



Course: World economy

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Contents: At the beginning of the lecture, students will be familiar with the educational objectives aimed to characterize the main international financial institutions: the International Monetary Fund (IMF), the World Bank (WB), the Organization for Economical Co-operation and Development (OECD) and the World Trade Organization (WTO).

1. The International Monetary Fund (IMF)
2. The World Bank (WB)
3. The Organization for Economical Co-operation and Development (OECD)
4. The World Trade Organization (WTO)

1. The International Monetary Fund (IMF)

IMF is an organization with 188 member countries to date. Its 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 is located 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 to se: <http://www.imf.org/external/country/index.htm>

Establishment of the IMF

Establishment of the IMF was reaction to The Great Depression in 30's when the „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 1944 in city named Bretton Woods, in state New Hampshire, 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.
- 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 its sources temporarily available for members who have problems with balance of payments.
- Shorter duration and moderate unbalances in member's international balance of payments.

More to see: *International Monetary Fund* [online]. 2013 [cit. 2013-12-15].
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

2. 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. Its 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 1944 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:

1. The International Bank for Reconstruction and Development - IBRD
2. The International Development Association – IDA
3. The International Financial Corporation – IFC
4. The Multilateral Investment Guarantee Agency – MIGA
5. 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

3. 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.

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.

More to see: 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.

More to see: <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.

Organizational structure

The OECD's structure consists of:

- Council
- Executive directorate
- General Secretariat
- Substantive Comities

4. 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.

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.

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 create smaller executive bodies.

More to see: 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*

More to see: 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>.

References and further reading:

1. *International Monetary Fund* [online]. 2013 [cit. 2013-12-15]. Available: WWW: <http://www.imf.org/external/about/ourwork.htm>
2. *International Monetary Fund* [online]. 2013 [cit. 2013-12-16]. The IMF and the World Bank. Available: WWW: <http://www.imf.org/external/np/exr/facts/imfwb.htm>.
3. *World Trade Organisation* [online]. 2013 [cit. 2013-12-20]. Understanding the WTO. Available: WWW: <http://www.wto.org/english/thewto_e/thewto_e.htm>.
4. *OECD About OECD* [online]. 2013 [cit. 2013-12-12]. Available: <http://www.oecd.org/about/history/>