CHAPTER – 2

INTERNATIONAL FINANCIAL ORGANISATIONS
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International financial institutions (IFIs) play a very vital role in international finance system. IDA while no longer the largest multilateral finance provider (now EU) disbursed over US $ 8.5 Billion in concessional finance in 2007. The IMF, while disbursing much less concessional finance (less than US $ 1 Billion) often acts as a ‘gatekeeper’ for other aid flows. The World Bank in particular has been a key player in the Paris agenda and in some countries is now acting as de facto coordinator of other finance providers.

EVOLUTION OF INTERNATIONAL FINANCIAL INSTITUTIONS

There are a number of global non-commercial financial institutions, most with some connection with the United Nations or groups of national governments. Many of these organisations attract criticism from those involved in anti-globalisation or anti-poverty protest. Evolution of some common IFIs are as follows:

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Headquarter</th>
<th>Year of Creation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>Washington DC, USA</td>
<td>1945</td>
<td>Made up of two institutions focussed on development: the International Bank for Reconstruction and Development and the International Development Association. The bank provides loans and grants to developing countries to assist their economic development.</td>
</tr>
<tr>
<td>International Monetary Fund (IMF)</td>
<td>Washington DC, USA</td>
<td>1945</td>
<td>Exists to promote stability in the world's economy,</td>
</tr>
</tbody>
</table>

33
<table>
<thead>
<tr>
<th>Organisation Name</th>
<th>Headquarters</th>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank for International Settlements (BIS)</td>
<td>Basel, Switzerland</td>
<td>1930</td>
<td>Seeks to ensure consistency, cooperation and coordination of reserves by member countries (mainly European, and North/South American states).</td>
</tr>
<tr>
<td>Group of Eight (G8)</td>
<td>No HQ - group consists of the member states only</td>
<td>1998 (predecessors G6 and G7 began earlier)</td>
<td>Collaboration between governments of USA, France, UK, Germany, Italy, Japan, Canada and Russia on many shared policy concerns, including economic matters.</td>
</tr>
<tr>
<td>Organization of Petroleum Exporting Countries (OPEC)</td>
<td>Vienna, Austria</td>
<td>1960</td>
<td>Oversees co-ordination of oil production by the major oil producing nations to stabilise the market and control prices.</td>
</tr>
<tr>
<td>World Trade Organisation (WTO)</td>
<td>Geneva, Switzerland</td>
<td>1995</td>
<td>Sets the terms of world trade, through agreements over tariffs, import and export duties etc. Also handles trade disputes between members.</td>
</tr>
</tbody>
</table>

**SOURCE:** http://worldbank.org

[1] **WORLD BANK**

World Bank is an internationally supported organisation that provides loans to developing countries for development programs (e.g. bridges, roads, schools, etc.) with the stated goal of reducing poverty. The World Bank was formally established on December 27, 1945 following the ratification of the Bretton Woods agreement. The concept was originally conceived in July 1944 at the United Nations Monetary and Financial Conference. Two years later, the Bank issued its first loan: US $ 250 million to
France for post-war reconstruction, the main focus of the Bank's work in the early post-World War II years. With the passage of time, the "development" side of the Bank's work has assumed a larger share of its lending, although it is still involved in post-conflict reconstruction, together with reconstruction after natural disasters, response to humanitarian emergencies and post-conflict rehabilitation needs affecting developing and transition economies. The World Bank is one of the two Bretton Woods Institutions which were created in 1944 to rebuild a war-torn Europe after World War II. Later, largely due to the contributions of the Marshall Plan, the World Bank was forced to find a new area in which to focus its efforts. Subsequently, it began attempting to rebuild the infrastructure of Europe's former colonies. Since then it has made a variety of changes regarding its focus and goals. From 1968-1981 it focused largely on poverty alleviation. From the 1980s and into the 1990s its main focus was both debt management and structural adjustment. Today the focus is on the achievement of the Millennium Development Goals (MDGs), goals calling for the elimination of poverty and the implementation of sustainable development. Of the two constituent parts of the Bank, the IBRD lends primarily to "middle-income countries" at interest rates which reflect a small mark-up over its own (AAA-rated) borrowings from capital markets; while the IDA provides low or no interest loans and grants to low income countries with little or no access to international credit markets. The IBRD is a market based non-profit organization, using its high credit rating to make up for the relatively low interest rate on its loans, while the IDA is funded primarily by periodic "replenishments" (grants) voted to the institution by its more affluent member countries. The Bank's mission is to aid developing countries and their inhabitants achieve development and the reduction of
poverty, including achievement of the MDGs, by helping countries develop an environment for investment, jobs and sustainable growth, thus promoting economical growth and through investment in and empowerment of the poor to enable them to participate in development. The Bank also distributes grants for the facilitation of development projects through the encouragement of innovation, cooperation between organizations and the participation of local stakeholders in projects.

**Area of Operation**


**Country Assistance Strategy**

As a guideline to the World Bank's operations in any particular country, a Country Assistance Strategy is produced in cooperation with the local government and any interested stakeholders and may rely on analytical work performed by the Bank or other
parties. In the case of low income countries, the Country Assistance Strategy is inspired from the country's Poverty Reduction Programme.

[II] INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) is an international organization that oversees the global financial system by following the macroeconomic policies of its member countries, in particular those with an impact on exchange rates and the balance of payments. It also offers financial and technical assistance to its members, making it an international lender of last resort. Its headquarters are located in Washington, D.C., USA.

Mission

The primary mission of the IMF is to provide financial assistance to countries that experience serious financial and economic difficulties using funds deposited with the IMF from the institution's 185 member countries. Member states with balance of payments problems which often arise from these difficulties, may request loans to help fill gaps between what countries earn and/or are able to borrow from other official lenders and what countries must spend to operate, including to cover the cost of importing basic goods and services. In return, countries are usually required to launch certain reforms, which have often been dubbed the "Washington Consensus". These reforms are generally required because countries with fixed exchange rate policies can engage in fiscal, monetary, and political practices which may lead to the crisis itself. For example nations with severe budget deficits, rampant inflation, strict price controls, significantly over-valued or under-valued currencies run the risk of facing balance of
payment crises. Thus, the structural adjustment programs are at least ostensibly intended to ensure that the IMF is actually helping to prevent financial crises rather than merely funding financial recklessness.

[ III ] BANK FOR INTERNATIONAL SETTLEMENTS (BIS)

The Bank for International Settlements (BIS) is an international organization of central banks which "fosters international monetary and financial cooperation and serves as a bank for central banks." The BIS carries out its work through subcommittees, the secretariats it hosts and through its annual General Meeting of all members. It also provides banking services but only to central banks or to international organizations. Based in Basel, Switzerland, the BIS was established by the Hague agreements of 1930.

Historical Background

Despite its recent history of taking a narrow central bank mediation role, the BIS was originally formed to facilitate money transfers arising from settling an obligation arising from a peace treaty. After World War I, the need for the bank was suggested in 1929 by the Young Committee as a means of transfer for German reparations payments. The plan was agreed in August of that year at a conference at the Hague and a charter for the bank was drafted at the International Bankers Conference at Baden Baden in November. The charter was adopted at a second Hague Conference on January 20, 1930. The BIS was originally owned by both the governments and private individuals since the United States and France had decided to sell some of their shares to private investors. BIS shares traded on stock markets, which made the bank a unique organisation, an international
organisation yet with private shareholders. Many central banks had similarly started as such private institutions for example the Bank of England was privately owned until 1946. In more recent years the BIS has forcibly bought back all shares held by private investors and is now wholly owned by its member central banks. Since 2004, the BIS has published its accounts in terms of Special Drawing Rights replacing the Gold Franc as the bank's unit of account. As of March 31, 2007, the bank had total assets of U.S. $ 409.15 Billion, given a dollar/SDR exchange rate of 1.51 for March 30, 2007.

**Organization**

As an organization of central banks, the BIS seeks to make monetary policy more predictable and transparent among its 55 member central banks. While monetary policy is determined by each sovereign nation, it is subject to central and private banking scrutiny and potentially to speculation that affects foreign exchange rates and especially the fate of export economies. Failures to keep monetary policy in line with reality and make monetary reforms in time, preferably as a simultaneous policy among all 55 member banks and also involving the International Monetary Fund have historically led to losses in the billions as banks try to maintain a policy using open market methods that have proven to be unrealistic. Central banks do not unilaterally "set" rates, rather they set goals and intervene using their massive financial resources and regulatory powers to achieve monetary targets they set. One reason to coordinate policy closely is to ensure that this does not become too expensive and that opportunities for private arbitrage exploiting shifts in policy or difference in policy, are rare and quickly removed. Two aspects of
monetary policy have proven to be particularly sensitive and the BIS therefore has two specific goals - to regulate capital adequacy and make reserve requirements transparent.

**Capital Adequacy**

Capital adequacy policy applies to equity and capital assets. These can be overvalued in many circumstances. Accordingly the BIS requires bank capital/asset ratio to be above a prescribed minimum international standard for the protection of all central banks involved. Its main role is in setting capital adequacy requirements. From an international point of view ensuring capital adequacy is the most important problem between central banks, as speculative lending based on inadequate underlying capital and widely varying liability rules causes economic crises as "Bad money drives good money out of market" (Gresham's Law).

**Financial Safety Net**

The relatively narrow role the BIS plays today does not reflect its ambitions or historical role. A well-designed financial safety net supported by strong prudential regulation and supervision, effective laws that are enforced and sound accounting and disclosure regimes are among the Bank's goals. In fact they have been in its mandate since its founding in 1930 as a means to enforce the Treaty of Versailles. The BIS has historically had less power to enforce this "safety net" than it deems necessary.
Role in Banking Supervision

The BIS provides the Basel Committee on Banking Supervision with its twelve-member secretariat and with it has played a central role in establishing the Basel Capital Accords of 1988 and 2004. There remain significant differences between US, EU and UN officials regarding the degree of capital adequacy and reserve controls that global banking now requires. Put extremely simply, the US as of 2006 favoured strong strict central controls in the spirit of the original 1988 accords, the EU was more inclined to a distributed system managed collectively with a committee able to approve some exceptions. The UN agencies are firmly committed to fundamental risk measures specifically the so-called triple bottom line and were becoming critical of central banking as an institutional structure for ignoring fundamental risks in favour of technical risk management.

[ IV ] GROUP OF EIGHT (G8)

The Group of Eight (G8) is an international forum for the governments of Canada, France, Germany, Italy, Japan, Russia, United Kingdom and the United States. Together these countries represent about 65% of the Gross World Product, the majority of global military power and almost all of the world’s active nuclear weapons. The G8 can refer to the member states or to the annual summit meeting of the G8 heads of government. G8 ministers also meet throughout the year. The European Union is also represented at the meetings by the president of the European Commission and the rotating Presidency of the
Council of the European Union. Each calendar year, the responsibility of hosting the G8 rotates through the member states in the following order: France, United States, United Kingdom, Russia, Germany, Japan, Italy and Canada. The holder of the presidency sets the agenda, hosts the summit for that year and determines which ministerial meetings will take place. Lately, both France and the United Kingdom have expressed a desire to expand the group and include five developing countries, referred to as the Outreach Five (O5) or the Plus Five: Brazil, China, India, Mexico and South Africa. These countries have participated as guests in previous meetings which are sometimes called G8+5.

**Historical Background**

The concept of a forum for the world's major industrialized democracies emerged following the 1973 oil crisis and subsequent global recession. In 1974 the United States created the Library Group an informal gathering of senior financial officials from the United States, the United Kingdom, West Germany, Japan and France. In 1975, French President Valéry Giscard d'Estaing invited the heads of government from West Germany, Italy, Japan, the United Kingdom and the United States to a summit in Rambouillet. The six leaders agreed to an annual meeting organized under a rotating presidency, forming the Group of Six (G6). The following year, Canada joined the group at the behest of US. The European Union is represented by the President of the European Commission and the leader of the country that holds the Presidency of the Council of the European Union. The European Union has attended all meetings since it was first invited by the United Kingdom in 1977. The Cold War ended with the dissolution of the Soviet Union in 1991, and Russia became the successor state. Beginning with the 1994 Naples summit, Russian
officials held a separate meeting with leaders of the G7 after the main summit. This group became known as the Political 8 (P8) or colloquially as the "G7 plus 1". At the initiative of United States President Bill Clinton, Russia formally joined the group in 1997, resulting in the Group of Eight (G8).

**Structure and Activities**

The G8 is intended to be an informal forum and therefore lacks an administrative structure like those for international organizations such as the United Nations or the World Bank. The group does not have a permanent secretariat or offices for its members. The presidency of the group rotates annually among the member countries with each new term beginning on January 1 of the year. The country holding the presidency is responsible for planning and hosting a series of ministerial-level meetings leading up to a mid-year summit attended by the heads of government. The ministerial meetings bring together ministers responsible for various portfolios to discuss issues of mutual or global concern. The range of topics include health, law enforcement, labour, economic and social development, energy, environment, foreign affairs, justice and interior, terrorism and trade. There are also a separate set of meetings known as the "G8+5" created during the 2005 Gleneagles, Scotland summit which was attended by finance and energy ministers from all eight member countries in addition to the five "Outreach Countries": Brazil, China, India, Mexico and South Africa. In June 2005, justice ministers and interior ministers from the G8 countries agreed to launch an international database on pedophiles. The G8 officials also agreed to pool data on terrorism subject to restrictions by privacy and security laws in individual countries.
Economic Power

The eight countries making up the G8 represent about 14% of the world population but they account for 65% of the world's economic output measured by gross domestic product, according to the CIA World Factbook. In 2007, the combined G8 military spending was US $850 Billion. This was 72% of the world's total military expenditures. Four of the G8 members United Kingdom, United States of America, France and Russia together account for 96-99% of the world's nuclear weapons.

[ V ] ORGANIZATION OF PETROLIUM EXPORTING COUNTRIES (OPEC)

The Organization of the Petroleum Exporting Countries (OPEC) is a group of twelve states made up of Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela. Recently, Indonesia has decided to quit the organization though it will remain a member until the end of 2008. The organization has maintained its headquarters in Vienna since 1965, hosting regular meetings between the oil ministers of its member states. According to its statute, the principal goal is the determination of the best means for safeguarding their interests, individually and collectively, devising ways and means of ensuring the stabilization of prices in international oil markets with a view to eliminating harmful and unnecessary fluctuations, giving due regard at all times to the interests of the producing nations and to the necessity of securing a steady income to the producing countries, an economic and regular supply of petroleum to consuming nations and a fair return on their capital to those investing in the petroleum industry. OPEC's influence on the market has been negatively criticized. Several members of OPEC alarmed the world and triggered high
inflation across both the developing and developed world when they used oil embargoes in the 1973 oil crisis. OPEC’s ability to control the price of oil has diminished somewhat since then due to the subsequent discovery and development of large oil reserves in the Gulf of Mexico and the North Sea, the opening up of Russia and market modernization. OPEC nations still account for two-thirds of the world's oil reserves and as of March 2008, 35.6% of the world's oil production affording them considerable control over the global market. The next largest group of producers, members of the OECD and the Post-Soviet states produced only 23.8% and 14.8% respectively of the world's total oil production. As early as 2003, OPEC members had little excess pumping capacity sparked speculation that their influence on crude oil prices would begin to slip.

**Historical Background**

Venezuela was the first country to move towards the establishment of OPEC by approaching Iran, Iraq, Kuwait and Saudi Arabia in 1949, suggesting that they exchange views and explore avenues for regular and closer communications between them. In September 1960 at the initiative of the Venezuelan Energy and Mines minister Juan Pablo Pérez Alfonzo and the Saudi Arabian Energy and Mines minister Abdullah al-Tariki, the governments of Iraq, Iran, Kuwait, Saudi Arabia and Venezuela met in Baghdad to discuss the reduction in price of crude oil produced by their respective countries. OPEC was founded in Baghdad, Iraq triggered by a 1960 law instituted by American President Dwight Eisenhower that forced quotas for Venezuelan oil and favored Canada and Mexico's oil industries. American President Eisenhower cited national security, land access to energy supplies at times of war. Venezuela's president
Romulo Betancourt reacted seeking an alliance with oil producing Arab nations as a pre-emptive strategy to protect the continuous autonomy and profitability of Venezuela's natural resource - oil. As a result, the OPEC cartel was founded to unify and coordinate members' petroleum policies. Original OPEC members include Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela. Between 1960 and 1975, the organization expanded to include Qatar (1961), Indonesia (1962), Libya (1962), United Arab Emirates (1967), Algeria (1969), and Nigeria (1971). Ecuador and Gabon were members of OPEC but Ecuador withdrew on December 31, 1992 because they were unwilling or unable to pay a US $2 Million membership fee and felt that they needed to produce more oil than they were allowed to under the OPEC quota. Similar concerns prompted Gabon to follow suit in January 1995. Angola joined on the first day of 2007. Indonesia is reconsidering its membership having become a net importer and being unable to meet its production quota. The United States was a member during its formal occupation of Iraq via the Coalition Provisional Authority indicating that OPEC is not averse to further expansion. Mohammed Barkindo, OPEC's Secretary General, recently asked Sudan to join. Iraq remains a member of OPEC though Iraqi production has not been a part of any OPEC quota agreements since March 1998. In May 2008, Indonesia left the OPEC group because of the soaring prices and the rising oil demand in East Asia. Economist think that the withdrawal of Indonesia will have little effect on OPEC and on the oil prices even though it has a high percentage in world oil production.
Economics of OPEC

OPEC decisions have had considerable influence on international oil prices. For example, in the 1973 energy crisis OPEC refused to ship oil to western countries that had supported Israel in the Yom Kippur War or October War, which they fought against Egypt and Syria. This refusal caused a fourfold increase in the price of oil which lasted five months, starting on October 17, 1973 and ending on March 18, 1974. OPEC nations then agreed on January 7, 1975 to raise crude oil prices by 10%. At that time OPEC nations including many who had recently nationalized their oil industries joined the call for a new international economic order to be initiated by coalitions of primary producers. Concluding the First OPEC Summit in Algiers they called for stable and just commodity prices, an international food and agriculture program, technology transfer from North to South and the democratization of the economic system. Overall the evidence suggests that OPEC did act as a cartel when it adopted output rationing in order to maintain price. Since currently worldwide oil sales are denominated in U.S. dollars changes in the value of the dollar against other world currencies affect OPEC's decisions on how much oil to produce. For example, when the dollar falls relative to the other currencies, OPEC-member states receive smaller revenues in other currencies for their oil, causing substantial cuts in their purchasing power. After the introduction of the euro, pre-invasion Iraq decided it wanted to be paid for its oil in euros instead of US dollars causing OPEC to consider changing its oil exchange currency to euros although after Iraq's invasion, the interim government reversed this policy and the subsequent Iraq governments stuck to the US dollar. Member states Iran and Venezuela have undergone similar shifts from the dollar to the Euro.
The World Trade Organization (WTO) is an international organization designed to supervise and liberalize international trade. The WTO came into being on January 1, 1995 and is the successor to the General Agreement on Tariffs and Trade (GATT) which was created in 1948 and continued to operate for almost five decades as a de facto international organization. The World Trade Organization deals with the rules of trade between nations at a near-global level and it is responsible for negotiating and implementing new trade agreement and is in charge of policing member countries' adherence to all the WTO agreements signed by the bulk of the world's trading nations and ratified in their parliaments. Most of the WTO's current work comes from the 1986-94 negotiations called the Uruguay Round and earlier negotiations under the GATT. The organization is currently the host to new negotiations, under the Doha Development Agenda (DDA) launched in 2001. The WTO is governed by a Ministerial Conference, which meets every two years; a General Council, which implements the conference's policy decisions and is responsible for day-to-day administration; a director-general who is appointed by the Ministerial Conference. The WTO's headquarters are in Geneva, Switzerland.

ITO and GATT 1947

WTO's predecessor, the General Agreement on Tariffs and Trade (GATT) was established after World War II in the wake of other new multilateral institutions dedicated to international economic cooperation notably the Bretton Woods institutions now known as the World Bank and the International Monetary Fund. Although an
agreement covering trade was not negotiated at Bretton Woods, the Conference did recognize the need for a comparable international institution. In December 1945, the United States invited its war-time allies to enter into negotiations to conclude a multilateral agreement for the reciprocal reduction of tariffs on trade in goods. At the proposal of the United States, the United Nations Economic and Social Committee adopted a resolution in February 1946, calling for a conference to draft a charter for an International Trade Organization (ITO). A Preparatory Committee was established in February 1946 and worked until November 1947 on the charter of an international organization for trade. By October 1947 an agreement on the GATT was reached in Geneva and on October 30, 1947 twenty three countries signed the "Protocol of Provisional Application of the General Agreement on Tariffs and Trade". In March 1948, the negotiations on the ITO Charter were not successfully completed in Havana (Havana Charter). The Charter provided for the establishment of the ITO and set out the basic rules for international trade and other international economic matters. The ITO Charter, never entered into force while repeatedly submitted to the US Congress. The most usual argument against the new organization was that it would be involved in internal economic issues. In the absence of an international organization for trade, the GATT would over the years "transform itself" into a de facto international organization.
<table>
<thead>
<tr>
<th>Name</th>
<th>Start</th>
<th>Duration</th>
<th>Countries</th>
<th>Coverage</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geneva</td>
<td>April 1947</td>
<td>7 months</td>
<td>23</td>
<td>Tariffs</td>
<td>Signing of GATT, 45,000 tariff concessions affecting $10 billion of trade.</td>
</tr>
<tr>
<td>Anncy</td>
<td>April 1949</td>
<td>5 months</td>
<td>13</td>
<td>Tariffs</td>
<td>Countries exchanged some 5,000 tariff concessions</td>
</tr>
<tr>
<td>Torquay</td>
<td>September 1950</td>
<td>8 months</td>
<td>38</td>
<td>Tariffs</td>
<td>Countries exchanged some 8,700 tariff concessions, cutting the 1948 tariff levels by 25%</td>
</tr>
<tr>
<td>Geneva II</td>
<td>January 1956</td>
<td>5 months</td>
<td>26</td>
<td>Tariffs, admission of Japan</td>
<td>$2.5 billion in tariff reductions</td>
</tr>
<tr>
<td>Dillon</td>
<td>September 11</td>
<td>11</td>
<td>26</td>
<td>Tariffs</td>
<td>Tariff concessions worth $4.9 billion of</td>
</tr>
<tr>
<td></td>
<td>1960</td>
<td>months</td>
<td>1973</td>
<td>1986</td>
<td>months</td>
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</tr>
<tr>
<td><strong>Kennedy</strong></td>
<td>May 1964</td>
<td>37</td>
<td>62</td>
<td>Tariffs, Anti-dumping</td>
<td>Tariff concessions worth $40 billion of world trade</td>
</tr>
<tr>
<td></td>
<td>Tokyo</td>
<td>September 1973</td>
<td>74</td>
<td>102</td>
<td>Tariffs, non-tariff measures, &quot;framework&quot; agreements</td>
</tr>
<tr>
<td></td>
<td>Uruguay</td>
<td>September 1986</td>
<td>87</td>
<td>123</td>
<td>Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc</td>
</tr>
</tbody>
</table>
Mission

The WTO's mission is to improve the welfare of the people of its member countries specifically by lowering trade barriers and providing a platform for negotiation of trade. Its main mission is to ensure that trade flows as smoothly, predictably and freely as possible. This main mission is further specified in certain core functions serving and safeguarding five fundamental principles which are the foundation of the multilateral trading system.

Functions

1. It oversees the implementation, administration and operation of the covered agreements.
2. It provides a forum for negotiations and for settling disputes.
3. Additionally it is the WTO's duty to review the national trade policies and to ensure the coherence and transparency of trade policies through surveillance in global economic policy-making.
4. Another priority of the WTO is the assistance of developing, least-developed and low-income countries in transition to adjust to WTO rules and disciplines through technical cooperation and training.
5. The WTO is also a center of economic research and analysis. Regular assessments of the global trade picture in its annual publications and research reports on specific topics are produced by the organization. Finally, the WTO cooperates closely with the two other components of the Bretton Woods system, the IMF and the World Bank.

Dispute Settlement

Accession Process

A country wishing to accede to the WTO submits an application to the General Council, and has to describe all aspects of its trade and economic policies that have a bearing on WTO agreements. The application is submitted to the WTO in a memorandum which is examined by a working party open to all interested WTO Members. After all necessary background information has been acquired, the working party focuses on issues of
discrepancy between the WTO rules and the applicant's international and domestic trade policies and laws. The working party determines the terms and conditions of entry into the WTO for the applicant nation and may consider transitional periods to allow countries some leeway in complying with the WTO rules. The final phase of accession involves bilateral negotiations between the applicant nation and other working party members regarding the concessions and commitments on tariff levels and market access for goods and services. The new member's commitments are to apply equally to all WTO members under normal non-discrimination rules, even though they are negotiated bilaterally.

When the bilateral talks conclude, the working party sends to the General Council or Ministerial Conference an accession package which includes a summary of all the working party meetings. Once the General Council or Ministerial Conference approves of the terms of accession, the applicant's parliament must ratify the Protocol of Accession before it can become a member.

[VII] ORGANISATION OF ECONOMIC COOPERATION AND DEVELOPMENT (OECD)

The Organisation for Economic Co-operation and Development (OECD) is an international organisation of thirty countries that accept the principles of representative democracy and free market economy. It originated in 1948 as the Organisation for European Economic Co-operation (OEEC), led by Robert Marjolin of France to help administer the Marshall Plan, for the reconstruction of Europe after World War II. Later, its membership was extended to non-European states and in 1961 it was reformed into the
Organisation for Economic Co-operation and Development by the Convention on the
Organisation for Economic Co-operation and Development.

**Structure**

The OECD's structure revolves around 3 major bodies.

1. The OECD member countries each represented by a delegation led by an
   ambassador. Together they form the council.
2. The OECD Secretariat led by the Secretary-General. The Secretariat is organised
   in directorates. There are some 2,500 agents in the OECD Secretariat.
3. The OECD committees is composed of one for each work area of the OECD.
   Committee members are subject-matter experts from member and non-member
   countries. The committees commission all the work on each theme (publications,
   task forces, conferences etc ). The committee members then relay the conclusions
   to their capitals.

**Objectives and Action**

The organization provides a setting in which governments can compare policy
experiences, seek answers to common problems, identify good practices and co-ordinate
domestic and international policies. The mandate of the OECD is broad covering
economic, environmental and social issues.

It is a forum where peer pressure can act as a powerful incentive to improve policy and
implement "soft law" non-binding instruments that can occasionally lead to binding
treaties. Exchanges between OECD governments flow from information and analysis provided by a secretariat in Paris. The secretariat collects data, monitors trends, analyses and forecasts economic developments. It also researches social changes or evolving patterns in trade, environment, agriculture, technology, taxation and other areas. The OECD is also known as a premium statistical agency as it publishes highly-comparable statistics on a very wide number of subjects.

Over the past decade, the OECD has tackled a range of economic, social and environmental issues while further deepening its engagement with business, trade unions and other representatives of civil society. Negotiations at the OECD on taxation and transfer pricing have paved the way for bilateral tax treaties around the world. Between 1995 and 1997 the OECD designed the much disputed Multilateral Agreement on Investment (MAI) which was rejected. It would have disburdened foreign investments of any claims on the part of the concerned regions and countries. Among other areas, the OECD has taken a role in co-ordinating international action on corruption and bribery, creating the OECD Anti-Bribery Convention which came into effect in February 1999.

The OECD has also constituted a task force on spam which submitted a detailed report, with several quite useful background papers on spam problems in developing countries best practices and email marketers etc appended. It has published the OECD Environmental Outlook to 2030 that shows that tackling the key environmental problems we face today including climate change, biodiversity loss, water scarcity and the health impacts of pollution is both achievable and affordable.