

**Multilateral Trade Agreement:**

Multilateral trade agreements are commerce treaties among three or more nations. The agreement reduces tariffs and makes it easier for businesses to import and export. Since they are among many countries, they are difficult to negotiate.

**Features of Multilateral Trade Agreement:**

- Multilateral trade agreements strengthen the global economy by making developing countries competitive.
- They standardise import and export procedures giving economic benefits to all member nations.
- Their complexity helps those that can take advantage of globalisation, while those who cannot open face hardships

**Pros and Cons of MTA:****Merits:**

- It treats all member Nations equally
- Make international trading easier
- Trade regulations or same for everyone
- Helps emerging markets
- Multiple Nations cover by one treaty

**Demerits:**

- Negotiations can be lengthy risk breaking down
- Easily misunderstood by the public
- Removing trade borders affects businesses
- Benefits large corporations but not small businesses

**ECONOMIC INTEGRATION- FORMS:**

There are several stages in the process of economic integration, from a very loose association of countries in a preferential trade area to complete economic integration.

A regional trading bloc is a group of countries within a geographical region that protect themselves from imports from non-members in other geographical regions, and who look to trade more freely with each other. Regional trading blocs increasingly shape the pattern of world trade – a phenomenon often referred to as regionalism.



***Preferential Trading Agreement:***

A preferential trading agreement is the loosest form of economic integration. Under this, a group of countries have a formal agreement allowing each other goods and services to be traded on preferential terms. This requires that the tariffs be reduced between the countries' so that special quotas allow preferential access for their products.

It is said that preferential trading agreements are nearly a trading agreement between countries rather than integration.

***Free Trade Area:***

Free trade is usually a permanent agreement between neighbouring countries. It involves the complete removal of tariffs on goods traded among the members of the free trade area. The agreement does not in general apply to agriculture, fishing, or services, but the practice is where is from one agreement to another member countries for free to levy their own external tariffs on goods from outside the free trade area. Each member, thus retains autonomy over trade with external countries and there is little need for formal institutions and policies other than to maintain the internal tariff-free area.

Examples of free trade agreements in practice are the North American free trade agreement (NAFTA) European free trade agreement (EFTA) and the Asian free trade area (AFTA).

***Customs Union:***

Like free trade area members of custom Union remove barriers to trade in goods and services among themselves. In addition the custom Union establishes a common trade policy with respect to non members. Typically this takes the form of a common external tariff, whereby imports from non members or subject to the same tariff when sold to any member country tariff revenues or then shared among members according to the prescribed formula.

***Common Market:***

Like customs Union, a common market has no barriers to trade among members and has a common external trade policy. In addition the common market remove restrictions on the movement of factors of production (labour capital and technology) across borders. Thus restrictions on immigration, emigration and cross-border investments or abolished when factors of production of freely mobile, then capital, labour and technology may be employed in the most productive uses.

***Economic Union:***

Economic union is a term applied to a trading block that has both the common market between members, and a common trade policy towards non members. Although members are free to pursue independent macro-economic policies.

***Economic & Monetary Union:***

It is a key stage towards economic integration, and involves a single economic market, a common trade policy, a single currency and a common monetary policy.

***Complete Economic Integration:***

Complete economic integration involves a single economic market, common trade policy, a single currency, a common monetary policy, together with single fiscal policy, including common tax and benefit rates. In short complete harmonization of all policies rates and economic trade rules

**MAJOR TRADING BLOCKS:*****1. North American Free Trade Agreement (NAFTA):***

NAFTA came into being on January 1, 1994 comprising the United States, Canada and Mexico. NAFTA is the American counterpart to the EU, but the latter Aims at economic and political integration whereas in American integration the objective is purely economic. It is more important because it encompasses the whole of North America and the largest regional economic grouping in the world.

***Objectives of NAFTA:***

- Remove all barriers on Trade and investments
- Promote and enhance the competition between the countries in global market
- Increase the investment opportunities
- Provide protection for intellectual property rights
- Establish a framework for future agreements

***2. European Union (EU):***

European Union is a unique economic and political Union between 27 European countries and governing common economic social and security policies. In 1993, the name European economic community was changed into European Union.

***Objectives of EU:***

- To promote peace and follow EU's values and improve the well-being of nations.
- To create a free and safe Europe with no internal borders.
- To ensure smooth and efficient trade within Europe
- To ensure sustainable and steady development and a balanced economic growth
- To prevent social exclusion and prevent people from drifting outside the labour market and society
- Provide the advancement of science and technology and invest in education to achieve a skilled workforce and high standard of technological production.

***3. South Asian Association for Regional Cooperation (SAARC):***

It is an organisation of South Asian nations which was established on 8 December 1985 when the Government of Bangladesh, Bhutan, India, Maldives Nepal, Pakistan and Sri Lanka formally adopted its charter providing for the promotion of economic and social progress cultural development within the South Asia region and also for friendship and cooperation with other developing countries.

**Objectives of SAARC:**

- To promote the welfare of the people of South Asia and to improve their quality of life
- To accelerate economic growth social progress and cultural economic development in the region
- To promote and strengthen cooperation among themselves in international forums on matters of common interest
- To cooperate with international and regional organisations with similar aims and purposes
- To promote active collaboration and mutual assistance in the economic social cultural technical and scientific fields

**4.Association of Southeast Asian Nations (ASEAN):**

It is a regional intergovernmental organisation including 10 countries in southeast Asia and creating intergovernmental cooperation it is also promoting political economic, security, educational, military and socio-cultural integration between its representatives and other Asian nations.

**Objectives of ASEAN:**

- To provide freedom equality and territorial sovereignty of all member nations
- To prevent problems in each others internal affairs
- Solve conflicts or contradictions by cooperative means
- Oppose the risk or use of power and foster political cooperation between the member states

**5.BRICS:**

BRICS is an acronym for the powerful grouping of the world's leading emerging market economies, namely Brazil, Russia, India, China, and South Africa. It aims to promote peace security development and cooperation and had a positive effect on the international system

**Objectives of BRICS:**

- To achieve regional development among the countries
- To remove the trade barriers and build up relationships
- To achieve goals of new development Bank
- To Ensure the governance and leadership quality
- To enhance the use of resources optimally

**6.The Organisation of the Petroleum Exporting Countries(OPEC):**

The organisation of Petroleum exporting countries was founded in Baghdad,Iraq with the signing of an agreement in September 1965 by five countries namey Iran, Iraq, Kuwait, Saudi Arabia and Venezuela.

It is a multinational organisation that was established to co-ordinate the petroleum policies of its members and to provide member states with technical and economic aid

**Objectives of OPEC:**

- To secure higher stability of oil prices
- To secure a complete regulation and control of the supply of Petroleum to the world market
- To raise funds for the development of economy of member states
- To secure common petroleum policy member states
- To secure a suitable market for oil produced by member states
- To control production level of member state in order to ensure that oil is not excessively produced

**INTERNATIONAL MONETARY FUND:**

The International Monetary Fund is a unique international financial institution which promotes international monetary cooperation and facilitates global trade. The IMF consists of 190 countries, working to promote sustainable economic growth and secure financial stability and reduce poverty around the world.

**Objectives of IMF:**

- To promote international monetary cooperation
- To facilitate expansion and balanced growth of international trade
- To promote exchange rate stability
- To make its resources available to its members who are experiencing BOP problems
- To assist in the establishment of a multilateral system of payments.

**Promotional Role played by IMF:*****1.IMF brings Stability in Exchange rate:***

The IMF has laid down a clear guidance of exchange rate policies. Its policies prevent the member countries from making competitive devaluation to boost up exports. As a result of all these, the system of exchange under the IMF is stable.

***2.IMF role in development of international trade:***

The IMF has been instrumental to the growth of international trade. It acts as the reservoir of the currencies of all the member countries. It also provides technical advice on monetary and fiscal matters. This multilateral assistance helps members in solving their problems in trade, thereby promoting international trade.

***3.IMF role in currency convertibility:***

The IMF is the catalyst in the convertibility of currencies. It endeavors to achieve full global convertibility of currencies in the next decade. All developing countries will achieve full convertibility.

A member can peg its currency to

- (i) either a single major currency or
- (ii) a basket of currencies or
- (iii) allow it to float independently

#### ***4.IMF's Elaborate lending operations:***

The main operation of the fund is lending to member countries. It has introduced a variety of loan facilities to its members. Initially, the lending operations were confined only to solving the problems of deficit payments. But now they have been remarkably extended. Member countries can have regular facilities, concessional facilities and special facilities.

#### ***5.IMF role in Consultation and guidance:***

The IMF provides the necessary machinery for consultation and collaboration on international monetary problems. Monetary, fiscal and financial problems and also matters relating to exchange and trade affecting international payments are clearly studied.

#### ***6.IMF is a Boon to developing countries:***

The IMF is a boon to developing countries. Less developed countries get enormous assistance from IMF like

1. Financial assistance to get rid of balance of payment deficits
2. Financial assistance for promotion of exports
3. Suggestions for overcoming constraints in the development process
4. Assistance in the formulation of development oriented monetary, fiscal, exchange and trade policies
5. Institutional training for the personnel in member countries and
6. Special Drawing Rights (SDRs) to resolve the problem of international liquidity

#### **WORLD BANK:**

The World bank is an international financial institution that offers funds to countries unable to obtain funds from commercial sources for projects considered too risky.It was established at the 1944 Bretton Woods Conference, along with the International Monetary Fund (IMF).

The project financed by the World Bank in flow transportation networks power facilities agriculture and educational programs the activities for expanded to technical support research public provision of information and statistics etc...

#### ***Objectives of World Bank:***

- i) To provide long term capital to member countries for economic reconstruction and development.
- ii) To induce long term capital investment for assuring BOP equilibrium and balanced development of international trade
- iii) To promote capital investment in member countries by providing guarantees on private loans or capital investment

iv) To ensure the implementation of development projects so as to bring about a smooth transference from wartime to a peaceful economy.

***Role of World Bank:***

The World Bank is an international organization dedicated to providing financing, advice, and research to developing nations to aid their economic advancement. The bank predominantly acts as an organization that attempts to fight poverty by offering developmental assistance to middle- and low-income countries.

***Affiliates of World Bank:***

The World bank group comprises five constituent institutions. They are

1. The International Bank for Reconstruction and Development (IBRD)
2. The International Development Association (IDB)
3. The International Finance Corporation (IFC)
4. The Multilateral Investment Guarantee Agency (MIGA)
5. International Centre for Settlement of Investment Disputes (ICSID)

***The International Finance corporation (IFC)***

The international Finance corporation and affiliate of the World bank established in 1956.

Although, membership in the World bank is a prerequisite for membership in the IFC legally and financially. The IFC is a separate entity, the corporation has its own operating and legal staff that draws upon the bank for administrative and other services.

***Objectives of IFC:***

- To contribute to the World bank group's overall purpose of reducing poverty and improving living standards by playing a leading role in the development of sustainable private sector
- To provide loan and equity financing of private enterprises mobilization of external capital alongside its own resources
- To assess the economic development of less developed countries by promoting growth in the private sector by their economies
- To encourage the growth of productive private investment and saving in the developing world

***Functions of IFC:***

Some of the functions are as follows:

(i) invests in private enterprises in member countries in association with private investors and without government guarantee, in case where sufficient private capital is not available on reasonable terms;

(ii) seeks to bring together investment opportunities, private capital of both foreign and domestic origin, and experienced management, and

(iii) stimulates conditions conducive to the flow of private capital, domestic and foreign, into productive investments in member-countries.

iv) makes advances in the form of long-term loans to a wide variety of productive private enterprises in developing countries. It particularly encourages joint ventures between developed and developing countries

### ***The Multilateral Investment Guarantee Agency (MIGA)***

As foreign direct investment is an important driver of growth in emerging economies, the multilateral investment guarantee agency (MIGA)'s mandate is to promote foreign direct investment by offering political risk insurance (guarantees) to investors and lenders, and by providing skills and resources to help emerging economies attract and retain this investment. Projects MIGA supports typically convey many direct benefits to host countries, including jobs created for local workers; accompanying and enduring investments in skills and training for employees; and a general impact on the national economy as a whole, as provided by tax revenues and foreign exchange earnings through exports.

#### ***Objectives of MIGA:***

- The multilateral investment guarantee agency (MIGA) is an international institution that promotes investment in developing countries by offering political and economic risk insurance.
- Agency aims to support economic growth, reduce poverty, and improve people's lives through foreign direct investment into developing countries.
- MIGA is a member of the World bank group and has 181 member states as of March 2020

#### ***Functions of MIGA:***

- The MIGA was created in 1988 to promote foreign direct investment into emerging economies to improve people's lives and reduce poverty
- MIGA fulfills its mandate and contributes to development by offering political risk insurance to investors and lenders and by helping developing countries attract and retain private investment
- MIGA provides investment guarantees against non commercial risk to eligible foreign investors for qualified investments in developing member countries
- MIGA develops and deploys tools and technologies to support the spread of information on investment opportunities
- Local jobs were created, tax revenue was generated, skills and technological know-how were transferred

### ***The International Centre for Settlement of Investment Disputes (ICSID)***

The International Centre for Settlement of Investment Disputes (ICSID) is an international arbitration institution established in 1966 for legal dispute resolution and conciliation between International investors and States.



**Objectives of ICSID:**

- The primary objective is to provide facilities for conciliation and arbitration of international investment disputes
- Doraemon major improvements to free international flows of private investment post by non commercial risk
- To develop the specialised International methods for investment dispute settlement

**Functions of ICSID:**

- Makes mix availability to investors and States helps to promote International investment by providing conference in the dispute resolution process
- Also available for state to state disputes under investment treaties and free trade agreements and acts as an administrative registry
- It maintains a careful balance between the interest of investors and host States
- It also promotes greater awareness of international law on foreign investment and the ICSID process

**The International Bank for Reconstruction and Development (IBRD):**

The International Bank for Reconstruction and Development (IBRD) is an international financial institution established in 1944 and headquartered in Washington, D.C., United States. It is the lending arm of World Bank group the IBRD offers loans to middle-income developed countries.

**Objectives of IBRD:**

- To provide long run capital to member countries for economic reconstruction and development
- To include long run capital investment for assuring balance of payments equilibrium and balanced development of international trade
- To provide guarantee for loans granted to small and large units and other projects of member countries
- To ensure the implementation of development projects so as to bring about a smooth transference from a war time to peace economy
- To promote capital investment in member countries

**Functions of IBRD:**

- IBRD provide financial services as well as strategic coordination and information services to its borrowing member countries
- Assist in reconstruction and development of its member countries
- Promote private foreign investment and balanced growth of international trade
- Assist in bringing about a smooth transition from what to peaceful economies
- Aims to reduce poverty in middle income and creditworthy poorer countries.

**International Development Association (IDA):**

The international development Association was established on 24 sep, 1960. It is an international financial institution which offers concessional loans and grants to the world's

poorest developing countries. The IDA is a member of the World Bank group and is headquartered in Washington, DC, in the United States.

***Objectives of IDA:***

- Provision of financial assistance to less developed countries
- Promotion of economic development increasing in productivity and improvement in living standards of underdeveloped regions
- Provides finance to meet the important development requirements of poor countries
- Makes the terms of loan or more flexible and bear less heavily on balance of payments than those of conventional loans

***Functions of IDA:***

- Provides assistance to high priority projects in the member countries.
- The finance may be made available to the member governments or the private enterprises
- Advances to private enterprises may be made without government guarantee
- Provides financial and technical assistance to the less developed countries

***Asian development Bank (ADB):***

The Asian development Bank(ADB) was set up in December 1966 under the auspices of the United Nations economic commission for Asia and far East to foster economic development of Asian countries(ECAFE) with its headquarters at Manila. (It also has about two dozen other officers around the World). ADB is a multilateral development Finance institution dedicated to reducing poverty in Asia and the Pacific.In 2002,61 Nations,mostly from the region where members of ADB

***Objectives of ADB:***

- To promote investment in the ESCAP region of public and private capital for development
- To utilise available resources for financing development giving priority to those regional sub regional and national projects
- To strengthen the private sector, ADB provides its assistance to improve productivity and efficiency

***Functions of ADB:***

- To make loans and equity investments for economic and social development of its developing member countries
- To provide for technical assistance for the preparation and implementation of development projects and advisory services
- To respond to the request for assistance in coordinating developmental policies and the plans in developing member countries
- Provides loans to Asian countries on concessional interest rates

**World Trade organisation(WTO):**

World Trade organisation(WTO) was established on 1st January 1995. The headquarters of WTO is situated at Geneva, Switzerland. The World Trade Organisation is an intergovernmental organisation that regulates and facilitates international trade between nations. Government use the organisation to establish, revise, and enforce the rules that govern international trade.

**Objectives of WTO:**

The WTO reiterates the objectives of which are as follows:

- Raising standard of living and incomes, promoting full employment, expanding production and trade, and optimum utilisation of the world's resources
- Introduce sustainable development -concept which envisages that development and environment can go together
- Taking positive steps to ensure that developing countries, especially the least developed ones, secure a better share of growth in world trade

**Regulatory role played by WTO:**

- Administering and implementing the multilateral and plurilateral trade agreements, which together make up the WTO
- Acting as a forum for multilateral trade negotiations
- Seeking to resolve trade disputes
- Overseeing national trade policies
- Cooperating with other international institutions involved in global economic policy making
- Maintaining trade related databases. Members are required to notify in detail various trade measures and statistics
- Acting as a watchdog of International Trade, constantly examining the trade regimes of individual members
- Acting as a management consultant for World Trade. experts on the panel of WTO scan the world economic environment and make observations on contemporary issues
- Technical assistance and training for developing countries

As the functions make it clear WTO does not aim at economic or political integration but seeks to promote free trade among member countries

**United Nations Conference on Trade And Development (UNCTAD)**

The United Nations conference on Trade and development established in 1964 as a permanent organ of the UN general assembly it was decided to serve as a forum in which trade related development issues could be discussed and analysed to lead the negotiations of international understandings on issues that were in disputes.

**Objectives of UNCTAD:**

- Aims are the development friendly integration of developing countries into the world economy

- Focus for the integrated treatment of trade and development and the integrated issues in the areas of Finance technology investment and sustainable development
- Ensuring women's political economic and social participation
- Generating adequate financial flows for the development and reducing financial volatility
- Focusing on Central problems of acute poverty and growing inequality within and among nations

***Functions of UNCTAD:***

- To promote international trade with a view to accelerating economic development
- To formulate principles of and policies on international trade and related problems of economic development
- To negotiate multinational trade agreements
- To make a proposal for putting its principle and policies into effect
- The major function includes research and support of negotiations for commodity agreements, technical elaboration of new trade activities designed to assist developing countries in the areas of trade and capital