

World economy

The main international financial institutions

The International Monetary Fund (IMF)

The World Bank (WB)

The Organization for Economical Co-operation and Development (OECD)

The World Trade Organization (WTO)

Economical development of each state was diverse and influenced by many circumstances.

War conflicts had negative influence on this economical development and at the same time on development of each national economy. Elimination of their consequences wasn't short term issue.

National economies became more connected and reliable on each other, what brought certain risks.

The result was The Great Depression in 30's caused by share crash on the New York Stock Exchange.

At that time was born the idea of necessity for institution, transnational institution, which could prevent situations like that.

As time went by several international financial institutions were created:

The International Monetary Fund (IMF), the World Bank (WB), the Organization for Co-operation and Development (OECD) and the World Trade Organization (WTO).

The International Monetary Fund (IMF) is organization with 188 member countries to date.

It's effort is to support global monetary co-operation, secure financial stability, facilitate international trade, promote high employment, sustainable economical growth and decrease poverty around the world.

Its headquarters are in Washington D.C.

The organization has more than 2 700 employees from more than 140 states and over 1 500 of them are economists.

The Czech Republic became a member on 1.1.1993

More information about member countries:
<http://www.imf.org/external/country/index.htm>

Establishment of the IMF was reaction to The Great Depression in 30's.

„Golden monetary system“ and fixed exchange rate ended.

Countries tried to fight against this depression with adding barriers in international trade and currency devaluation to support domestic markets.

Global trade, employment and living condition dropped and national economies were isolated.

This unsustainable condition led to idea of founding an international organization supervising global currency co-operation and which would be able to prevent similar situation as The Great Depression in 30's.

The representatives of 45 governments met in in July **1994** in city named **Bretton Woods**, in state New Hapshire, and created basis of new organization which could be able to prevent next economical crisis.

The IMF was found on **22 July 1944** when it's **Articles of Agreement** was ratified.

At the same time as the IMF, was established second institution – the **World Bank**.

The IMF formally came to existence on **27 December 1945** when first 29 countries ratified its Articles of Agreement.

First financial operation were started on 1 March 1947.

More to see: <http://www.imf.org/external/about/history.htm>



The IMF's goals

Are defined in Articles of Agreement.

The IMF pledged to:

- **Support international monetary co-operation** through stable institution which provides instruments for consultation and co-operation in international problems.
- **Facilitate extent and balanced growth of international trade** and contribute to support and sustain high employment and real incomes.
- **Support exchange rate stability** and keep proper foreign exchange agreements between members to prevent competitive currency devaluation.

International Monetary Fund [online]. 2013 [cit. 2013-12-15].

WWW: <http://www.imf.org/external/about/ourwork.htm>

The IMF's goals

- Help with establishment of **international payment system** for common transactions among the member states and remove foreign exchange restrictions which are hindrance to international trade.
- Make it's sources temporally available for members who have **problems with balance of payments**.
- **Shorter durance and moderate unbalances** in member's international balance of payments

International Monetary Fund [online]. 2013 [cit. 2013-12-15]. Available on WWW: <http://www.imf.org/external/about/ourwork.htm>

The IMF's fields of interest

Main goal of the IMF is to secure stability of international monetary system.

The IMF is using:

- Technical assistance
- Financial assistance
- Surveillance

The World Bank (WB)

The World Bank is an organization composed of two specialized organizations of the United Nations (UN), which secure financial and technical support to developing countries.

It's goal is to reduce poverty and improve living conditions around the world.

Founding of the World Bank

The Agreement of establishment the World Bank was signed at global conference in July **1994** in **Bretton-Woods** (New Hampshire, USA).

The World Bank started to operate in 25 July **1946** in **Washington**, where are the headquarters.

The World Bank was established by 38 member countries and by now the number of members has raised to 188.

The World Bank Group - WBG

The World Bank is a group of five institutions:

- **The International Bank for Reconstruction and Development - IBRD**
- **The International Development Association – IDA**
- **The International Financial Corporation – IFC**
- **The Multilateral Investment Guarantee Agency – MIGA**
- **The International Centre for Settlement of Investment Disputes – ICSID**

The World Bank's goals

Initial idea was that the World Bank should participate in financing reconstructions of the member's national economy after the war.

Later the World Bank's activities shifted to **financing structural and development programs** mainly in development countries.

Policy and activities of the World Bank are defined in the Agreement. Main **goals** of the World Bank are:

- Contribution to economical development of weaker member states with support of beneficial investments.
- Supporting development of resources to increase growth of global trade and improve living conditions.
- Co-ordination of loans provide to ensure priority of the most important projects.

Co-operation the IMF with the WB

These two organization often co-operates at many levels to help the member countries.

In 1989 were conditions of their co-operation set in a **concordant**. Main seven levels of their co-operation are:

- „High-level“ coordination
- Management consultation
- Staff collaboration
- Reducing debt burdens
- Reducing poverty
- Monitoring progress in the Millennium Development
- Assessing financial stability

International Monetary Fund [online].2013 [cit. 2013-12-16]. The IMF and the World Bank.
WWW: <http://www.imf.org/external/np/exr/facts/imfwb.htm>.

The Organization for Economical Co-operation and Development (OECD)

It is intergovernmental organization which **provides advices and recommendations** to member countries and co-operating states.

The OECD has wide range of interests, mostly in economical, political and social sphere.

The organization's **goal** is to support co-operation among the member states to help their economical development and to achieve other economical goals as decrease unemployment or price stability.

The organization has **a whole range of knowledge, data, analysis and statistics**, so it provides many useful information to each state.

OECD [online]. About OECD 2013 [cit. 2013-12-12]. <http://www.oecd.org/about/>

History

Origins in **1961** (founding document was signed on 14 December 1960) of so-called **OEEC (Organization for European Economic Co-operation)**

OEEC was found for realization of „**Marshall plan**“.

(It was an American effort to help Europe after World War II. However this plan was refused by eastern Europe countries, so than the help was limited just for western Europe countries.)

Later most of the western Europe countries became the 20 founding countries of OECD.

OECD About OECD [online]. 2013 [cit. 2013-12-12]. Available: :<http://www.oecd.org/about/history/>

Member states

The OECD has 34 member states now.

<http://www.oecd.org/about/membersandpartners/>

The OECD's activities

- Support economical, political and social co-operation of the member states,
- Arrange of investments,
- Promote global trade liberalization,
- Monitoring environmental changes, agriculture, technologies, education, taxation and other spheres,
- The OECD is one of the best statistical agencies which issues array of analysis and researches with wide range of interest,
- Fight against corruption and bribing.

The organization's goals

The OECD brings together governments enforcing democracy and market economy and their goals are:

- Support sustainable economical growth.
- Increase employment.
- Improve living conditions.
- Impose financial stability.
- Help economical growth of other countries.
- Support global trade.

http://www.oecd.org/pages/0,3417,en_36734052_36734103_1_1_1_1_1,00.html.

Organizational structure

The OECD's structure consists of:

- Council
- Executive directorate
- General Secretariat
- Substantive Comities

The World Trade Organization (WTO)

The World Trade organization originated in 1995 as the **General Agreement on Tariffs and Trade – „GATT“** which was found in 1948.

It is only international institution specialize in **global trade regulations**.

The WTO isn't specialized agency of the UN, but it has Agreement on co-operation with the UN.

The WTO **has 159 member states** to date and it's headquarters are in Geneve.

It's major target is to **increase production and trade in goods and services** and **optimal usage of resources** in compliance with **permanent development and preserving environment**.

The WTO **supports international trade liberalization**.

The WTO Agreement was negotiated and ratified **on 15 April 1994** by member states in **Marrakesh**, Morocco as a result of **negotiation rounds** between 1986 and 1994 under the „**Uruguay Round**“. In this round were discussed liberalization of trade in goods, liberalization of services, investment measures and intellectual property measures.

This negotiations helps when countries encounter trade barriers and they want them reduce or eliminate.

The WTO's activities aren't just about trade liberalization, but under certain conditions their regulations tighten up the trade barriers to protect consumer and prevent disease spread.

Major WTO' documents

From the Uruguay Round arise first documents – 60 agreements, annexes, decisions and understandings.

The agreements have **six main parts**:

- Umbrella treaty (agreement establishing the WTO),
- Agreements for three major spheres of trading (goods, services and intellectual property),
- Dispute settlement,
- Review of government's trade policies.

Agreements on the two biggest spheres – goods and services- have similar structure and three parts:

- **Wide Agreements:** General Agreement on Tariffs and Trade (GATT) – in goods, General Agreement on trade in Services (GATS) and Trade Related Aspects of Intellectual Property Rights (TRIPS),
- **Special agreements** and annexes about special requirements in particular sectors and issues,
- **List of commitments accepted by each state** which allow foreign goods and service providers to enter their market.

World Trade Organisation [online]. 2013 [cit. 2013-12-20]. Understanding the WTO. Dostupné z WWW:
<http://www.wto.org/english/thewto_e/thewto_e.htm>.

The WTO's structure

The WTO is led by member states.

Every important decision is made by members as a whole by their ministers, ambassadors and assistants.

The **decisions** are taken by **consensus**.

Taking decision by consensus which has more than 150 members isn't easy, nevertheless some important consensus were achieved.

It is often **suggested** to created **smaller executive bodies**.

World Trade Organisation [online]. 2013 [cit. 2013-12-20]. Understanding the WTO. Dostupné z WWW: <http://www.wto.org/english/thewto_e/thewto_e.htm>.

The highest decision-making body is the **Ministerial conference**, which has to meet at least every two years and they can take decisions on all matters under any of the multilateral trade agreements.

➤ ***Second level***

- General Council,
- Body for Dispute Settlement,
- Body for Revision of Trade Policies

➤ ***Third level***

- Council for Trade in Goods
- Council for Trade in Services
- Council for Trade – Related Aspects of Intellectual Property

➤ ***Fourth level***

Conclusion

From the above-mentioned brief definitions of four main international financial institutions is clear, that every country is trying to minimize negative impact of some economical effects on national economies.

International Monetary Fund [online]. 2013 [cit. 2013-12-15].
Dostupné z WWW: <http://www.imf.org/external/about/ourwork.htm>

World Trade Organisation [online]. 2013 [cit. 2013-12-20]. Understanding the WTO. Dostupné z
WWW:<http://www.wto.org/english/thewto_e/thewto_e.htm>.

International Monetary Fund [online]. 2013 [cit. 2013-12-16]. The IMF and the World Bank.
Dostupné z WWW: <http://www.imf.org/external/np/exr/facts/imfwb.htm>>.