INTERNATIONAL MONETARY FUND

FACTSHEET

The IMF's Trade Integration Mechanism (TIM)

The Trade Integration Mechanism (TIM) was introduced in April 2004 to assist member countries to meet balance of payments shortfalls that might result from trade liberalization measures implemented by other countries. The TIM is not a special lending facility, but rather a policy designed to make resources more predictably available under existing IMF lending facilities.

Trade-related adjustments

Trade liberalization in multilateral frameworks, like the Doha Development Agenda of the World Trade Organization (WTO), could generate short-term balance of payment challenges (for example, a temporary reduction of export revenues due to adjustment pressures coming from more competitive conditions in a country's export markets, or an increase in import bills). However, Fund research indicates that these balance of payments shortfalls are unlikely to be large for most countries and would eventually be overwhelmingly exceeded by the positive impact of more open trade.

IMF support for trade liberalization

The TIM aims to mitigate concerns, particularly in developing countries, about financing balance of payments shortfalls that are a result of multilateral liberalization. The TIM is a policy (not a special facility with new resources) designed to increase the predictability of resources that are available under existing lending facilities, which already provide financial support for balance of payments difficulties arising from trade-related adjustments. The TIM contains a "deviation feature," which provides countries with a greater degree of certainty that IMF financing will be available to assist with larger-than-anticipated adjustments.

How the TIM works

A member country can request consideration under the TIM if it expects a net balance of payments shortfall as a result of measures implemented by *other* countries that lead to more open market access for goods and services. Such measures would typically be introduced either under a WTO agreement or in some other way that treats all countries on a nondiscriminatory basis.

In these circumstances, under the TIM:

- The size of access under both new and existing arrangements would account for the anticipated impact of the trade adjustment on the member's balance of payments; and
- Augmentation of access would be considered under simplified procedures if the actual balance of payments effect turns out to be larger than anticipated.

Three member countries (Bangladesh, the Dominican Republic, and the Republic of Madagascar) have so far requested and obtained support in accordance with the TIM.

The Fund encourages non-discriminatory trade reforms, whether undertaken unilaterally or through multilateral trade negotiations. It also provides support for trade liberalization through technical assistance, the Enhanced Integrated Framework (EIF), and Aid for Trade.

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