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*Objective: Topic covered in present volume is **International Institutions like UNCTAD, IMF, IBRD and WTO**. Present set of content will provide the students an opportunity to learn and understand how international institutions help in performance of international business affairs.*

International Institutions

An international organization is established by a treaty or other instrument governed by international law and possessing its own international legal personality, such as the United Nations, the World Health Organization and NATO.

Role of international institutions is helping to set the international agenda, mediating political bargaining, providing a place for political initiatives and acting as catalysts for coalition-formation. They facilitate cooperation and coordination among member nations.

An international organization has been defined “as a forum of co-operation of sovereign states based on multilateral international organizations and comprising of a relatively stable range of participants, the fundamental feature of which is the existence of permanent organs with definite competences and powers acting for the carrying out of common aims.

Following are the essentials of international the institution:

- I. Its origin is based on multilateral international agreement.
- II. The institution has a personality of its own, which is distinct from that of its individual members
- III. It has permanent organs which carry out common aims.

Not all organizations derive directly from a treaty, though some have been created not by treaty, but by the legal act of an already existing organization. The United Nations General Assembly, for instance has created several organizations by resolution: the United Nations Industrial Development Organization (UNIDO) and the United Nations Children’s Fund (UNICEF) come to mind, as do various institutions set up by the Nordic Council, including financial institutions

such as the Nordic Investment Bank. Indeed, the Nordic Council itself originated as a form of cooperation between the parliaments of the five states concerned (Denmark, Finland, Iceland, Norway and Sweden), rather than being clearly treaty-based. The importance of this characteristic, then is above all to indicate that the creation of an international organizations is an intentional act. Organizations rest upon conscious decisions of the states involved; they do not come out of the blue, and are not created by accident.

1.The United Nations Conference on Trade and Development (UNCTAD)

The UNCTAD was established in 1964 as a permanent intergovernmental body.

It is the part of the United Nations Secretariat dealing with trade, investment, and development issues among the member nations. The creation of UNCTAD in 1964 was based on concerns of developing countries over the international market, multi-national corporations, and great disparity between developed nations and developing nations. The United Nations Conference on Trade and Development was established to provide a forum where the developing countries could discuss the problems relating to their economic development. The primary objective of UNCTAD is to formulate policies relating to all aspects of development including trade, aid, transport, finance and technology. The conference ordinarily meets once in four years; the permanent secretariat is in Geneva. The first UNCTAD conference took place in Geneva, Switzerland in 1964, Currently, UNCTAD has 195 member states and is headquartered in Geneva, UNCTAD has 400 staff members and a bi-annual (2010–2011) regular budget of \$138 million in core expenditures and \$72 million in extra-budgetary technical assistance funds. It is a member of the United Nations Development Group. There are non-governmental organizations participating in the activities of UNCTAD.

1.1 Basic Principles

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.
3. There shall be no discrimination the basis of differences in socioeconomic systems. The adoption of various trading methods and policies shall be consistent with this principle.

1.2 Major Achievements,

One of the principal achievements of UNCTAD (1964) has been to conceive and implement the Generalized System of Preferences (GSP). It was argued in UNCTAD that to promote exports of manufactured goods from developing countries, it would be necessary to offer special tariff concessions to such exports. Accepting this argument, the developed countries formulated the GSP scheme under which manufacturers' exports and import of some agricultural goods from the developing countries enter duty-free or at reduced rates in the developed countries. Since imports of such items from other developed countries are subject to the normal rates of duties, imports of the same items from developing countries would enjoy a competitive advantage.

Some other major achievements of UNCTAD are given below.

* **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.

* **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.

* **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.

* **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.

2. International Monetary Fund (IMF)

This is an international organization headquartered in Washington, D.C., consisting of 189 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. It was formed in 1944 at the Bretton Woods Conference. It came into formal existence in 1945 with 29 member countries. The goal was reconstructing the international payment system. It now plays a central role in the management of balance of payments difficulties and international financial crises. Countries contribute funds to a pool through a quota system from which countries experiencing balance of payments problems can borrow money. As of 2016, the fund had XDR 477 billion (about US\$ 667 billion).

Through the fund and other activities such as the gathering of statistics and analysis, surveillance of its members' economies, and the demand for particular policies, The current Managing Director (MD) and Chairwoman of the IMF is Bulgarian Economist, Kristalina Georgieva, who has held the post since October 1, 2019

The **objectives** of the IMF are: to promote international monetary co-operation, international trade, high employment, exchange-rate stability, sustainable economic growth, and making resources available to member countries in financial difficulty.

2.1 Role of IMF

The IMF supports many developing nations by helping them overcome monetary challenges and to maintain a stable international financial system. Despite this clearly defined purpose, the execution of its work can be very complicated and can have wide repercussions for the recipient nations. The IMF is playing an expanding role in the global monetary system. The IMF's key roles are the following:

- To promote international monetary cooperation
- To facilitate the expansion and balanced growth of international trade
- To promote exchange stability
- To assist in the establishment of a multilateral system of payments
- To give confidence to members by making the IMF's general resources temporarily available to them under adequate safeguards
- To shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members

3. World Bank, International Bank for Reconstruction and Development (IBRD),

The World Bank came into existence in 1944 at the Bretton Woods conference. Its formal name is the International Bank for Reconstruction and Development (IBRD), which clearly states its primary purpose of financing economic development. The World Bank's first loans were extended during the late 1940s to finance the reconstruction of the war-ravaged economies of Western Europe. When these nations recovered some measure of economic self-sufficiency, the World Bank turned its attention to assisting the world's poorer nations. The World Bank has one central purpose: to promote economic and social progress in developing countries by helping raise productivity so that their people may live a better and fuller life:

Today, The World Bank consists of two main bodies, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), established in 1960. The World Bank is part of the broader World Bank Group, which consists of five interrelated institutions: the IBRD; the IDA; the International Finance Corporation (IFC), which was established in 1956; the Multilateral Investment Guarantee Agency (MIGA), which was established in 1988; and the International Centre for Settlement of Investment Disputes (ICSID), which was established in 1966.

3.1 Features of IBRD

- * Bank can grant loans to members countries up to 20 % of its share in paid up capital.
- * Bank also provides loans to private investors belonging to the members on its own guarantee, but private investors need to take permission of its native country. Banks charges 1% to 2% as service charge.
- * The quantum of loan service, interest rate, terms and conditions are decided by the World Bank itself.
- * Generally bank grant loans for a particular project duly submitted to the bank by the member country.
- * The debtor nation has to repay either in reserve currencies or in the currencies in which the loan was sanctioned.

4. World Trade Organization (WTO)

WTO is an international organization established to supervise and liberalize world trade. The WTO is the successor to the General Agreement on Tariffs and Trade (GATT), which was created in 1947 in the expectation that it would soon be replaced by a specialized agency of the United Nations (UN) to be called the International Trade Organization (ITO). Although the ITO never materialized, the GATT proved remarkably successful in liberalizing world trade over the next five decades. By the late 1980s there were calls for a stronger multilateral organization to monitor trade and resolve trade disputes. Following the completion of the Uruguay Round (1986–94) of multilateral trade negotiations, the WTO began operations on January 1, 1995.

4.1 Role of WTO

The WTO facilitates implementation, administration and smooth operations of trade agreements between the countries.

- It provides a forum for the trade negotiations between its member countries.
- Settlements of disputes between the member countries through the established rules and regulations.

- It cooperates with the IMF (International Monetary Fund) and World Bank in terms of making cohesiveness formulating global economic policies.

Overall WTO was set up to play a very important role in the world economics though settling trade related disputes through rules, regulations and consensus based agreement mechanisms that would prevent trade related wars between powerful countries.

Through resolving trade related disputed WTO has got the potential to maintain world peace and bilateral relations between its member countries thorough following negotiations, consultations and mediations.

4.2 Advantages and Disadvantages of the WTO

The history of international trade has been a battle between protectionism and free trade, and the WTO has fueled globalization with both positive and adverse effects. The organization's efforts have increased global trade expansion, but a side effect has been a negative impact on local communities and human rights.

Proponents of the WTO, particularly multinational corporations (MNCs), believe that the organization is beneficial to business, seeing the stimulation of free trade and a decline in trade disputes as beneficial to the global economy. Skeptics believe that the WTO undermines the principles of organic democracy and widens the international wealth gap. They point to the decline in domestic industries and increasing foreign influence as negative impacts on the world economy.

As part of his broader attempts to renegotiate U.S. international trade deals, President Trump has threatened to withdraw from the WTO, calling it a "disaster." A U.S. withdrawal from the WTO could disrupt trillions of dollars in global trade.

Thanks