

Chapter Nine International Institutions and Regional Blocs

1 International Economic Organizations

The three major international economic organizations are the World Bank, the International Monetary Fund (IMF), and the World Trade Organization (WTO). The WTO emerged out of the General Agreement on Tariffs and Trade (GATT) in 1995; it is an arrangement across countries that serves as a forum for negotiations on trading rules as well as a mechanism for dispute settlements in trade issues.¹ By contrast, the World Bank and IMF deal with their member countries one at a time. They have little influence with industrial countries but can affect developing countries during times of economic crisis and when those countries seek additional foreign exchange resources. The origins and evolution of the three organizations are of considerable interest. Perhaps even more important in light of the recent financial crises in Mexico, East Asia, and a few other countries, are the questions that arise about the current and future roles of the IMF and the World Bank.

These questions cover a broad set of issues. A healthy open trading system is crucial for the progress of the international economy. It is particularly important in providing an environment in which developing countries can successfully reform their policies and achieve rapid economic growth and rising living standards for all. I have been particularly interested in the relationship between preferential trading arrangements, such as the North American Free Trade Agreement (NAFTA), and the WTO. The issue is simple: the WTO is based on the principle of open, nondiscriminatory trade among its members, while preferential trading arrangements are, by their nature, discriminatory. Under NAFTA, for example, goods originating in Mexico and Canada are not subject to duties when they enter the United States, yet the same goods from other countries are subject to U.S. duties. Assuring that preferential trading arrangements will not block progress in multilateral liberalization is important, and I am now completing a paper in which I analyze how much discrimination has been a factor under the first three years of NAFTA.

My other major concern regarding international economic organizations is closely related to the subject of developing countries' economic policy reforms. I want to know what the current and future roles of the World Bank and IMF will be in economic policy reform in developing countries. In the case of the World Bank, for example, to what extent will the Bank need to focus its resources on poor countries and the support of economic policy reforms, as opposed to tackling "new issues," such as gender and ethnicity (including treatment of minorities). Both the Bank and the IMF have been criticized by many in light of the Asian financial crises of 1997 and 1998.

❖ International Monetary Fund (IMF),

The International Monetary Fund (IMF) works to achieve sustainable growth and prosperity for all of its 190 member countries. It does so by supporting economic policies that promote financial stability and monetary cooperation, which are essential to increase productivity, job creation, and economic well-being. The IMF is governed by and accountable to its member countries.

The IMF has three critical missions: furthering international monetary cooperation, encouraging the expansion of trade and economic growth, and discouraging policies that would harm prosperity. To fulfill these missions, IMF member countries work collaboratively with each other and with other international bodies.

❖ **The World Bank**

The World Bank is a vital source of financial and technical assistance to developing countries around the world. Our mission is to fight poverty with passion and professionalism for lasting results and to help people help themselves and their environment by providing resources, sharing knowledge, building capacity and forging partnerships in the public and private sectors. We are not a bank in the common sense; we are made up of two unique development institutions owned by 189 member countries: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). Each institution plays a different but collaborative role in advancing the vision of inclusive and sustainable globalization. The IBRD aims to reduce poverty in middle-income and creditworthy poorer countries, while IDA focuses on the world's poorest countries. Their work is complemented by that of the International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID). Together, we provide low-interest loans, interest-free credits and grants to developing countries for a wide array of purposes that include investments in education, health, public administration, infrastructure, financial and private sector development, agriculture and environmental and natural resource management.

❖ **The World Trade Organization**

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

2 Regional trade blocs

Regional trade blocs are groups of countries that have formed a regional economic alliance in order to promote trade and economic cooperation within the region. Regional trade blocs are often formed as a way to reduce barriers to trade and to promote economic integration among member countries.

There are many different types of regional trade blocs, and they vary in terms of the level of economic integration and cooperation that they promote. Some regional trade blocs are relatively loose arrangements that focus on reducing tariffs and other trade barriers, while others are more comprehensive and involve the creation of a single market or customs union among member countries.

Regional trade blocs can have a significant impact on international trade and economic relations, as they can create large markets and can shape the rules and standards that govern trade within the region. Regional trade blocs can also have implications for the global trading

system, as they may create trade blocs that are larger than individual countries and that may have more bargaining power in negotiations with other countries or trade blocs.

Examples of regional trade blocs include the European Union, the North American Free Trade Agreement (NAFTA), and the Association of Southeast Asian Nations (ASEAN).

There are many examples of regional trade blocs around the world, including:

1. **The European Union (EU)** is a regional trade bloc that includes 27 European countries and promotes economic integration and cooperation among its member states. The EU operates as a single market, with the free movement of goods, services, capital, and people within the region.
2. **The North American Free Trade Agreement (NAFTA)** is a regional trade bloc that includes Canada, the United States, and Mexico, and promotes trade and economic cooperation among its member countries.
3. **The Association of Southeast Asian Nations (ASEAN)** is a regional trade bloc that includes 10 Southeast Asian countries and promotes economic integration and cooperation among its member states.
4. **The Southern Common Market (Mercosur)** is a regional trade bloc that includes Argentina, Brazil, Paraguay, and Uruguay, and promotes economic integration and cooperation among its member countries.
5. **The African Union (AU)** is a regional trade bloc that includes 55 African countries and promotes economic integration and cooperation among its member states.
6. **The Gulf Cooperation Council (GCC)** is a regional trade bloc that includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, and promotes economic integration and cooperation among its member countries.
7. **The Common Market of Eastern and Southern Africa (COMESA)** is a regional trade bloc that includes 19 African countries and promotes economic integration and cooperation among its member states.
8. **The Asia Pacific Economic Cooperation (APEC)** is a regional trade and economic forum that promotes cooperation and economic integration among 21 countries in the Asia-Pacific region.
9. **The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)** is a regional trade and economic forum that promotes cooperation among seven countries in the South and Southeast Asia region.