



GOVERNING BODIES: INTERNATIONAL TRADE AGREEMENTS

Trade Negotiations

- Follow three major approaches:

1. Unilateral

- *One and only one country acts*
- *Sometimes unilateral movements go against the interests of others since the country is acting in its self interest*

2. Bilateral

- *Two countries work together to come to a mutually satisfying agreement*

3. Multilateral

- *Several countries are involved, working towards their common interests*

Economic Integration

- Free trade is a move toward economic integration of different countries.
- It is commonly argued that the more a trading bloc is integrated the more it is competitive on an international scale.
- As economic integration increases, the barriers of trade between markets diminish.
- The most integrated economy today is the European Union.

The World Trade Organization

- The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations.
- Emerged in 1995 from the roots of the GATT agreement of 1947 (General Agreement on Trade and Tariffs).
- The WTO provides a forum for negotiating agreements aimed at reducing obstacles to international trade and ensuring a level playing field for all, thus contributing to economic growth and development.



- The WTO also provides a legal and institutional framework for the implementation and monitoring of these agreements, as well as for settling disputes arising from their interpretation and application.
- The current body of trade agreements comprising the WTO consists of 16 different multilateral agreements (to which all WTO members are parties) and two different plurilateral agreements (to which only some WTO members are parties).

- The WTO currently has 164 members, of which 117 are developing countries or separate customs territories.
- WTO activities are supported by a Secretariat and are led by the WTO Director-General.
 - *Roberto Azevêdo (2013 – present)*
- The Secretariat is located in Geneva, Switzerland.

Decision Making in the WTO

- Generally taken by consensus of the entire membership.
- The highest institutional body is the Ministerial Conference, which meets roughly every two years.
 - *Brings together all members of the WTO, all of which are countries or customs unions.*
 - *Can take decisions on all matters under any of the multilateral trade agreements.*

- The General Council is the WTO's highest-level decision-making body in Geneva.
- It meets regularly to carry out the functions of the WTO
- It has representatives (usually ambassadors or equivalent) from all member governments.
- Has the authority to act on behalf of the ministerial conference.

Role of WTO

1. Trade negotiations

- The WTO agreements cover goods, services and intellectual property.
- They spell out the principles of trade and the permitted exceptions.
- They include individual countries' commitments .
- They set procedures for settling disputes.
- These agreements are not static; they are renegotiated from time to time and new agreements can be added to the package.

2. Implementation and monitoring

- WTO agreements require governments to make their trade policies transparent by notifying the WTO about laws in force and measures adopted.
- Various WTO councils and committees seek to ensure that these requirements are being followed and that WTO agreements are being properly implemented.

3. Dispute settlement

- The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is vital for enforcing the rules and therefore for ensuring that trade flows smoothly.
- Countries bring disputes to the WTO if they think their rights under the agreements are being infringed.
- Judgements by specially appointed independent experts are based on interpretations of the agreements and individual countries' commitments.

4. Building trade capacity

- WTO agreements contain special provision for developing countries, including longer time periods to implement agreements and commitments, measures to increase their trading opportunities, and support to help them build their trade capacity, to handle disputes and to implement technical standards.
- Aid for Trade aims to help developing countries develop the skills and infrastructure needed to expand their trade.

5. Outreach

- The WTO maintains regular dialogue with non-governmental organizations, parliamentarians, other international organizations, the media and the general public on various aspects of the WTO.

Country	GDP Ranking	GDP (in trillion \$)	GDP World Share	World Bank New Voting Share
United States	1	14.3	24.7%	15.85%
Japan	2	5.1	8.8%	6.84%
China	3	4.9	8.5%	4.42%
Germany	4	3.4	5.9%	4%
France	5	2.7	4.7%	3.75%
UK	6	2.2	3.8%	3.75%
Italy	7	2.1	3.6%	2.64%
Brazil	8	1.6	2.8%	2.24%
Spain	9	1.5	2.6%	1.85%
Canada	10	1.3	2.2%	2.43%
India	11	1.2	2.1%	2.91%
Russia	12	1.2	2.1%	2.77%
Australia	13	1.0	1.7%	1.33%
Mexico	14	0.9	1.6%	1.68%
South Korea	15	0.8	1.4%	1.57%
Netherlands	16	0.8	1.4%	1.92%
Turkey	17	0.6	1.0%	1.08%
Indonesia	18	0.5	0.9%	0.98%
Switzerland	19	0.5	0.9%	1.46%
Belgium	20	0.5	0.9%	1.57%

source: Author's own calculation; IMF; World Bank

International Monetary Fund (IMF)



- The IMF was conceived at a United Nations meeting in 1944.
 - *The 44 countries at that conference sought to build a framework for economic cooperation to avoid a repetition of the competitive devaluations that had contributed to the Great Depression of the 1930s.*
- Currently consists of 189 countries.

Fast Facts About the IMF

1944

Year the IMF was
established

**\$1
trillion**

Total amount the IMF
is able to lend to its
member countries

189

Member countries

172

New loans made
since 2008

147

Nationalities
represented by staff

40+

Current lending
arrangements

24

Executive Directors
representing 189
member countries

0%

Interest rate on
loans to low-income
countries

Purpose of IMF

- To ensure the stability of the international monetary system.
 - *The system of exchange rates and international payments that enables countries (and their citizens) to transact with each other.*
- The Fund's mandate was updated in 2012 to include all macroeconomic and financial sector issues that bear on global stability.

Role of the IMF

1. Surveillance

- In order to maintain stability and prevent crises in the international monetary system, the IMF monitors member country policies as well as national, regional, and global economic and financial developments.
- The IMF provides advice to member countries and promotes policies designed to foster economic stability, reduce vulnerability to economic and financial crises, and raise living standards.

2. Financial assistance

- Providing loans to member countries that are experiencing actual or potential balance-of-payments problems.
- Individual country adjustment programs are designed in close cooperation with the IMF and are supported by IMF financing, and ongoing financial support is dependent on effective implementation of these adjustments.

3. Capacity development

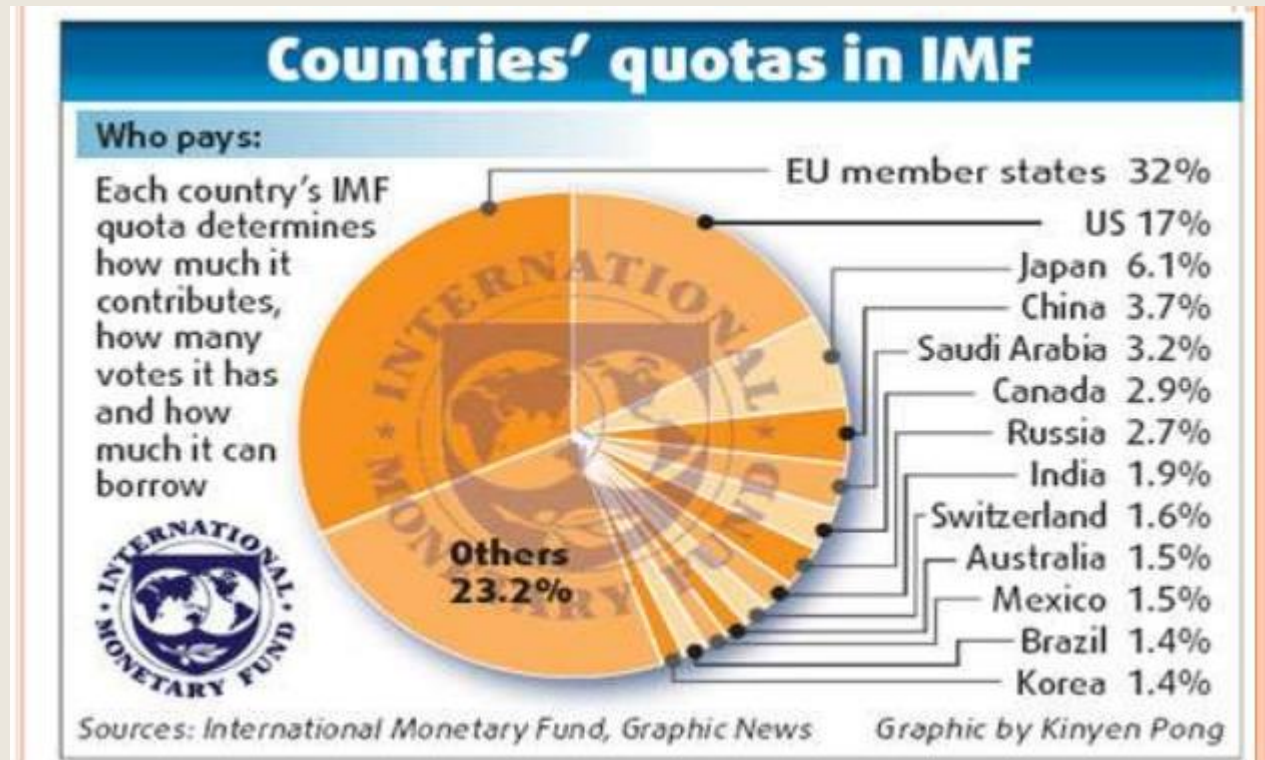
- The IMF provides technical assistance and training to help member countries build better economic institutions and strengthen related human capacities.
- This includes, for example, designing and implementing more effective policies for taxation and administration, expenditure management, monetary and exchange rate policies, banking and financial system supervision and regulation, legislative frameworks, and economic statistics.

4. SDRs

- The IMF issues an international reserve asset known as Special Drawing Rights , or SDRs, that can supplement the official reserves of member countries.
 - *The SDR serves as the unit of account of the IMF and some other international organizations.*
 - *The SDR is neither a currency nor a claim on the IMF.*
 - *A basket of currencies determines the value of the SDR*
 - *SDR basket is reviewed every five years, or earlier if warranted, to ensure that the SDR reflects the relative importance of currencies in the world's trading and financial systems.*
- IMF members can voluntarily exchange SDRs for currencies among themselves.

5. Resources

- Member quotas are the primary source of IMF financial resources.
- A member's quota broadly reflects its size and position in the world economy.
- The IMF regularly conducts general reviews of quotas.

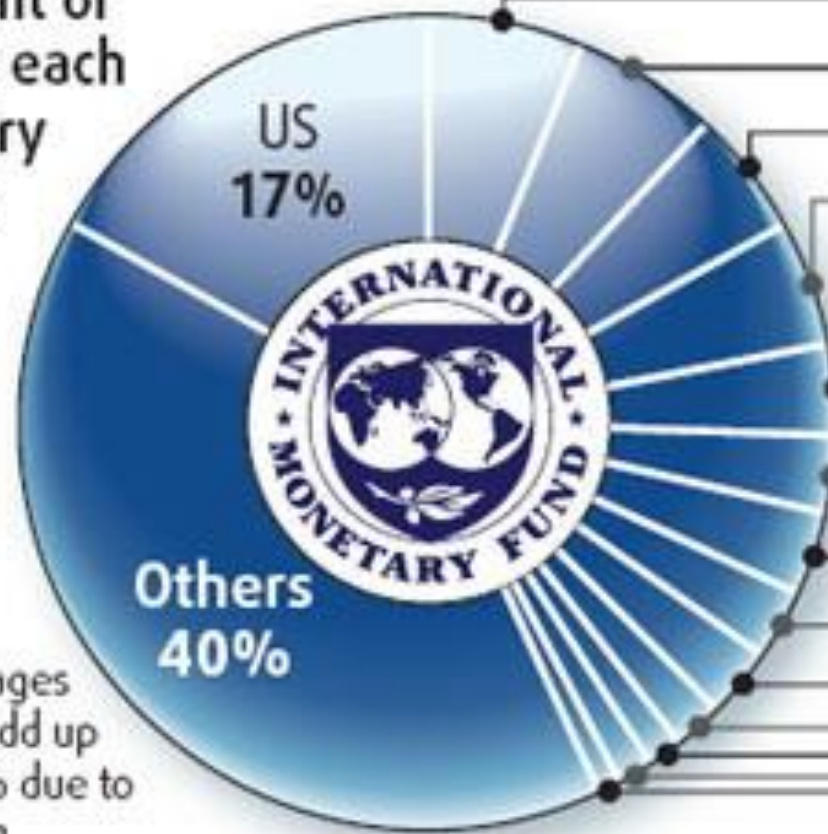


6. Governance and organization

- The IMF is accountable to its member country governments.
- At the top of its organizational structure is the Board of Governors, consisting of one governor and one alternate governor from each member country, usually the top officials from the central bank or finance ministry.
- The Board of Governors meets once a year at the IMF–World Bank Annual Meetings .

IMF Members' Voting Power

Percent of
votes each
country
holds



Percentages
do not add up
to 100% due to
rounding

Source: International Monetary Fund

Graphic by Kinyen Pong