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DEPARTMENT OF CoTM

Economic Institutions

Economic Institutions

- Almost every country exports and imports products to benefit from the growing international trade.
- The growth of international trade can be increased, if the countries follow a common set of rules, regulations, and standards related to import and export.
- These common rules and regulations are set by various international economic institutions. These institutions aim to provide a level playing field for all the countries and develop economic cooperation.

1. World Trade Organization

- WTO was formed in 1995 to replace the General Agreement on Tariffs and Trade (GATT), which was started in 1948. GATT was replaced by WTO because GATT was biased in favor of developed countries. WTO was formed as a global international organization dealing with the rules of international trade among countries.
- The main objective of WTO is to help the global organizations to conduct their businesses. WTO, headquartered at Geneva, Switzerland, consists of 153 members and represents more than 97% of world's trade.

The main objectives of WTO are as follows:

a. Raising the standard of living of people, promoting full employment, expanding production and trade, and utilizing the world's resources optimally

b. Ensuring that developing and less developed countries have better share of growth in the world trade

c. Introducing sustainable development in which balanced growth of trade and environment goes together

The main functions of WTO are as follows:

a. Setting the framework for trade policies

b. Reviewing the trade policies of different countries

c. Providing technical cooperation to less developed and developing countries

d. Setting a forum for addressing trade-related disputes among different countries

e. Reducing the barriers to international trade

f. Facilitating the implementation, administration, and operation of agreements

g. Setting a negotiation forum for multilateral trade agreements

h. Cooperating with the international institutions, such as IMF and World Bank for making global economic policies

2. International Monetary Fund:

IMF, established in 1945, consists of 187 member countries. It works to secure financial stability, develop global monetary cooperation, facilitate international trade, and reduce poverty and maintain sustainable economic growth around the world. Its headquarters are in Washington, D.C., United States.

The objectives of IMF are as follows:

a. Helping in increasing employment and real income of people

b. Solving the international monetary problems that distort the economic development of different nations

c. Maintaining stability in the international exchange rates

d. Strengthening the economic integrity of the nations

e. Providing funds to the member nations as and when required

f. Monitoring the financial and economic policies of member nations

g. Assisting low developed countries in effectively managing their economies

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WTO and IMF have total 150 common members. Thus, they both work together where the central focus of WTO is on the international trade and of IMF is on the international monetary and financial system. These organizations together ensure a sound system of global trade and financial stability in the world

3. United Nations Conference on Trade and Development:

UNCTAD, established in 1964, is the principal organ of United Nations General Assembly. It provides a forum where the developing countries can discuss the problems related to economic development. UNCTAD is headquartered in Geneva, Switzerland and has 193 member countries.

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The conference of these member countries is held after every four years. UNCTAD was created because the existing institutions, such as GATT, IMF, and World Bank were not concerned with the problem of developing countries. UNCTAD's main objective is to formulate the policies related to areas of development, such as trade, finance, transport, and technology.

The main objectives of UNCTAD are as follows:

a. Eliminating trade barriers that act as constraints for developing countries

b. Promoting international trade for speeding up the economic development

c. Formulating principles and policies related to international trade

d. Negotiating the multinational trade agreements

e. Providing technical assistance to developing countries specially low developed countries

4. Regional Economic Integration:

Economic institutions, such as WTO, IMF, and UNCTAD aim at promoting economic cooperation worldwide. A similar effort is made regionally through regional economic integration that is an agreement between the countries to expand trade with mutual benefits. Regional economic integration involves removing trade barriers and coordinating the trade policies of the countries.

It occurs because of various reasons, which are mentioned as follows:

(a) Shared culture: Involves similarity in language, religion, norms, and traditions of the countries that prompt them to trade with each other. This commonality facilitates the smooth flow of communication among countries. Same language of the countries helps the organizations to understand the complexities of the targeted markets.

(b) History of political and economic dominance: Affects the integration among the countries. For instance, the rule of Britanie's has introduced the English language in India that later became a widely used language. Thus, former colonial power facilitates the shared culture and language. It is easy for organizations to target the markets, if culture and language is similar.

(c) Regional closeness: Helps in maintaining strong economic relationships among the countries. The countries with same border have access to effective and direct

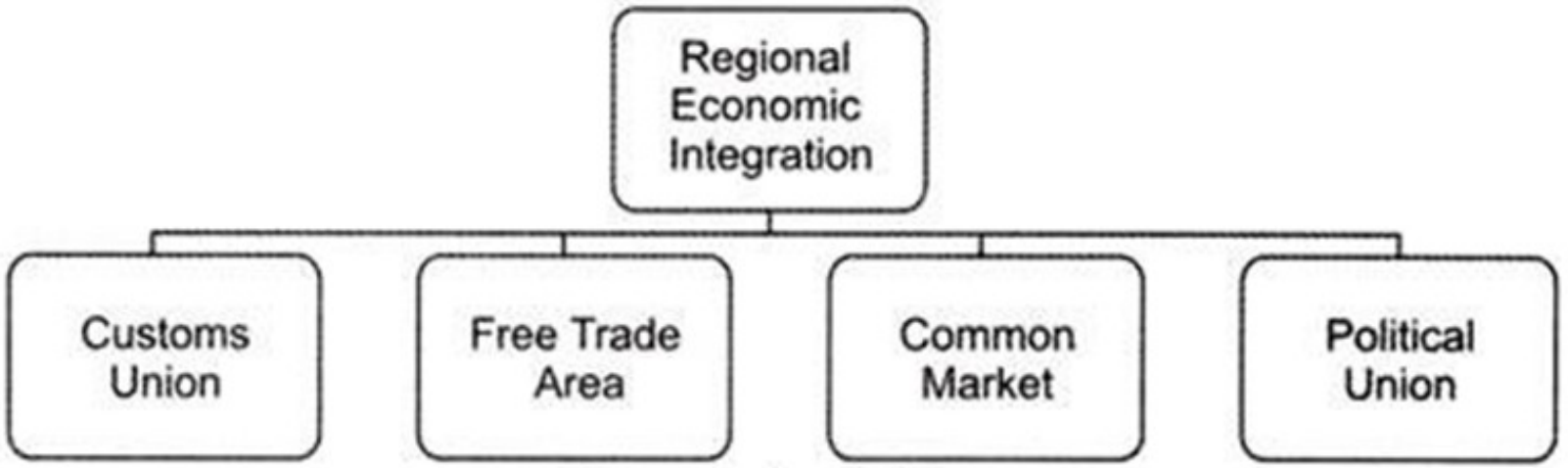


Figure-5: Trade Blocs

The aims and objectives of the common market are as follows:

i. Attaining sustainable development of the participating nations

ii. Promoting mutual development in all fields of economic activities

iii. Adopting policies and programs for raising the standard of living of the residents and fostering closer relations among participating nations

iv. Facilitating cooperation among participating nations to maintain peace, security, and stability

v. Strengthening the relations between the countries and the rest of the world.

Thank you!