

Remarks for Delivery at UNCTAD XI
Session on "Assuring Development Gains from the International Trading System
And Trade Negotiations"

Hans Peter Lankers
International Monetary Fund
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Mr. Chairman, distinguished Participants,

I am grateful for the opportunity to address this Conference today. UNCTAD XI comes at a crucial time for the Doha Development Agenda. It offers a welcome chance to take a step back from the constraints of the negotiating environment and examine the broader purpose of the Round.

Lowering barriers to trade, within a multilateral framework of reciprocity and rules, has been central to the expansion in global trade and prosperity in the past half century. It has contributed to lifting more people out of poverty than at any time in history. The Doha Agenda presents an opportunity to deepen this process, to maintain and accelerate growth, and to spread its benefits more widely.

Despite the broad consensus on the development potential of trade, which was expressed at Doha, in Monterrey, and in Johannesburg, the public debate continues to highlight differences over how best to realize that potential.

Some emphasize the barriers that many rich countries continue to maintain against developing country exports. These barriers are indeed harmful----including to the countries that erect them----and hard to reconcile with public commitments to poverty reduction. Others point to the benefits of trade reforms for those countries that undertake them, emphasizing that trade liberalization is its own reward. They also underline the tremendous potential for greater trade among the developing countries, which is hampered by barriers that are even higher than those in industrial country markets.

These two visions let me call them market access and trade integration should not be understood to be competing expressions of the development dimension of the Doha Round. In designing a multilateral trading system that offers maximum support for development, the objective should be to realize them both. We need a decisive break with trade policies that hurt economic development. Donors cannot provide aid to create development opportunities with one hand and then use trade restrictions to take these opportunities away with the other. And developing countries have an important responsibility in using the multilateral system to promote better integration among themselves and with the global economy.

If countries are reap the benefits of trade there is also a need for complementary action. On the supply side, this means investments in infrastructure necessary to

ensure that the products of the poor can reach global markets, institutions that do not artificially raise transaction costs and, in the longer run, investments in education. It means policies to safeguard the interests of the most vulnerable in society. And it means ensuring an orderly macroeconomic framework and an economic environment supportive of adjustment. National strategies for development and poverty reduction can represent a focal point for developing integrated and participatory approaches to meeting these challenges. But many countries will require financial and technical assistance in implementing them.

The IMF's management has repeatedly emphasized that the Fund stands ready to play its part. Let me highlight four ways through which the IMF proposes to support countries in furthering their integration into the multilateral trading system.

First, through Fund surveillance. Following the Doha Declaration, the Fund's Executive Board underlined the need for stepped-up surveillance of trade policies, especially in industrial countries whose policies are of fundamental importance for the world trading system as a whole. We now have a track record of frank dialogue with our members about trade, both in the context of bilateral surveillance and through multilateral instruments such as the World Economic Outlook.

Second, through financial support. The IMF is fully committed to assisting members that face external payments imbalances in finding the appropriate mix of adjustment and financing. In April, the Fund's Executive Board moved to provide additional assurances to members by approving the Trade Integration Mechanism, or TIM. The TIM is a policy directed at the possible balance of payments impact of liberalization by other countries, agreed in the context of the WTO or implemented unilaterally on a non-discriminatory basis. Under the TIM, the IMF stands ready to support members in identifying the nature and size of these shocks, in designing appropriate adjustment policies and provide financial assistance to help address any related balance of payments problems.

Let me emphasize that, having analyzed the implications of third-country liberalization, we expect such difficulties to be temporary where they arise, and we do not expect them to be widespread. Nevertheless, there may be adjustment pressures in some countries that currently enjoy privileged market access as a result of preference schemes, especially for sugar and bananas, whose ability to compete with other developing countries in textiles markets following the scheduled termination of MFA quotas is in doubt, or whose food terms of trade may deteriorate due to reductions in export subsidies. A solution has to be found for these countries, without damaging the opportunities for the many others. The TIM is meant to address part of this problem, by giving affected countries an additional option in dealing with this situation, while allowing developing countries as a whole to reap the benefits of improved conditions for their exports.

The third way through which the IMF continues to provide support is technical assistance. Technical assistance and capacity building are crucial aspects of the Doha Development Agenda given the increasing complexity of the trade talks and policy, administrative, logistical and other constraints on trade that can limit the supply response. In the areas of its expertise, the Fund contributes actively to the Integrated Framework process, together with UNCTAD and other agencies. A number of

developing country delegations have also drawn attention to the expected loss of fiscal revenue from tariff reductions. The erosion of tariff revenues depends on characteristics of the tariff and customs regimes and can often be contained by other fiscal measures, such as eliminating exemptions, improving the administration of tariffs and taxes, and strengthening domestic taxation. It has been a long-standing part of the Fund's technical assistance efforts for our experts to provide assistance in helping to rebalance revenue systems and in strengthening customs administrations. Fund management has emphasized its willingness to further increase this assistance, in line with our member's priorities.

And finally, we provide targeted support through research. Fund staffs have prepared studies of preference erosion, balance of payments safeguards, export credit, the fiscal revenue implications of tariff reform, and exchange rate volatility and trade, specifically in response to concerns expressed at the WTO. We intend to continue providing such support as needed. And let me mention that, in many of our studies in the trade area, we benefit enormously from UNCTAD's analyses and data.

Mr. Chairman, working together the international community has an opportunity through more open trade policies to promote development and help the world's poor. Financial uncertainties linked to reform should not have to deter WTO members from engaging fully in the Doha process. This is where the IMF intends to play its part.

Thank you very much.