

PART II

International Institutions

UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) is a United Nations body responsible for dealing with development issues, particularly international trade. UNCTAD is functioning in more than 195 countries and dealing with trade, investment, and development issues. UNCTAD promotes economic cooperation and integration among its member states.

The need for reducing disparities between the rich and the poor was keenly felt at the global level. Particularly developing countries in Asia, Africa and Latin America realized the importance of global efforts to be undertaken in this direction. In order to fulfill the above, the United Nations Conference on Trade and Development (UNCTAD) came to be established on 30th December, 1964, as a permanent organization of UNO with its own permanent secretariat. UNCTAD has its headquarters in Geneva.

Its work focuses on the following key areas: Least Developed Countries and Special Programmes; Globalization, interdependence and development; international trade and commodities; investment and enterprise; and technology and logistics. This work often results in analysis and recommendations that can inform national and international policy-making processes and promote economic policies to end global economic inequalities and generate people-centred sustainable development.

Principles of UNCTAD

The first conference held in 1964 laid down UNCTAD's action programme and priorities. The various recommendations are based on the following principles:

1. Every country has the supreme right to freely dispose of its natural resources for the sake of its economic development. It can freely trade with other countries.
2. Principles of sovereign equality of states, self determination of people and non-interference in the internal affairs are the principles which guide trade and economic relations between countries; and
3. There shall be no discrimination on the basis of differences in socioeconomic systems. The adoption of various trading methods and policies shall be consistent with this principle.

Functions of UNCTAD

- (i) To promote international trade between developed and developing countries with a view to accelerating economic development.
- (ii) To formulate principles and policies on international trade and related problems of economic development.
- (iii) To make proposals for putting its principles and policies into effect,
- (iv) To negotiate trade agreements.
- (v) To review and facilitate the coordination of activities of the other U.N. institutions in the field of international trade.
- (vi) To function as a centre for a harmonious trade and related documents in the development policies of governments.

Achievements of UNCTAD

The achievements of UNCTAD may be discussed under the headings:

1. **Tariff reclassification:** UNCTAD worked for the development of trade by reclassifying the tariff structure. In consultation with the customs cooperation council, it conducted several technical studies for the purpose of developing nations. Products of developing countries were grouped to attract favorable tariff rates. It has also instructed the Embassies to classify the products correctly so that the developing nations would enjoy concession in the matter of tariff.
2. **Integrated Programme on Commodities:** Wide fluctuations in the prices of primary products being exported by developing countries cause hardship to them. Foreign exchange earnings from the export of primary products become uncertain. To stabilize the prices of primary products, UNCTAD suggested creation of buffer stock. A common fund to stabilize the prices of primary products was created under a programme called integrated programme on commodities. The initial contribution to the fund is 750 million dollars.
3. **Reducing debt burden:** UNCTAD reduced the debt burden of developing countries. Large amount of loans are obtained by underdeveloped countries from bilateral and multilateral sources. As a result, the debt servicing burden (repayment of loan installments and interest thereon) increased for the underdeveloped countries. The debt servicing burden accounted for a considerable proportion of foreign exchange earnings. In some cases, the whole amount of earnings earned from exports had to be spent on debt servicing. UNCTAD persuaded the creditors in the developed countries to write-off a part of the debts accumulated. Some of the developed countries agreed to the proposal and reduced the debt burden of underdeveloped countries.
4. **Commodity development facility:** Commodity development facility is popularly known as second window of the integrated programme on commodities. UNCTAD conference held in May 1979 at Manila strengthened this scheme. Several developing countries contributed to the creation of commodity development facility. The developing countries benefited very much in terms of processing, marketing skills, product adaptation and infrastructure facilities.



International Monetary Fund

The International Monetary Fund (IMF) was established at a United Nations Monetary and Financial Conference, also known as Bretton Woods Conference, on 22 July 1944 as an organ under the UN System. The IMF headquarters is located in Washington D.C., U.S.A.

The IMF is responsible for promoting international monetary cooperation; facilitating the expansion and balanced growth of international trade; promoting exchange stability; assisting in the establishment of a multilateral system of payments; and providing resources available to members experiencing balance of payments difficulties.

The International Monetary Fund (IMF) works to achieve sustainable growth and prosperity for all of its 190 member countries. It does so by supporting economic policies that promote financial stability and monetary cooperation, which are essential to increase productivity, job creation, and economic well-being. The IMF is governed by and accountable to its member countries.

What does the IMF do?

The IMF has three critical missions: furthering international monetary cooperation, encouraging the expansion of trade and economic growth, and discouraging policies that would harm prosperity.

Main Functions

The IMF employs three main functions – surveillance, financial assistance, and technical assistance – to promote the stability of the international monetary and financial system.

Surveillance: The IMF closely monitors each member country's economic and financial developments and holds a policy dialogue with a member country on a regular basis (also known as Article IV Consultation), usually once each year, to assess its economic conditions with a view to providing policy recommendations. The IMF also reviews global and regional developments and outlook based on information from individual consultations. The IMF publishes such assessment on the multilateral surveillance through the World Economic Outlook and the Global Financial Stability Report on a semi-annual basis.

Financial Assistance: The IMF lends to its member countries facing balance of payments problems in order to facilitate the adjustment process and restore member countries' economic growth and stability through various loan instruments or "facilities". An IMF loan is usually provided under an "arrangement," requiring a borrowing country to undertake the specific policies and measures to resolve its balance of payments problem as specified in a "Letter of Intent." Most IMF loans are primarily financed by its member countries through payments of quotas. Thus, the IMF's lending capacity is mainly determined by the total amount of quotas. Nevertheless, if necessary, the IMF may borrow from a number of its financially strongest member countries through the New Arrangements to Borrow (NAB) or the General Arrangements to Borrow (GAB) to supplement the resources from its quotas.

Technical Assistance: The IMF provides technical assistance to help member countries strengthen their capacity to design and implement effective policies in four areas, namely, 1) monetary and financial policies, 2) fiscal policy and management, 3) statistics and 4) economic and financial legislation. In addition to technical assistance, the IMF also offers training courses and seminars to member countries at the IMF Institute in Washington D.C., and other regional training institutes (Austria, Brazil, China, India, Singapore, Tunisia and United Arab Emirates).

The International Monetary Fund, founded in 1944, is a voluntary financial institution with a membership of 184 countries. It fosters among these countries cooperative monetary policies that stabilize the exchange of one national currency for another. At the request of a member, it extends technical assistance in financial, fiscal, and economic matters. If persuaded that a member country, behind in payments to other countries, will implement reform policies, the IMF will lend money to tide that member over until the reforms take effect.

Role of IMF

The purposes of the IMF are clearly expressed in Article I of its constitution,

- To promote international monetary cooperation through a permanent institution which provides the machinery for consultation and collaboration on international monetary problems.

- To 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 as primary objectives of economic policy.
- To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.
- To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
- To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
- In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

International Bank for Reconstruction and Development (IBRD)

The International Bank for Reconstruction and Development (IBRD), commonly referred to as the World Bank, is an international financial institution whose purposes include assisting the development of its member nation's territories, promoting and supplementing private foreign investment and promoting long-range balance growth in international trade.

The International Bank of Reconstruction and Development (IBRD) is a development bank administered by the World Bank. The IBRD offers financial products and policy advice to countries aiming to reduce poverty and promote sustainable development. The International Bank of Reconstruction and Development is a cooperative owned by 189 member countries. As the largest development bank in the world, it supports the World Bank Group's mission by providing loans, guarantees, risk management products and advisory services to middle-income and creditworthy low-income countries, as well as by coordinating responses to regional and global challenges.

The goal of the IBRD is to provide financing and economic policy advice to help the leaders of middle-income countries navigate the path toward greater prosperity.

Objectives:

1. To provide long-run capital to member countries for economic reconstruction and development.
2. To induce long-run capital investment for assuring Balance of Payments (BoP) equilibrium and balanced development of international trade.
3. To provide guarantee for loans granted to small and large units and other projects of member countries.
4. To ensure the implementation of development projects so as to bring about a smooth transference from a war-time to peace economy.
5. To promote capital investment in member countries by the following ways;
 - (a) To provide guarantee on private loans or capital investment.

(b) If private capital is not available even after providing guarantee, then IBRD provides loans for productive activities on considerate conditions.

Functions:

World Bank is playing main role of providing loans for development works to member countries, especially to underdeveloped countries. The World Bank provides long-term loans for various development projects of 5 to 20 years duration.

The main functions are

1. World Bank provides various technical services to the member countries. For this purpose, the Bank has established “The Economic Development Institute” and a Staff College in Washington.
2. Bank can grant loans to a member country up to 20% of its share in the paid-up capital.
3. The quantities of loans, interest rate and terms and conditions are determined by the Bank itself.
4. Generally, Bank grants loans for a particular project duly submitted to the Bank by the member country.
5. The debtor nation has to repay either in reserve currencies or in the currency in which the loan was sanctioned.
6. Bank also provides loan to private investors belonging to member countries on its own guarantee, but for this loan private investors have to seek prior permission from those countries where this amount will be collected.

World Trade Organization

The World Trade Organization (WTO) is a multilateral organization headquartered in Geneva, Switzerland. It came into existence on January 1, 1995, as a successor to the General Agreement on Tariffs and Trade (GATT). The organization functions as a central body that facilitates global trade.

The World Trade Organization (WTO) is the single global international organization dealing with the rules related to international trade. WTO's agreements are negotiated and signed by a majority of prominent trading nations. The agreements are ratified in the parliaments of the contracting countries.

Role of WTO in Promoting International Trade

WTO promotes business liberalization and economic globalization. It has implemented a substantial decline in tariff levels.

WTO plays a major role in promoting peace among the countries. WTO lets international trade and investment to run smoothly. Countries also get a constructive and fair institution for dealing with disputes over trade issues due to the presence of the WTO.

The WTO also plays a role in decreasing the cost of living. Protectionism increases the cost of the goods. WTO lowers the trade barriers via negotiation and through its non-discrimination policy.

WTO's Most favored Nation (MFN) principle, which allows market liberalization, helps the developing nation to trade and prosper. Besides, it also supports the multilateral framework for rules and agreement.

Developing countries benefit from the intellectual property rules of WTO. Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement offers a suitable policy framework that helps to promote technology transfer and FDI flow to developing nations.

There are some preferential treatments available for the developing countries too. Generalized System of Preferences (GSP) enables non-reciprocal preferential treatment by developed countries.

Roles and Functions of WTO

The broad reach of WTO and its functions have been mentioned below.

- **Implementation of Rules for Review of Trade Policy**

The international rules of trade provide stability and assurance and lead to a general consensus among member countries. The policies are reviewed to ensure that even with the ever-changing trading scenarios, the multilateral trading system thrives. It also helps in the facilitation of a transparent and stable framework for conducting business.

- **Forum for Member Countries Discuss Future Strategies**

The WTO, as a forum, allows for trade negotiations in the multilateral trading system. In the absence of trade negotiations, growth may stunt, and issues related to tariff and dumping may go unaddressed. Further liberalization of trade is also subject to consistent trade negotiations.

- **Implementing and Administering Bilateral and Multilateral Trade Agreements**

The bilateral or multilateral trade agreements have to be necessarily ratified by the parliaments of respective member countries. Unless such ratification comes through, the non-discriminatory trading system cannot be put into practice. The executed agreements will ensure that every member is guaranteed to be treated fairly in other members' markets.

- **Trade Dispute Settlement**

The dispute settlement by the WTO is concerned with the resolution of trade disputes. Independent experts of the tribunal interpret the agreements and give out judgment mentioning the due commitments of the concerned member states. It is encouraged to settle the disputes by way of consultation among the members as well.

- **Optimal Utilization of the World's Resources**

Resources across the world can be further optimally utilized by harnessing the trade capacities of the developing economies. It requires special provisions in the WTO agreements for the least-developed economies. Such measures may include providing greater trading opportunities, longer duration to implement commitments, and also support to build the sue infrastructure.

Features of WTO

The major features of the World Trade Organization are –

- The scope of WTO is far more expensive than the erstwhile General Agreement on Trade and Tariff. For instance, GATT solely focused on goods while excluding textiles and agriculture. On the other hand, WTO covers all goods, services, and investment policies along with intellectual property.

- WTO Secretariat has formalized and bolstered the mechanisms for the review of policies as well as the settlement of disputes. This aspect has become crucial due to the proliferation of member countries and more goods and services being covered by the WTO. Another important consideration in this regard is the substantial increase in open access to different international markets.
- There are rules implemented for the protection of small and weak countries against the discriminatory trade practices of developed countries.
- National Treatment articles and Most Favored Nation (MFN) clause permits equal access to markets for just treatment of both domestic and foreign suppliers.
- Each member country of the WTO carries a single voting right and all members enjoy privilege on the global scale.
- The WTO agreements encompass all the member states and act as a common forum of deliberation for the members.

Benefits of WTO

WTO membership provides:

- Most favoured nation treatment, which means equal access for all companies of all WTO Members to the markets of all Members of the Organization;
- National treatment that prohibits national producers from gaining advantages over importers;
- Reduction of trade barriers, primarily tariffs and quantitative restrictions, which provides for increased trade between Members;
- Predictability and transparency of international trade – WTO Members have bound their tariffs and cannot, except for good reason, introduce other import restrictions, such as bans or quotas;
- Increased competitiveness by eliminating unfair practices between trading partners aimed at stimulating trade, primarily export subsidies and dumping;
- Opportunity to defend trade interests at the WTO Dispute Settlement Body, since all Members will have international commitments towards Belarus for non-application of trade restrictions.

WTO members experienced an average of 40% decline in tariff rate. Agriculture industry and textile trade expansions, security enhancement, anti-dumping and countervailing, dispute-free investment and trade in services and intellectual properties have been the most significant achievements of the WTO

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