

countries worry they might lose their preferential access to industrial country markets while others worry that changes in commodity prices that might result from the Doha Round will hurt them. The IMF has undertaken research, provided to the World Trade Organization, in which we estimate the most likely range of such possible damage in the short run. In the long run, virtually all countries would benefit from trade liberalization. We have also developed the Trade Integration Mechanism, which was approved by the IMF Executive Board earlier this month. Under this facility, the IMF will be able to provide rapid financial assistance to any country that experiences a shortfall in its exports or an increase in commodity prices of its imports caused by multilateral trade liberalization.

QUESTION: The Group of Seven communiqué says that Argentina has made some progress but that more is required. Will there be an increase in the fiscal surplus, and will the government improve on the offer to its creditors that was presented at the IMF–World Bank Annual Meetings in Dubai?

KRUEGER: The primary surplus is a matter between the Argentine government and its creditors. In its letter of intent last September, the government com-

mitted to a target level for 2004 and agreed that it should continue on a rising trend. The government takes the view that there are several components that determine how much it can pay on debt service, and the primary surplus is only one. That, again, is subject to negotiation between Argentina and its creditors. As far as the IMF is concerned, whenever a country is in arrears, we want to be in a position to support it. In order not to prejudice other negotiations, we have a policy of lending into arrears that stipulates good faith negotiations. That is the extent of our concern.

QUESTION: What can the IMF offer Iraq after the transfer of sovereignty on June 30? Can you increase aid or otherwise enlarge your role?

KRUEGER: We are already assisting the Iraqis with working out their debt obligations and are helping them define a monetary framework and other economic policies. We will be able to continue providing technical assistance of that nature after the transfer of sovereignty. In addition, once Iraq acquires the appropriate institutions and mechanisms for carrying out policies, we might offer postconflict assistance and other financial support. ■



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