time.

Staff discussions have been proceeding with the WTO since February and the WTO Secretariat has now received a mandate to negotiate with the Bank the modalities for mutual cooperation. This is attached herewith. A nearly identical mandate has been passed down to them to negotiate with the IMF, along with a statement that, save for certain legal relationships, the issues surrounding WTO relations with the Bank and the Fund are the same. Also attached is a version of the mandate annotated by the Bank staff to highlight issues that may arise within the forthcoming negotiation.

The seminar is intended to allow staff to brief Executive Directors verbally on the progress of staff discussions with the WTO and to give Executive Directors the opportunity to discuss and advise on issues that may arise in the negotiation. Naturally the final arrangements will be submitted to the Board for approval.

Questions and comments should be addressed to Mr. L. Alan Winters (X33845).

Relations with the World Trade Organization

An Annotated Copy of the WTO Secretariat's Negotiating Mandate

Coherence:

The Heads of Delegation request the Director-General to pursue the invitation given to him by Ministers in the Declaration on the Contribution of the World Trade Organization in Achieving Greater Coherence in Global Economic Policymaking keeping in view paragraph 5 of Article III of the Agreement Establishing the WTO.

The Director General, while implementing his mandate in accordance with the criteria contained in the Declaration, is invited to give the necessary attention to possible means for cooperation in global economic policymaking and specific policies followed by each international institution within their respective area of competence.

The Heads of the Bank, Fund and WTO have agreed to establish a working group of senior staff to examine and make recommendations on achieving coherence in global economic policymaking. The Bank will be represented by the Chief Economist, Mr. Bruno.

Consistency:

As to the means to achieve greater coherence in global economic policymaking, the Heads of Delegation recall that the interlinkages between the different aspects of economic policy require that the international institutions with responsibilities in each of these areas follow consistent and mutually supportive policies.

The mandate does not suggest any particular means to ensuring the consistency of Bank and WTO policies and their application. Previous discussions between Bank and WTO staffs have suggested that the most important medium for maintaining consistency is to continue the extensive informal consultation between Bank and WTO staffs. This process has worked well in the past. Consultations should take place as early as practicable in the discussion of an issue and the need for consultation would be identified by staff in the initiating institution. Particular efforts would be made to ensure coherence in the advice given to aspiring accedants to the WTO.

Bank-WTO staff discussions have recognized that Bank conditionality will frequently ask governments to undertake actions permitted but not required by their WTO commitments (e.g., reducing a bound tariff). In discussing policies with governments,

staff of both institutions should distinguish explicitly between policies required by WTO commitments (or prospective commitments in the case of accedants) and those permitted by the WTO which are desirable for other reasons.

Bank conditionality should not require that countries act contrary to their existing WTO (or other international) agreements. If an occasion arose in which a series of related reforms being considered in negotiations with the Bank required the modification of a country's WTO commitments, and if no alternative policy were appropriate, the Bank would inform the WTO informally, and warn the government that adoption of such policies would entail either their seeking a time-limited WTO waiver of the relevant WTO commitment, or their following WTO procedures to renegotiate the relevant commitment.

Member governments are aware of their international obligations and bear the ultimate responsibility for adhering to them. In the case of WTO obligations, this requires coordination between different elements of government to identify potential problems at an early stage and discussions with the appropriate parts of WTO and the Bank to resolve them. Moreover, it must be recalled that only WTO Bodies and Councils (not even the WTO Secretariat) can make definitive rulings on the consistency of policies with WTO obligations.

Notwithstanding the national responsibility for meeting international obligations, Bank advice and conditionality should not inadvertently conflict with WTO obligations. For this the responsibility lies with the Bank's Country Director. He or she may seek advice from the Chief of the International Trade Division (IECIT) and the International Law Adviser, Legal Department (Operational Directive OD8.60) and should certainly do so if there is a possibility of conflict. In view of the increased complexity of world trading commitments, IECIT is now extending its advisory services through the provision of training, information and expertise to regional departments.

Cooperation:

The WTO and the World Bank will pursue and develop the cooperation maintained in the past between the GATT and the World Bank. In this respect, the following should be taken into account.

- 1. Joint follow-up of relevant provisions contained in the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Countries.*

This Decision promised certain actions by donor countries to preserve the flow of food aid to the countries named in its title. It also recognized that such countries may be eligible to draw on Bank and Fund resources to alleviate short-term difficulties arising from the Round in financing commercial food imports. Bank staff will separately and jointly with the WTO Secretariat monitor the conditions referred to in this Decision as

seems appropriate. To the extent that lending to these countries is necessary the need can be identified and the loan made under existing arrangements for adjustment lending.

2. The World Bank would be granted observer status at meetings of the General Council, Dispute Settlement Body, TPRB, the three sectoral Councils and other relevant subsidiary bodies of the four Councils. The WTO would be granted observer status at meetings of the Executive Board; IMF/World Bank bi-annual Development Committee Meetings as well as IMF/World Bank Annual Meetings.

The observership proposed by the WTO mandate for the Bank at WTO is effectively a continuation of the Bank's situation under the GATT, extended to the new areas of services and intellectual property. It covers all areas of business except for budgetary and "housekeeping" matters. Bank observership at the Dispute Settlement Body (DSB) has been resisted by a few delegations and in a separate note the Secretariat is instructed that it is to be treated as a quid pro quo for WTO Observership at the Bank's Executive Board. The Bank staff feel that observership of the DSB is important both substantively—this is where what is effectively WTO case law is debated—and symbolically—failure to have it would represent a step backwards (under the GATT, the Council, which the Bank observed, dealt with disputes) and an asymmetry between the Bank and the Fund.

WTO observership at the Bank's Executive Board is a matter for the Board to decide. Attendance would be by invitation, as it is with the Fund's observership of the Board, but there would be agreement over when invitations were offered. Subject to negotiation, observership need not be in full. To aid discussion we identify four benchmark levels of (increasing) access:

- (1) no general access, but ad hoc invitations;
- (2) access only when general trade policy matters are discussed. In 1994 general trade policy discussions included the following: WDR (thrice); new views on economic growth; Global Economic Prospects (twice); Adjustment in Africa; Latin America: A Decade after Crisis; and the East Asian Miracle;
- (3) access (2) plus invitations to country discussions when trade policy is a major issue. The invitations could be
 - a) only as initiated by the Bank, or
 - b) at Bank discretion, but with WTO having the right to solicit invitations.
- (4) complete access to all meetings.

Similar issues are under discussion by the IMF's Board. Although no decisions have been taken, discussions in the IMF's CWTO (successor of CGATT, which advised the Board on Fund-GATT issues) suggest fair support for the equivalent in the Fund of level (2) but material opposition to level (3). The Bank staff suggests that, so far as possible, parallelism between the Bank and Fund offers to WTO be maintained.

The WTO Secretariat already has observership at the Development Committee and the Annual Meetings.

3. *The WTO and World Bank will provide each other with access to their respective documentation and databases (including the IDB). The necessary confidentiality shall be respected.*

Subject to confidentiality and to modalities being devised to handle the flow of papers within the Bank, the staff suggests that extensive exchange of data and documentation be agreed. The Bank has access to the IDB, which it helped to develop.

Next Steps:

The Heads of Delegation request the Director-General to keep them informed of the evolution of the discussions with the World Bank and to present a draft Memorandum of Understanding for approval to the General Council.

The staff seeks the views of the Executive Directors on the issues to be negotiated with the WTO Secretariat. It hopes, and understands that the WTO hopes similarly, that negotiations can be completed quickly and a draft memorandum of understanding agreed at staff level by late summer. This would be submitted for approval by the Board and the WTO General Council. Finally, it would be submitted to the Board of Governors.

3.7.95

WTO RELATIONSHIP WITH THE WORLD BANK

The Heads of Delegation request the Director-General to pursue the invitation given to him by Ministers in the Declaration on the Contribution of the World Trade Organization in Achieving Greater Coherence in Global Economic Policymaking keeping in view paragraph 5 of Article III of the Agreement Establishing the WTO.

The Director-General, while implementing his mandate in accordance with the criteria contained in the Declaration, is invited to give the necessary attention to possible means for cooperation in global economic policymaking and specific policies followed by each international institution within their respective area of competence.

As to the means to achieve greater coherence in global economic policymaking, the Heads of Delegation recall that the interlinkages between the different aspects of economic policy require that the international institutions with responsibilities in each of these areas follow consistent and mutually supportive policies.

The WTO and the World Bank will pursue and develop the cooperation maintained in the past between the GATT and the World Bank. In this respect, the following should be taken into account:

1. Joint follow-up of relevant provisions contained in the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries.
2. The World Bank would be granted observer status at meetings of the General Council, Dispute Settlement Body, TPRB, the three sectoral Councils and other relevant subsidiary bodies of the four Councils. The WTO would be granted observer status

TO :
FROM : Croome 9 chemin Bouchattet 1291 Commugny Suisse

PHONE NO. : 0012026761341

JUL. 3. 1995 11:39AM P 5
PHONE NO. : 022 776 85 75
PAGE 02

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3. The WTO and World Bank will provide each other with access to their respective documentation and databases (including the IDB). The necessary confidentiality shall be respected.

The Heads of Delegation request the Director-General to keep them informed of the evolution of the discussions with the World Bank and to present a draft Memorandum of Understanding for approval to the General Council.

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V.P. & CHIEF ECONOMIST



July 5, 1995

Note to Ms. Atsuko Horiguchi, EXC

Atsuko,

July 6 Meeting with Mr. Ruggiero

Per our conversation this morning, I am attaching a selection of the background material for this meeting that Mr. Wolfensohn could review himself. Some of the more detailed background pieces that you have should be useful in briefing him on specific points but given the nature of the meeting, as it has now evolved, I suspect that the discussion will be a general one.

The page on Africa is worth drawing to his attention; it may help to get the discussion focussed on something more concrete in which all the agencies present have a role to play.

Have a good trip.


Masood

Attachments (3 copies of final briefing notes)

cc: Messrs. **Michael Bruno**, Alan Winters

FINAL BRIEFING PACKAGE FOR JULY 6 MEETING

WITH MR. R. RUGGIERO

FROM

(MON) 07. 03' 95 17:03/ST. 17:02/NO. 3561344053 P 2

**ORGANISATION MONDIALE
DU COMMERCE****ORGANIZACIÓN MUNDIAL
DEL COMERCIO****WORLD TRADE ORGANIZATION**Centre Willem Rappard
Rue de Lausanne 154
Case postale
CH - 1211 Genève 21Téléphone: (41 22) 738 61 11
Ligne directe: (41 22) 738 61 47
Téléfax: (41 22) 731 42 09
Télex: 412 324 OMC/WTO CH
Télégramme: OMC/WTO. GENÈVE**TELEFAX**Total number of pages: [3]
(including this preface)

Date: 3/7/95

To:
Ms Atsuko Horiguchi
Assistant to the President
The World Bank
1818 H Street, N.W.
Washington D.C. 20433
U.S.A.

FAX No: 00 1 202 522 3031

From:
Gary P. Sampson
Director
Development Division

Reference: 14imfwb

Signature:

Dear Atsuko,

After having further discussed with the Director-General the meeting between himself and Messrs. Boutros-Ghali, Camdessus, and Wolfensohn, and as I indicated to you on the telephone, Mr. Ruggiero has expressed a preference that the four Heads meet privately and alone in his Hotel. Further, he has indicated that he is not pursuing the idea of a joint communiqué. The meeting is for 6 p.m. and the hotel and location is:

Hotel Richmond,
Rue Adhémar-Fabri, 8-10,
1201 Geneva
Tel. No. 731 14 00
Fax No. 731 67 09

Mr. Wolfensohn will be met at the Hotel Richmond on arrival.

As far as the agenda is concerned, Mr. Ruggiero indicated that the following general subjects could be considered:

- (1) Under the general heading of coherence, a broad discussion of how to improve policymaking in the area of global coherence (e.g. as called for in the G7 Communiqué and the attached Uruguay Round Ministerial Decision).

FROM

(MON) 07. 03' 95 17:03/ST. 17:02/NO. 3561344053 P 3



- 2 -

- (3) At the more specific level, how the institutions could cooperate to implement Uruguay Round commitments relating to net-food importing developing countries and least-developed countries.
- (4) Discuss how the institutions could continue to respond to the call for improved cooperation and a reduction in overlap between the institutions.
- (5) How to approach practical items including:
 - (a) ensuring greater complementarity between the institutions in country assistance, improving research activities, data collection, priority setting etc.;
 - (b) improving cooperation among the international organizations with respect to bilateral donors, NGOs etc.; and,
 - (c) improving the collective knowledge of how each institution is working to reduce operating costs through a sharing of experiences.
- (6) How the institutions could work collectively to improve the export capacity and market access of African countries.

These are not to be seen as points of a formal agenda, but rather subjects around which the private discussion can be organized.

Please call me if you need any further information. I look forward to seeing you on Thursday in Geneva.

Very best wishes,

Gary P. Sampson

FROM.

(MON) 07. 03' 95 17:04/ST. 17:02/NO. 3561344053 P 4



- 3 -

**DECLARATION ON THE CONTRIBUTION OF THE
WORLD TRADE ORGANIZATION TO ACHIEVING GREATER
COHERENCE IN GLOBAL ECONOMIC POLICYMAKING**

1. *Ministers recognize* that the globalization of the world economy has led to ever-growing interactions between the economic policies pursued by individual countries, including interactions between the structural, macroeconomic, trade, financial and development aspects of economic policymaking. The task of achieving harmony between these policies falls primarily on governments at the national level, but their coherence internationally is an important and valuable element in increasing the effectiveness of these policies at national level. The Agreements reached in the Uruguay Round show that all the participating governments recognize the contribution that liberal trading policies can make to the healthy growth and development of their own economies and of the world economy as a whole.
2. Successful cooperation in each area of economic policy contributes to progress in other areas. Greater exchange rate stability, based on more orderly underlying economic and financial conditions, should contribute towards the expansion of trade, sustainable growth and development, and the correction of external imbalances. There is also a need for an adequate and timely flow of concessional and non-concessional financial and real investment resources to developing countries and for further efforts to address debt problems, to help ensure economic growth and development. Trade liberalization forms an increasingly important component in the success of the adjustment programmes that many countries are undertaking, often involving significant transitional social costs. In this connection, Ministers note the role of the World Bank and the IMF in supporting adjustment to trade liberalization, including support to net food-importing developing countries facing short-term costs arising from agricultural trade reforms.
3. The positive outcome of the Uruguay Round is a major contribution towards more coherent and complementary international economic policies. The results of the Uruguay Round ensure an expansion of market access to the benefit of all countries, as well as a framework of strengthened multilateral disciplines for trade. They also guarantee that trade policy will be conducted in a more transparent manner and with greater awareness of the benefits for domestic competitiveness of an open trading environment. The strengthened multilateral trading system emerging from the Uruguay Round has the capacity to provide an improved forum for liberalization, to contribute to more effective surveillance, and to ensure strict observance of multilaterally agreed rules and disciplines. These improvements mean that trade policy can in the future play a more substantial role in ensuring the coherence of global economic policymaking.
4. *Ministers recognize*, however, that difficulties the origins of which lie outside the trade field cannot be redressed through measures taken in the trade field alone. This underscores the importance of efforts to improve other elements of global economic policymaking to complement the effective implementation of the results achieved in the Uruguay Round.
5. The interlinkages between the different aspects of economic policy require that the international institutions with responsibilities in each of these areas follow consistent and mutually supportive policies. The World Trade Organization should therefore pursue and develop cooperation with the international organizations responsible for monetary and financial matters, while respecting the mandate, the confidentiality requirements and the necessary autonomy in decision-making procedures of each institution, and avoiding the imposition on governments of cross-conditionality or additional conditions. ~~Ministers further invite the Director-General of the WTO to review with the Managing Director of the International Monetary Fund and the President of the World Bank, the implications of the WTO's responsibilities for its cooperation with the various world institutions, as well as the forms such cooperation might take, with a view to achieving greater coherence in global economic policymaking.~~

The World Bank/IFC/MIGA
O F F I C E M E M O R A N D U M

DATE: July 5, 1995 09:28am

TO: ATSUKO HORIGUCHI (ATSUKO HORIGUCHI @A1@WBWASH)

FROM: L. Alan Winters, IECIT (L. ALAN WINTERS)

EXT.: 33845

SUBJECT: Meeting with Ruggiero

Atsuko,

I attach our quick reactions to Gary Sampson's fax. With four Heads at the meeting, each with his own ideas, and Sampson's paper explicitly not being an agenda, I don't think a point-by-point briefing is required, but it would be useful if Mr Wolfensohn could see the attached notes by way of preparation.

COHERENCE: A working group has been established to work out what this means. At this stage it seems difficult to go beyond a general statement of the Bank's support for coherence and its wish to see advice and policy be consistent across institutions.

** NOTE: even now we have not heard from Sampson with any substantiation of his claim that Bank advice is "not infrequently" at odds with WTO/GATT obligations. If this matter comes up, I suggest that the President should respond that we take the matter seriously, that we are examining our own procedures again, and that we are waiting to hear from WTO staff about their specific worries on this score.

INTEGRATING THE DEVELOPING COUNTRIES INTO THE TRADING SYSTEM: this is a fundamental element of Bank advice - see, for example, the theme of the recent Global Economic Prospects and our recent briefing to Mr Wolfensohn. The Bank has been a staunch and successful advocate of trade liberalisation and will continue to be so. It will be happy to co-operate with other institutions in this aim and to join, as appropriate, in capacity building and technical assistance programs to achieve it. See also the section below on "overlap" on the complementary roles played by different agencies.

NET-FOOD IMPORTING AND LEAST DEVELOPED COUNTRIES: the Bank has undertaken research on the effects of the Uruguay Round on food prices, which it finds small. Bank research is based on the actual liberalisation achieved in the Round and not on the formulas agreed in negotiation to describe how those liberalisations would be calculated. If the latter, which the UN organisations have used in their work, had been applied

in practice, there would have been much bigger effects on food prices than actually came about.

The Bank regularly monitors the economic progress of its client countries, and stands ready to lend for well conceived adjustment programs whether the need for them stems from the Round or not. No new instruments are necessary to deal with the effects of the Round.

Notwithstanding the above, the Bank would be happy to develop proposals and/or research with partner institutions on the Uruguay Round commitments on net-food importing and least developed countries.

OVERLAP: It is clearly desirable to reduce overlap. One area where the different institutions' mandates touch is international trade policy. But the overlap is not great.

- The Bretton Woods institutions continue to press far harder for trade liberalisation than do UN bodies.

- The WTO is based around a body of law; it concerns negotiating mutual concessions with partners and committing to those concessions effectively for all time. The Bank (and Fund) look at a country's trade policy from its own point of view, seeking reforms (within what the WTO permits) that benefit that country most. Bank reforms are typically not bound under the WTO/GATT, with the result that countries are prepared to go much further with the Bank than they will commit to in WTO Rounds. Bank-led liberalisations of the 1980s and 90s were far deeper and wide-ranging than the commitments developing countries made in the Uruguay Round. Of course, it would be desirable if the Bank-led reforms were bound under the WTO, but it is better to take the first step towards liberalisation and find that it works than to feel constrained from doing anything because of the commitment it entails. The negotiating process and system of rights and obligations under the WTO is a complement, not a substitute, for the Bank's policies of unilateral liberalisation.

- The UN organisations undertake a large volume of practical and technical assistance in the area of stimulating trade efficiency. The WTO offers detailed technical assistance on WTO law and obligations. The Bank does rather little of these activities, generally concentrating more on policy issues. It tends to become involved in trade technical assistance only in the context of a larger reform program, and then frequently in consultation with other bodies.

CO-OPERATION: In addition to the co-operation on Africa noted separately, the Bank and WTO have worked jointly to develop the WTO's Integrated Database of tariff and trade data. The Bank contributes all the software and programming, which, by all accounts, has received very good reactions from early

users.

AFRICA: I have sent a note on Africa already. While UN attention has focussed on foreign barriers to African exports, Bank research suggests that African countries' own policies (on trade and other areas) are at least as much of a problem.

CC: Masood Ahmed - IECDR

(MASOOD AHMED)

**BRIEFING NOTE FOR CAMDESSUS-RUGGIERO-WOLFENSOHN
MEETING/DINNER, JULY 6, 1995**

As yet, neither Fund staff nor the WTO Secretariat has given any indication of issues which they may wish to raise at this meeting. I have asked counterparts in each organization to let me know as soon as they have done so. This note, therefore, considers only the issues which you may wish to raise.

1) **Bank-WTO collaboration.** Earlier this month Mr. Ruggiero said he hoped that he would be able to present the WTO's proposals for Bank-WTO collaboration to the WTO Council on July 11. The most important item of business for the July meeting is to determine what progress has been made towards that goal. This has a procedural element--for example, whether a draft memorandum has been prepared, whether it has been subject to internal discussion within the WTO Secretariat and/or informal discussion with delegations. It also has a substantive component--namely to ensure that issues of importance to the Bank are adequately provided for. These are spelt out in the staff paper provided to you previously (attached as Appendix 1).

The most contentious issue now looks likely to be Bank observership at the Disputes Settlement Body. This is important both substantively and symbolically. Substantively, Bank economists need to understand the issues debated and the positions taken at the DSB, because this is where definitive rulings are made on the interpretation of the Uruguay Round and other trade agreements. Symbolically it is important because to exclude the Bank from this Body would represent a diminution of Bank observership relative to what was granted under the GATT and explicit discrimination against the Bank relative to what will be offered to the Fund. In return for Bank observership on the DSB, the WTO will be looking for observership on the Bank's Executive Board when international trade and trade policy are discussed. This, of course, is a matter for the Board, but the reactions of Fund Directors to the proposals for WTO observership at this Board suggests that it is unlikely to present great difficulties when presented.

We expect the Secretariat to be given a mandate to negotiate the details of the Bank-WTO collaboration on Friday, June 30. This should parallel almost precisely a draft mandate prepared for negotiations with the Fund which has been transmitted to us informally and which is attached as Appendix 2. It seems sensible and uncontentious, although we shall, of course, have to see how the WTO Secretariat interprets it. We should seek Board advice on the mandate and press ahead with formal negotiations as soon as possible, and are now scheduling a Board Seminar for mid-July.

Appendix 3 to this note offers a brief history of the rather convoluted discussions between WTO and Bank staff on collaboration. Appendix 4 contains a recent letter to Mr. Sampson of WTO seeking confirmation of the information in this paragraph and his reply to it.

2) **Consistency**. The consistency of Bank advice on trade policy with countries' WTO obligations has been one area of concern in discussions with the WTO. Our belief has been that despite a small number of past instances of inconsistent advice being offered, this has never been a major problem and that recent changes in Bank procedures have further reduced the scope for problems. Mr. Sampson of the WTO, however, whom you met with Mr. Ruggiero in June, professes to the opposite opinion. We asked him informally in December and formally after the June meeting to detail the cases which caused him concern but to date we have had no reply.

Until we have Mr. Sampson's reply it is difficult to advise on the magnitude or the sensitivity of the issue. Once the history is resolved, however, we can review with the WTO steps to try to ensure that consistency is no longer a source of friction. These will hinge around improved procedures in the Bank to ensure that operations' staff have sufficient information to offer WTO-consistent advice in the form of access to a country's WTO commitments, regular seminars on WTO requirements, a checklist of potentially inconsistent policies, and access to expert advice from economists in the International Trade Division (IECIT) and, where appropriate, specialists in the WTO. Such procedures would build upon the tradition of informal staff contact between GATT and Bank staff and seem far more efficient than establishing extra layers of policy review within the Bank.

IECIT will prepare a note on consistency as discussions with the WTO Secretariat develop.

3) **Coherence**. It would be desirable to reassure Mr. Ruggiero that we are interested in exploring means to ensure the coherence of global economic policy. On the other hand, it would seem premature to do so until the mundane details of day-to-day collaboration have been agreed upon. Thereafter, it may be appropriate to establish a group to study the matter of ensuring coherence while first avoiding cross-conditionality and second respecting each institution's mandate.

4) **Africa**. As you informed Mr. Ruggiero in June, the Bank has considerable capability to undertake analysis relevant to African economies. It may be useful to reaffirm this and to state that where appropriate Bank staff would be delighted to cooperate with staff from the WTO Secretariat. The Bank's Africa region and

International Trade Division are developing a proposal to explore barriers to African trade. This is in the context of the UN's Initiative for Africa and would lend itself ideally to WTO-Bank, and possibly UNCTAD, cooperation.

IECIT27-Jun-95

Inter-Agency Collaboration on Africa

Note for Meeting of Heads of Institutions:
IMF, UN, World Bank, WTO

The development problems of Africa are manifest and clearly deserve the concerted and coordinated attention of the international community. The World Bank devotes substantial resources to lending in Africa and to the analysis of African economies. It is happy to make the latter resources available to sister institutions as appropriate.

The Bank's work on Africa covers many topics. In the area of international trade policy, which Mr. Ruggiero will presumably raise, the Bank is conducting analysis on the extent of trade reform in Africa, on the effects of the Uruguay Round and on the cost of transportation of African exports. It is enthusiastic to cooperate with other agencies and, indeed, already has a number of cooperative arrangements. For example:

The UN Initiative on Africa: The Bank has contributed analysis on several fronts and is leading a study of foreign barriers to African exports to industrial countries. The WTO (through its Chief Economist) and UNCTAD (through the Manufactures Division) are collaborating on this.

UNCTAD and the Bank (International Trade Division) are collaborating on a study of barriers to African imports, which is at least as important a policy issue as barriers to exports.

The WTO is initiating a major study to help Africa take advantage of the Uruguay Round in collaboration with other Geneva-based agencies—UNCTAD, WIPO and the International Trade Centre. The Bank (International Trade Division) has been asked and has agreed to collaborate on this, although details are yet to be fixed.

UNDP, UNCTAD and the Bank are studying trade and investment policy in services (Expansion of Foreign Direct Investment and Trade in Services) and produced a joint handbook on "Liberalizing International Trade in Services" in 1994.

A L L - I N - 1 N O T E

DATE: 06-Jul-1995 05:08pm

TO: ATSUKO HORIGUCHI (ATSUKO HORIGUCHI @A1@WBWASH)

FROM: Michael Bruno, DECVF (MICHAEL BRUNO)

EXT.: 33774

SUBJECT: Bank-IMF-WTO Tripartite Body of Experts

Thanks for your E-Mail of June 28. Masood Ahmed and I agree that Alan Winters would be the obvious person to assist me with the work of the group. Alan is agreeable.

Michael

CC: RICHARD FRANK (RICHARD FRANK @A1@WBWASH)
CC: Gautam S. Kaji (GAUTAM KAJI)
CC: SVEN SANDSTROM (SVEN SANDSTROM @A1@WBWASH)
CC: JOSIE BASSINETTE (JOSIE BASSINETTE @A1@EDSEL)
CC: Masood Ahmed - IECDR (MASOOD AHMED)
CC: L. Alan Winters (L. ALAN WINTERS)

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A L L - I N - 1 N O T E

DATE: 28-Jun-1995 09:54pm

TO: MICHAEL BRUNO (MICHAEL BRUNO @A1@WBHQB)

FROM: Atsuko Horiguchi, EXC (ATSUKO HORIGUCHI@A1@WBWASH)

EXT.: 82964

SUBJECT: Bank-IMF-WTO Tripartite Body of Experts

Welcome Back Mr. Bruno:

In the ongoing "trialogue" between the Bank, the Fund and the WTO, the respective heads decided to form a tripartite body of experts on trade issues.

On behalf of Mr. Wolfensohn, I am pleased to inform you that he has put forward your name as the Bank's expert on trade issues. The Fund has recommended Jack Boorman. I will let you know as soon as I learn of the WTO's expert.

Please advise me who you would like to recommend as your deputy.

Thank you and warmest regards,
Atsuko

CC: Richard Frank (RICHARD FRANK@A1@WBWASH)
CC: GAUTAM KAJI (GAUTAM KAJI @A1@WBHQB)
CC: Sven Sandstrom (SVEN SANDSTROM@A1@WBWASH)
CC: JOSIE BASSINETTE (JOSIE BASSINETTE @A1@EDSEL)

A L L - I N - 1 N O T E

DATE: 30-Jun-1995 02:49pm

TO: Michael Bruno (MICHAEL BRUNO)

FROM: Masood Ahmed - IECDR, IECDR (MASOOD AHMED)

EXT.: 33800

SUBJECT: Tripartite Group on Trade

Michael,

You will have seen Atsuko's em informing you of the setting up of a tripartite group (Bank-Fund-WTO) to look at trade policy coherence issues. Atsuko has asked you to nominate a deputy who would assist you in your participation in this group. I suggest that Alan be nominated for that function. I have spoken with him and he is agreeable.

Regards,

Masood

CC: Mark Baird (MARK BAIRD)

CC: L. Alan Winters (L. ALAN WINTERS)

at meetings of the Executive Board; IMF/World Bank bi-annual Development Committee Meetings as well as IMF/World Bank Annual Meetings.

3. The WTO and World Bank will provide each other with access to their respective documentation and databases (including the IDB). The necessary confidentiality shall be respected.

The Heads of Delegation request the Director-General to keep them informed of the evolution of the discussions with the World Bank and to present a draft Memorandum of Understanding for approval to the General Council.

WTO RELATIONSHIP WITH THE WORLD BANK

The Heads of Delegation request the Director-General to pursue the invitation given to him by Ministers in the Declaration on the Contribution of the World Trade Organization in Achieving Greater Coherence in Global Economic Policymaking keeping in view paragraph 5 of Article III of the Agreement Establishing the WTO.

The Director-General, while implementing his mandate in accordance with the criteria contained in the Declaration, is invited to give the necessary attention to possible means for cooperation in global economic policymaking and specific policies followed by each international institution within their respective area of competence.

As to the means to achieve greater coherence in global economic policymaking, the Heads of Delegation recall that the interlinkages between the different aspects of economic policy require that the international institutions with responsibilities in each of these areas follow consistent and mutually supportive policies.

The WTO and the World Bank will pursue and develop the cooperation maintained in the past between the GATT and the World Bank. In this respect, the following should be taken into account:

1. Joint follow-up of relevant provisions contained in the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries.
2. The World Bank would be granted observer status at meetings of the General Council, Dispute Settlement Body, TPRB, the three sectoral Councils and other relevant subsidiary bodies of the four Councils. The WTO would be granted observer status

Relations with the World Trade Organization

An Annotated Copy of the WTO Secretariat's Negotiating Mandate

Coherence:

The Heads of Delegation request the Director-General to pursue the invitation given to him by Ministers in the Declaration on the Contribution of the World Trade Organization in Achieving Greater Coherence in Global Economic Policymaking keeping in view paragraph 5 of Article III of the Agreement Establishing the WTO.

The Director General, while implementing his mandate in accordance with the criteria contained in the Declaration, is invited to give the necessary attention to possible means for cooperation in global economic policymaking and specific policies followed by each international institution within their respective area of competence.

The Heads of the Bank, Fund and WTO have agreed to establish a working group of senior staff to examine and make recommendations on achieving coherence in global economic policymaking. The Bank will be represented by the Chief Economist, Mr. Bruno.

Consistency:

As to the means to achieve greater coherence in global economic policymaking, the Heads of Delegation recall that the interlinkages between the different aspects of economic policy require that the international institutions with responsibilities in each of these areas follow consistent and mutually supportive policies.

The mandate does not suggest any particular means to ensuring the consistency of Bank and WTO policies and their application. Previous discussions between Bank and WTO staffs have suggested that the most important medium for maintaining consistency is to continue the extensive informal consultation between Bank and WTO staffs. This process has worked well in the past. Consultations should take place as early as practicable in the discussion of an issue and the need for consultation would be identified by staff in the initiating institution. Particular efforts would be made to ensure coherence in the advice given to aspiring accedants to the WTO.

Bank-WTO staff discussions have recognized that Bank conditionality often supports government actions which are permitted but not required by their WTO commitments (e.g., reducing a bound tariff). In discussing policies with governments,

staff of both institutions should distinguish explicitly between policies required by WTO commitments (or prospective commitments in the case of accedants) and those permitted by the WTO which are desirable for other reasons.

Bank conditionality should not require that countries act contrary to their existing WTO (or other international) agreements. If an occasion arose in which a series of related reforms being considered in negotiations with the Bank required the modification of a country's WTO commitments, and if no alternative policy were appropriate, the Bank would consult with the WTO informally, and alert the government that adoption of such policies would entail either their seeking a time-limited WTO waiver of the relevant WTO commitment, or their following WTO procedures to renegotiate the relevant commitment.

Member governments are aware of their international obligations and bear the ultimate responsibility for adhering to them. In the case of WTO obligations, this requires coordination between different elements of government to identify potential problems at an early stage and discussions with the appropriate parts of WTO and the Bank to resolve them. Moreover, it must be recalled that only WTO Bodies and Councils (not even the WTO Secretariat) can make definitive rulings on the consistency of policies with WTO obligations.

Notwithstanding the national responsibility for meeting international obligations, Bank advice and conditionality should not inadvertently conflict with WTO obligations. For this the responsibility lies with the Bank's Country Director. He or she may seek advice from the Chief of the International Trade Division (IECIT) and the International Law Adviser, Legal Department (Operational Directive OD8.60) and should certainly do so if there is a possibility of conflict. In view of the increased complexity of world trading commitments, IECIT is now extending its advisory services through the provision of training, information and expertise to regional departments.

Cooperation:

The WTO and the World Bank will pursue and develop the cooperation maintained in the past between the GATT and the World Bank. In this respect, the following should be taken into account.

- 1. Joint follow-up of relevant provisions contained in the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Countries.*

This Decision promised certain actions by donor countries to preserve the flow of food aid to the countries named in its title. It also recognized that such countries may be eligible to draw on Bank and Fund resources to alleviate short-term difficulties arising from the Round in financing commercial food imports. Bank staff will separately and jointly with the WTO Secretariat monitor the conditions referred to in this Decision as

seems appropriate. To the extent that lending to these countries is necessary the need can be identified and the loan made under existing arrangements for adjustment lending.

2. *The World Bank would be granted observer status at meetings of the General Council, Dispute Settlement Body, TPRB, the three sectoral Councils and other relevant subsidiary bodies of the four Councils. The WTO would be granted observer status at meetings of the Executive Board; IMF/World Bank bi-annual Development Committee Meetings as well as IMF/World Bank Annual Meetings.*

The observership proposed by the WTO mandate for the Bank at WTO is effectively a continuation of the Bank's situation under the GATT, extended to the new areas of services and intellectual property. It covers all areas of business except for budgetary and "housekeeping" matters. Bank observership at the Dispute Settlement Body (DSB) has been resisted by a few delegations and in a separate note the Secretariat is instructed that it is to be treated as a quid pro quo for WTO Observership at the Bank's Executive Board. The Bank staff feel that observership of the DSB is important both substantively—this is where what is effectively WTO case law is debated—and symbolically—failure to have it would represent a step backwards (under the GATT, the Council, which the Bank observed, dealt with disputes) and an asymmetry between the Bank and the Fund.

WTO observership at the Bank's Executive Board is a matter for the Board to decide. Attendance would be by invitation, as it is with the Fund's observership of the Board, but there would be agreement over when invitations were offered. Subject to negotiation, observership need not be in full. To aid discussion we identify four benchmark levels of (increasing) access:

- (1) no general access, but ad hoc invitations;
- (2) access only when general trade policy matters are discussed. In 1994 general trade policy discussions included the following: WDR (thrice); new views on economic growth; Global Economic Prospects (twice); Adjustment in Africa; Latin America: A Decade after Crisis; and the East Asian Miracle;
- (3) access (2) plus invitations to country discussions when trade policy is a major issue. The invitations could be
 - a) only as initiated by the Bank, or
 - b) at Bank discretion, but with WTO having the right to solicit invitations.
- (4) complete access to all meetings.

Similar issues are under discussion by the IMF's Board. Although no decisions have been taken, discussions in the IMF's CWTO (successor of CGATT, which advised the Board on Fund-GATT issues) suggest fair support for the equivalent in the Fund of level (2) but material opposition to level (3). The Bank staff suggests that, so far as possible, parallelism between the Bank and Fund offers to WTO be maintained.

The WTO Secretariat already has observership at the Development Committee and the Annual Meetings.

3. *The WTO and World Bank will provide each other with access to their respective documentation and databases (including the IDB). The necessary confidentiality shall be respected.*

Subject to confidentiality and to modalities being devised to handle the flow of papers within the Bank, the staff suggests that extensive exchange of data and documentation be agreed. The Bank has access to the IDB, which it helped to develop.

Next Steps:

The Heads of Delegation request the Director-General to keep them informed of the evolution of the discussions with the World Bank and to present a draft Memorandum of Understanding for approval to the General Council.

The staff seeks the views of the Executive Directors on the issues to be negotiated with the WTO Secretariat. It hopes, and understands that the WTO hopes similarly, that negotiations can be completed quickly and a draft memorandum of understanding agreed at staff level by late summer. This would be submitted for approval by the Board and the WTO General Council. Finally, it would be submitted to the Board of Governors.



NG-043

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World Trade Organisation

Deputy Director-General



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