

Multilateralism for Regional & Global Cooperation

Globalism---IGOs

International Political Order

- LoN
- UN
- ICJ

International Economic Order

- World Bank
- IMF
- WTO

Regionalism: Regional Organizations

- SAARC
- ECO
- SCO

- EU
- NAFTA
- ASEAN

- OIC
- Gulf Cooperation Council
- Arab League

International Economic Order

Preventing Economic Disasters.

WB, IMF, WTO

Background

- USA, UK and their Western allies decided to prevent economic disasters in the post-war world.
- The Bretton Woods Conference
 - Officially known as the UN Monetary and Financial Conference
 - delegates from 44 nations met in July, 1944 in **Bretton Woods**, New Hampshire
 - To agree upon new rules for the post-WWII international **monetary**, **trade** and **economic development** systems.
 - The **main objectives of the Bretton Woods system** are to achieve exchange rate stability and promote international trade and development.
 - Resultantly, WB, IMF, and GATT (a precursor of WTO) were established
 - These organizations were subordinate to the States which created them

The World Bank: Introduction

- 189 member countries, office in Washington, D.C.
- Professional staff from more than 170 countries
- offices in over 130 locations
- five institutions working for developing countries for;
 - sustainable solutions
 - poverty alleviation
 - shared prosperity.

Genesis

- The WB was founded to reconstruct the postwar Europe.
 - But USA's Marshal Plan took over this task
 - The WB then focused on international development.
- **The International Bank for Reconstruction and Development (IBRD)** was established.
- Originally, its loans helped rebuild countries devastated by World War-II.
- the focus shifted from reconstruction to global economic development
 - emphasis on infrastructure such as dams, electrical grids, irrigation systems, seaports and roads.

The World Bank Group-5 Organs

1. The **IBRD** founded in 1944-45
2. **the International Finance Corporation** founded in 1956
 - to lend to private companies and financial institutions in developing countries.
3. **International Development Association** founded in 1960
 - emphasis on granting loans and assistance to the poorest countries for poverty alleviation
4. **The Multilateral Investment Guarantee Agency**
 - to promote foreign direct investments
5. **the International Centre for Settlement of Investment Disputes**

WB: The Articles of Agreement

- [The IBRD Articles of Agreement](#) is governing document
 - drawn up at the United Nations Monetary and Financial Conference in July 1-22, 1944.
 - became effective on December 27, 1945
 - It has been amended three times:
 - December 17, 1965
 - February 16, 1989 and
 - June 27, 2012.

Article I: Purposes

- (i) To assist in the **reconstruction and development** by facilitating the investment of capital
- (ii) To promote private foreign investment
- (iii) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments
- (iv) To arrange loans through other channels
- (v) Effective operations, monitoring and evaluation of development projects

Article-II: Membership

- To become a member of the Bank, under the IBRD Articles of Agreement....
 - A country must first join the International Monetary Fund (IMF).
 - To accept WB Articles of Agreement and rules based on them
 - Membership in IDA, IFC and MIGA are conditional on membership in IBRD.

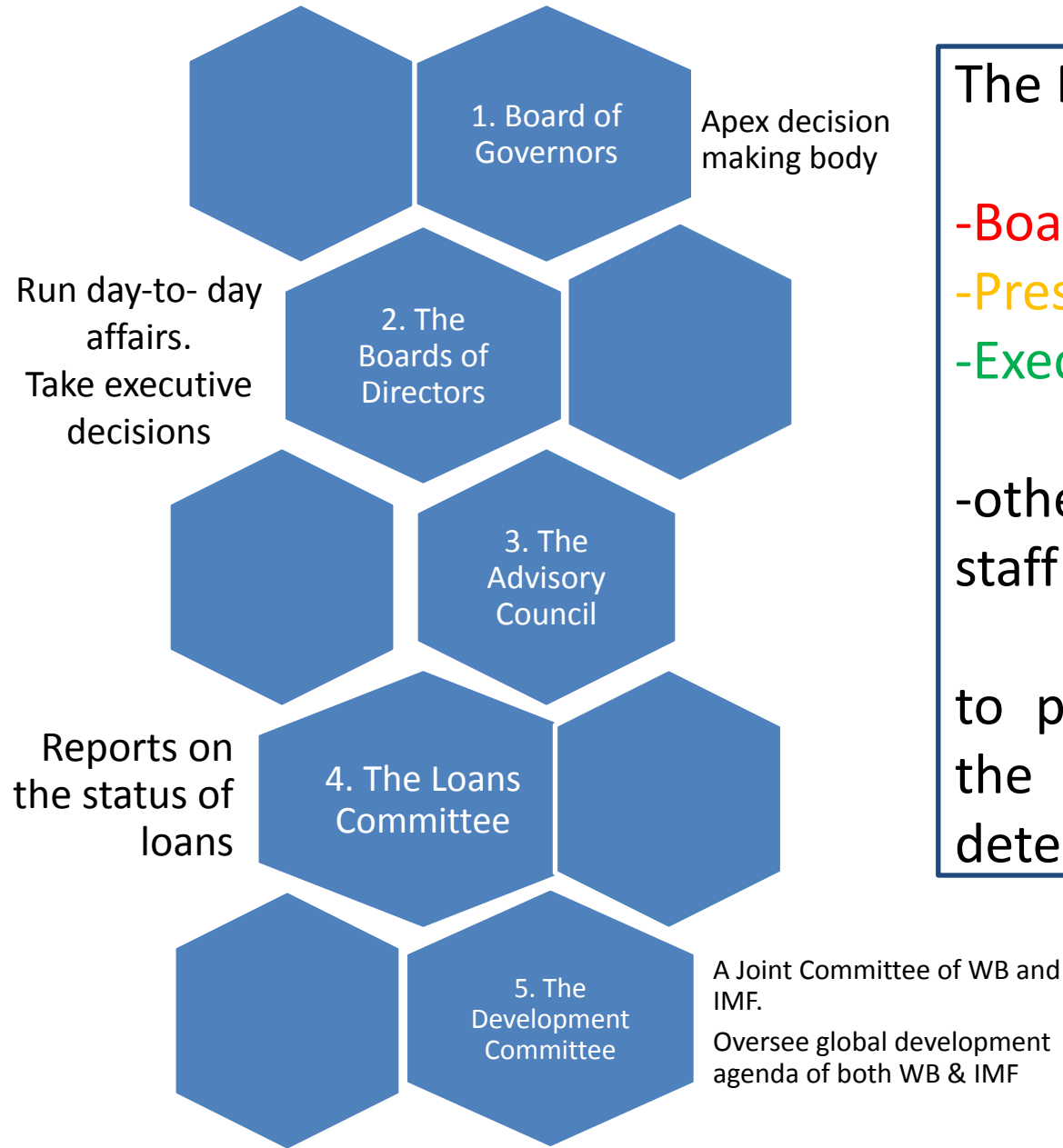
WB Areas of Interest for Global Development

- Road/Rail/seaports and transport/communication
- Social/ welfare services, Urban /Rural development
- Energy /Electrical transmission/ distribution
- Public finance management
- Agricultural and water resources
- Disaster prevention and preparedness
- Health management
- Water supply/Sanitation

The World Bank

Article-V : Organization & Management

STRUCTURE



The Bank shall have;

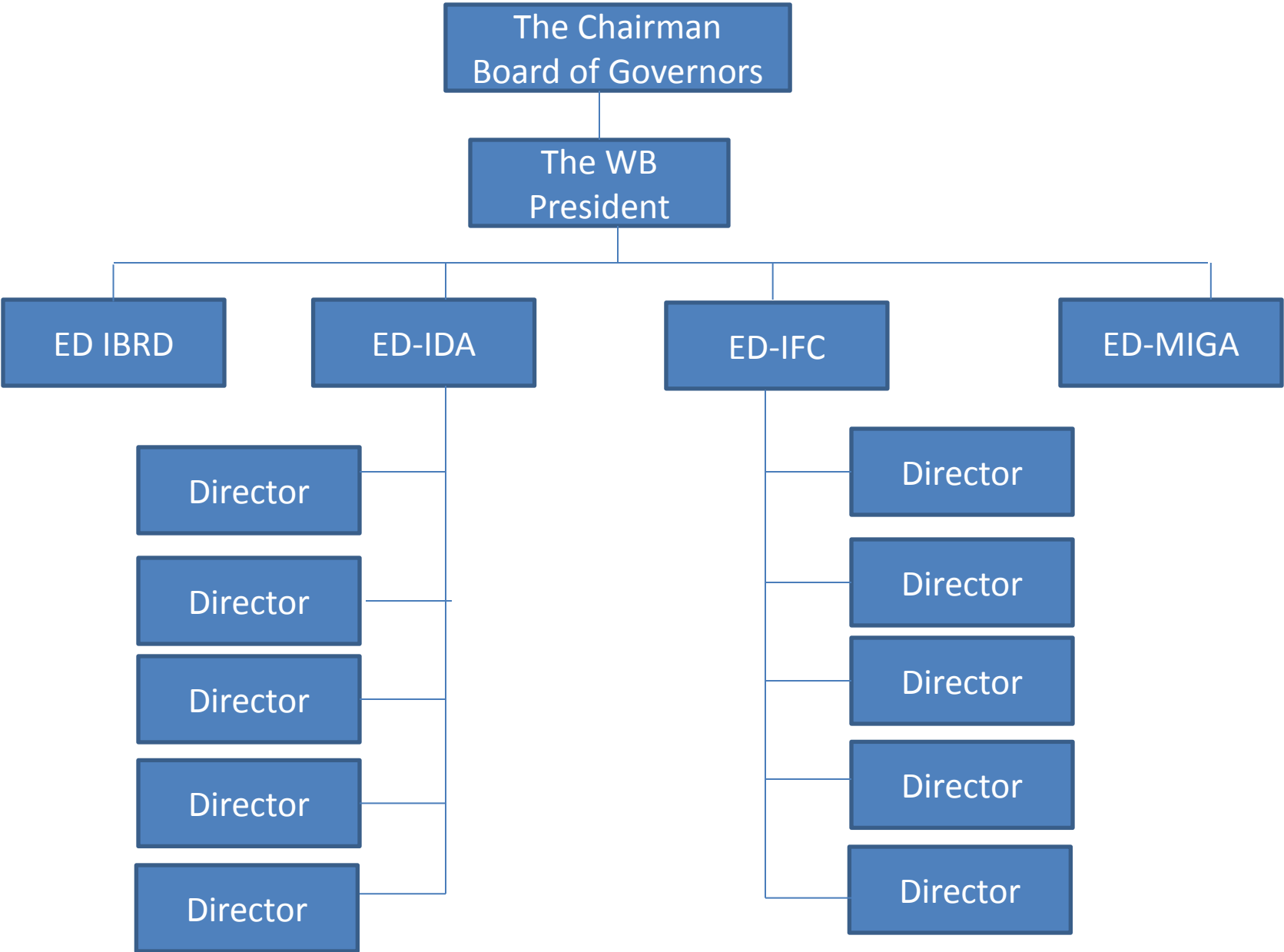
-Board of Governors

-President

-Executive Directors

-other officers and staff

to perform duties as the Bank may determine.



1. Board of Governors

- The World Bank has a Board of Governors
 - the ultimate policymakers at the World Bank.
 - the governors are member countries' ministers of finance or ministers of economic development.
 - Each Governor has a 5 years term
- All powers of the Bank are vested in the Board of Governors
- They meet once a year at the Annual Meetings of the Boards of Governors of the WB and the IMF
- the Boards of Governors has delegated certain powers to the Executive Directors

Board of Governor's Powers

- Admit new members or suspend a member
- Increase or decrease the Bank's capital stock
- Decide appeals against the decisions of Executive Directors
- Determine the distribution of the net income of the Bank
- Decide to suspend permanently the operations of the Bank and to distribute its assets;
- To cooperate with other international organizations

2. The World Bank Group Boards of Directors

- Four separate Boards of Directors for each organ of WB headed by the Executive Directors
 - the International Bank for Reconstruction and Development (IBRD)
 - the International Development Agency (IDA)
 - the International Finance Corporation (IFC), and
 - the Multilateral Investment Guarantee Agency (MIGA).
- The current Boards of the World Bank Group consist of **25 Directors.**
- **The Executive Directors** are appointed by the Governors for 2 years term
- The Executive Directors select the World Bank **President**, who is the Chairman of the Board of Directors.

3. The **Advisory Council**

- Advisory Council of **seven persons** selected by the Board of Governors
 - From banking, commercial, industrial, labor, and agricultural sector experts, and
 - with as wide a national representation as possible
- Councilors shall serve for two years and may be reappointed.
- The Council shall advise the Bank on matters of general policy.
- The Council meet annually.

4. The Loans Committee

- The committee is required to report on the status of loans by the Bank

5. The Development Committee

- Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund

Article-V(3): Voting Power

- Voting power (2 types) of members is based on;
 - (i) **The basic votes** equally distributed among all members
 - (ii) **The share votes** based on one vote for each share of stock held by the member.
- In 2010 voting powers at the World Bank were revised
- The top 10 countries with most voting power are;

the USA (15.85%)
Japan (6.84%)
China (4.42%)
Germany (4.00%),
the UK (3.75%),

France (3.75%),
India (2.91%),
Russia (2.77%),
Saudi Arabia (2.77%)
Italy (2.64%).

COVID-19 Response

- In April the Fast Track Loan Facility for countries hit by COVID-19 was announced
- On May 19, the Bank Group expanded its emergency operations to fight COVID-19 to 100 developing countries
- COVID-19 (Coronavirus) and **Sustainable Recovery Initiative**
 - Over 15 months, the World Bank Group will be **providing up to \$160 billion** in financing for health, economic and social shocks
 - including **\$50 billion of IDA grants**.
 - Pakistan: COVID-19 Emergency Response Project for \$200 Million
- It has published a report;
 - ‘The Global Economic Outlook During the COVID-19 Pandemic: A Changed World’

COVID-19 and WB under Criticism

- The World Bank has been criticized for the slow response
- The Pandemic Emergency Fund (PEF) created in May
- The terms of the PEF, which is financed by bonds sold to private investors
- the terms of the PEF are too stringent
- Due to delay, the funding became less effective than if it was released to assist governments in initially containing the outbreak.
- They argue that the fund prioritizes the interests of the private bondholders over public health
- The developing countries capacity to repay after COVID-19???

Pakistan's Experience: WB

- WB helped Pakistan in the Indus Water Treaty and funded construction of Dams, irrigation system and other infrastructure in the 1960s
- WB's loan, support, and capacity building in
 - banking and financial sector reforms
 - Public Finance Management (PFM) Reforms
 - Tax Reforms in FBR
 - Agriculture sector support and investment
- Pakistan's problems of balance of payments and trade deficits in late 1980s and 'Structural Adjustment Program'
 - WB and IMF loans become political issues
 - Recent row over getting loans from IMF and WB
- CPEC and rising Chinese influence in the region
 - USA and IMF has shown reservations on the loans and agreements under CPEC

Latest

- The current World Bank's program in Pakistan is governed by
 - the Country Partnership Strategy for FY2015-2020
- with priority areas of engagement such as:
 - energy, infrastructure, tourism
 - private sector development,
 - Social and economic inclusion
 - Public service delivery
 - human resource development and capacity building.
- Currently 46 projects with a commitment of \$9.1 billion.

COVID19 Response,
Recovery and Resilience in
Education Project (COVID19
RRREP)

July 20, 2020

Resilient Institutions for
Sustainable Economy

June 29, 2020

Balochistan Human Capital
Investment Project

June 23, 2020

Khyber Pakhtunkhwa Human
Capital Investment Project

June 23, 2020

Governance and Policy
Project for Khyber
Pakhtunkhwa

June 18, 2020

Pakistan Community Support
Project .

June 3, 2020

<https://projects.worldbank.org/>

PANDEM
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April 2,
2020

Karachi
Water
and
Sewerage
Services
Improvem
ent

June 27,
2019

Khyber
Pakhtunk
hwa
Integrated
Tourism
Developm
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Project

June 27,
2019

IMF

Introduction

- The IMF was conceived in July 1944 at the United Nations Bretton Woods Conference in New Hampshire, United States.
- The 44 countries in attendance sought to build a framework for international economic cooperation
- To avoid currency devaluations that contributed to the Great Depression of the 1930s.
- The IMF's primary mission is to ensure the stability of the international monetary system;
 - the system of exchange rates
 - international payments

IMF

- The IMF is governed by its 189 member countries and 24 Executive Directors

Primary Aims

- Promote international monetary cooperation;
- Facilitate the expansion and balanced growth of international trade;
- Promote exchange rate stability;
- Make resources available to members experiencing balance-of-payments difficulties.

Structure

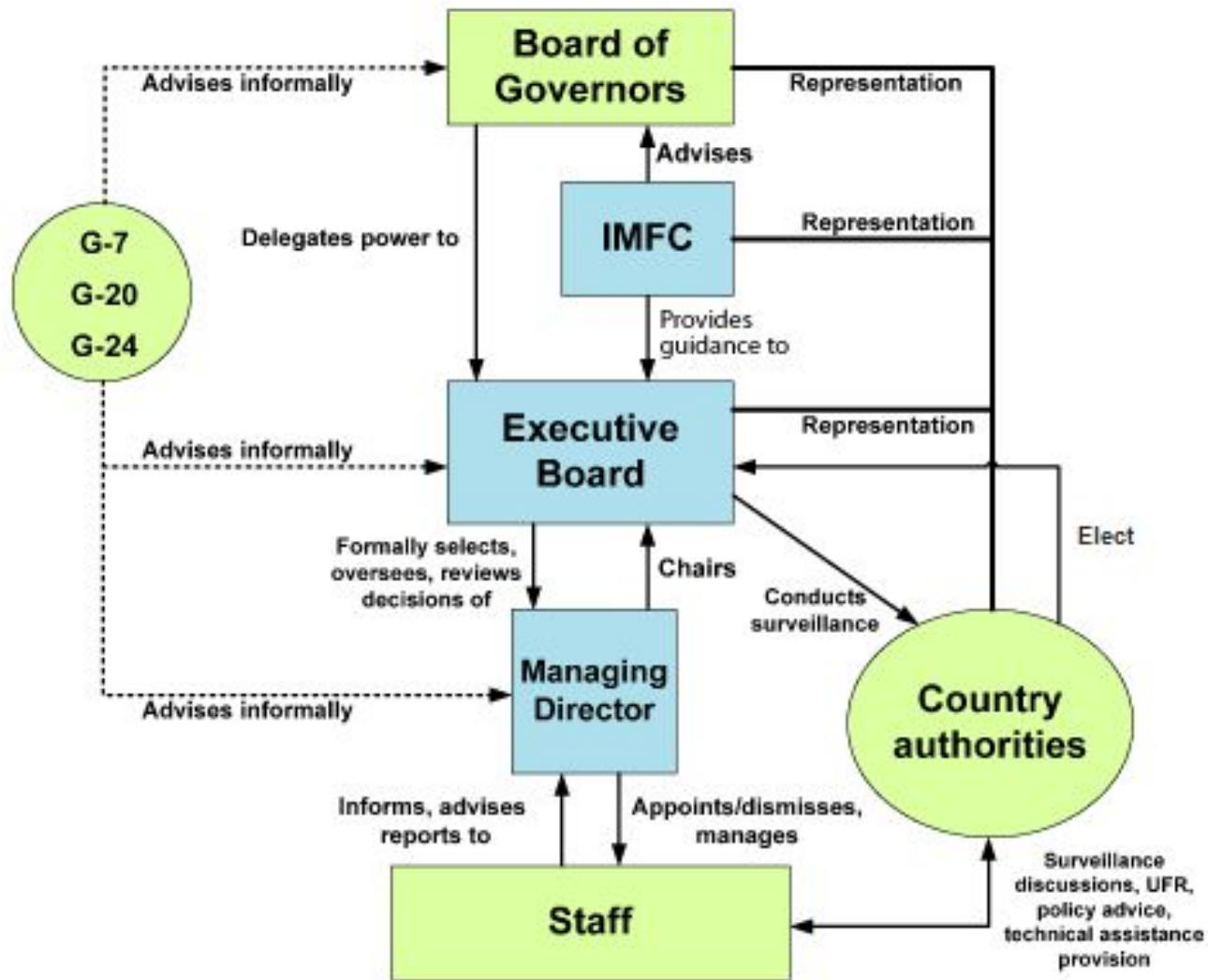
1. Board of Governors

- 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
- **Twenty-four of the governors** serve on the International Monetary

2. the IMF's Executive Board

- for the supervision and management of the international monetary and financial system.
- The day-to-day work of the IMF is overseen by its **24-member Executive Board**
- Headed by the Managing Director, assisted by four Deputy Managing Directors.

Stylized view of IMF governance



Source: Martinez-Diaz, 2008. (Updated October 2017)

Functions

- Provides Loans to member countries having balance-of-payments problems
- **Monitors** member country policies as well global economic and financial developments
- **Provides advice** to member countries and promote economic stability policies
- **Capacity building** of member countries
- **Research and development** of knowledge in the relevant fields;
 - It also provides assessments of global prospects in its *World Economic Outlook*
 - And financial markets in its *Global Financial Stability Report*

COVID-19 Financial Assistance and Debt Service Relief

- The IMF is providing financial assistance and debt service relief to member countries facing the COVID-19 pandemic.
- Overall, the IMF is currently making about \$250 billion

The World Bank & The IMF

ISSUES & CHALLENGES

Issues and Challenges

- The Bretton Woods system has become outdated and needs reforms
- Control by the USA & the West
 - The Bank is governed by a Board dominated by those countries which contributed originally huge capital funds and still are big financiers
 - It is dominated by developed countries
 - Major financing is done by western powers with Japan and Australia as partners

Issues and Challenges

- To change its outlook and reputation of control by the developed countries led by the USA
- The joint role of IMF and WB **in the internal affairs** of the developing countries to further the geo-political and geo-economic interests of the dominant members
- **The Rise of China** with largest foreign reserves and establishment of Asian Infrastructure Investment Bank

Issues and Challenges

- SCO's assertion of establishing new world economic order based on common and shared future
 - IMF and WB has shown reservations over risk associated with BRI projects and investments
- Rising Trade and Economic blocks will establish their central regional banks
 - EU has established
 - ASEAN and GCC working on it
 - China has established AIIB
- Analysts say that the 21st Century is the century of Asia-Asia Rising and need for new world economic order

Pakistan's Experience: IMF

- **IMF** has given loan to **Pakistan** on twenty-two occasions **starting from 1958** to 2019 due to;
 - unpredictable nature of the economy and dependence on imports
 - Low export potential
 - Huge fiscal and trade deficits
 - Chronic issue of balance of payments
 - Poor industrial infrastructure and narrow base
 - Political instability
 - Corruption
 - Low tax to GDP ratio
 - Low foreign exchange reserves

- **Pakistan** has been a member of the **International Monetary Fund (IMF)** since 1950.
 - In 1958, for the first time, Pakistan went to IMF for bailout.
 - Pakistan again went to IMF in 1965.
 - Third time got a bail out package in 1968
 - Pakistan got loan of US\$84,000 in 1972, US\$75,000 in 1973 and another of US\$75,000 in 1974 to meet its growing needs
 - In 1977-a standby arrangement for budgetary support
 - Since late 1980s, Pakistan has been facing chronic issues of balance of payments and its currency stability

IMF & WB-Structural Adjustment Agenda

The Agenda focuses on;

- Macroeconomic Interventions
 - Inflation Control
 - Interest Rates Increase
 - Broadening Tax Base and Tax Net through Revenue Reforms
- Expenditure Control Measures
 - Admin Cost
 - Subsidies
 - Losses
 - Business Cost
 - Privatization
- Governance Reforms

Latest

- IMF Approves **\$6 Billion** Loan For Pakistan.
 - three-year loan requested by Prime Minister Imran Khan's government
 - to help support the country's ailing economy.

WTO

The primary purpose of the WTO is to open world trade for the benefit of all.

With 164 members

As part of the International Economic Order

Background

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- Preventing Economic Disasters in the post-war world.
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The Uruguay Round-1986-94

- the WTO's system comes from-
 - **the Uruguay Round**
 - As well as series of earlier negotiations under the General Agreement on Tariffs and Trade (GATT).
- Negotiations over;
 - Access of Agri. products of developed countries into developing countries
 - Opening up of financial services
 - IPRs and Patents rights demanded by the EU and developed countries
 - Removal of agri. subsidies given by the EU and developed countries to their farmers and consumers
 - Quality standards and other restrictions on manufactured and agri. products from developing countries
 - USA tariffs on EU exports-French wine, Italian cheese, UK food etc

The **World Trade Organization (WTO)**

- The WTO officially commenced its functions on 1 January 1995 under **the Marrakesh Agreement**
 - signed by 124 nations on 15 April 1994 (Completion of Uruguay Round)
 - Replacing the General Agreement on Tariffs and Trade (GATT- 1947)
- It Regulates international trade between 164 nations.
- Have powers to adjudicate disputes and pursue its breaches of rules
- It is the largest international trade organization



WTO-Scope of Activities

- Trade in Goods
 - It all began with trade in goods. From 1947 to 1994, the GATT was the forum for negotiating lower tariffs and other trade barriers.
- Trade in Services
 - Banks, insurance firms, telecommunications companies, tour operators, hotel chains and transport companies looking to do business abroad enjoy the same principles of more open trade
- Protection of Intellectual Property, Patents and Rights
 - The WTO's Intellectual Property Agreement contains rules for **trade in ideas and creativity.**
- Dispute Settlement
 - The WTO's procedure for resolving trade conflicts
- Trade Monitoring
 - The WTO's Trade Policy Review Mechanism is designed to improve transparency, to create a greater understanding of the trade policies adopted by WTO members
- Anti-Dumping Activities
- Building Trade Capacity of Developing Countries

WTO-Functions

- It is an organization for **trade opening (liberalization)**.
- To **negotiate trade agreements**.
- To **settle trade disputes**.
- Devise and operate a system of **trade rules**.
- a forum for negotiations where member governments try to sort out the trade problems

WTO-5 Principles

1. Free trade: gradually, through negotiations

2. Trade without discrimination

- treating other countries equally
- countries cannot normally discriminate.
- Most-Favored-Nation (MFN): Grant someone a special favor (such as a lower customs duty rate for one of their products)
- and you have to do the same for all other WTO members.
- It governs trade in goods
- National treatment: Treating imported and locally-produced goods equally

3. Trade transparency (openness)

4. Promoting fair competition

5. Encouraging development and economic reforms

WTO-Decisions

- Decisions in the WTO are typically taken by consensus among all members and they are ratified by members' parliaments.
- Trade frictions are reduced through WTO's dispute settlement process
- lowering trade barriers through negotiations
- the multilateral trading system – is based on WTO's agreements which;
 - guarantee WTO members trade rights
 - Provide a stable and transparent framework for world trade
 - improve welfare of the peoples of the WTO members

Challenges

- Global financial/economic crisis of 2008 and protectionism on the rise
- Rising regional economic and trade blocks
 - EU
 - ASEAN
 - NAFTA
 - ECO
- US-China Trade war
- Trump's protectionist policies and WTO principles

Challenges

- Dominance by the developed countries
- Meeting demands and addressing grievances of Developing countries
- Building trade capacity in developing economies
- Trade During and after the COVID-19 pandemic

the Doha Development Round-the biggest challenge

- The WTO is currently the host to new negotiations
 - the 'Doha Development Agenda' launched in 2001.

the Doha Development Round

- to further liberalize trade and economic reforms
- The Doha Round is focused on reducing trade barriers in sectors,
 - Agriculture, farm products, food
 - Industrial Activities and IPRs
 - goods and services.
- This would encourage businesses around the world to specialize in the production of
 - Quality goods and services,
 - achieve economies of scale, and
 - increase their efficiency and productivity,

The Doha Round ..conti

- The developing countries have some reservations
 - As it would allow to deliver improved and cheaper products from developed countries to global consumers.
 - The developing countries want access of their agri. products in the EU and developed countries
- EU and US refused to
 - lower agri. Subsidies (extended domestically) and
 - Reduce quality standards (imposed on imports from developing countries)
 - GM Foods & Biotech. Seeds from US (both EU and developing countries refused)
- the Doha Round is particularly focused on providing increased market access to goods and services from developing countries
- After a decade of talks, it has still not been concluded.

The Future of WTO

- WTO vs Regional Trade/Economic Blocks
- Technology will shape the future of trade and currency as we know it since millennia
 - Digitalization of goods, services and currency
- WTO may need new laws, agreements and mechanisms to regulate int. trade
- Rise of China and BRI may challenge WTO's western dominance
- Shift from trade liberalization to protectionism
- Rising economic and business costs in the member countries

Conclusion

- The current challenges are not only for WTO to face but also for the entire Bretton Woods System established 75 years ago.
- EU as a strong economic block
- USA will no more be the world economic super power
- Regional trade and economic blocks will emerge more powerful protecting their interests more forcefully
- Dollar would no longer be a stable and predictable world currency (the devaluation of dollar in 1971, and Dollar crisis in 1972-73)
 - Euro
 - Yuan

the WTO dispute settlement process

- (i) consultations between the parties;
- (ii) adjudication by panels and, if applicable, by the Appellate Body; and
- (iii) the implementation of the ruling, which includes the possibility of countermeasures in the event of failure by the losing party to implement the ruling.

The WTO

- LOCATION: Geneva, Switzerland
- ESTABLISHED: 1 January 1995
- CREATED BY: Uruguay Round negotiations (1986-94)
- MEMBERSHIP: 164 members representing 98% of world trade (2018)
- SECRETARIAT STAFF: 630
- HEAD: Roberto Azevêdo (Director-General)