

## 32. The Evolution of the International Economic System

### The International Monetary Fund (IMF)

- Intergovernmental organisation HQ'ed in Washington D.C.
- Set up by as part of the post-war Bretton Woods Agreement of **1944** in New Hampshire, USA
- Commenced operations in **1947**
- It has **187 members** (nations)

#### Goals

1. Encourage **monetary cooperation**
2. Promote **expansion** of world trade
3. **Stabilise exchange rates** (by linking every member currency to the US\$)
4. Facilitate a **system of payments** between countries (for Marshall Aid)
5. Provide funds (and advice) or countries in **BOP crises** (and stop devaluations though it now advocates it as a first step to fiscal rectitude)

### The World Bank

(Fmr. **International Bank for Reconstruction and Development**)

- Intergovernmental organisation
- Each member contributes on proportion to their share in world trade
- Set up by as part of the post-war Bretton Woods Agreement of **1944** in New Hampshire, USA
- Commenced operations in **1946**
- It has **187 members** (nations)

#### Goals

Facilitate loans to member governments for development (poorly developing countries) and reconstruction (all)

Consists of **2 Organisations**

1. **International Finance Corporation (IFC)**: Invests in private capital projects via loans and guarantees
2. **International Development Association (IDA)**: Gives long term loans at very low rates for infrastructural development

### The General Agreements on Tariffs and Trade (GATT)

- HQ'ed in Geneva, Switzerland
- In operation **1947-1993**. Replaced by WTO **1995-**
- Consists of several 'rounds' of agreements including the **Kennedy Round**. Most recent is the **Doha Round (2001-)**
- It has **153 members** (nations)

### The World Trade Organisation (WTO)

#### Goals

1. Promote **free and unhindered trade**
2. Provide **forum for negotiations** and for **dispute resolution**
3. Increase **multilateral trade** (combating protectionism)
4. Reduce **tariffs** and **quotas**
5. Abolish and penalise **preferential trade agreements** which distort trade
6. **Help the developing world** to compete on the world market (in agriculture)