Background Guide
The Economic and Financial Committee
Jayshree Periwal High School Model United Nations

Agenda – Role of Bretton Woods Institutions in Global Trade

Letter from the Executive Board

We welcome you all to the United Nations being simulated at JPHS MUN 2023. Model UN conferences help an individual to grow holistically as it covers various aspects like debating, researching, and getting geopolitics clear. It improves the style of living of a person and also helps a student to grow and develop. It helps in getting exposure which is required to survive and imparts world knowledge as well. We are looking forward to an intense discussion which will lead to a productive committee.

It depends upon how the delegates do their research and use their knowledge in order to have a fruitful session. It's our request that kindly go through the background guide so that you can get an idea about the agenda. Don't consider this guide as a complete research medium, since the internet is not a small platform. Don't be restricted to it. It's appreciated if you bring new discussion points which are not mentioned in the guide.

Consider this paper as a beginning and research to the fullest. It's advisable to not to limit yourself to your research and combine your research and logic as it makes a wonderful combination. It leads to better debate and discussion.

Don't be restricted to your research and take initiative to enhance the discussion as this is a debating session and not a declamation session. So, we wish you all the best and research well.

All the best!

Warm Regards,

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About the Committee

The Economic and Financial Committee (Second Committee) of the United Nations General Assembly is responsible for dealing with questions about economics, global finance, and growth and development around the world. The goal of this committee will be to address persistent economic inequity and emerging concerns within global finance.

This committee was officially created in 1945 as one of the original general assemblies since ECOFIN is also known as the Second Committee. It first met in San Francisco on April 25th, 1945. ECOFIN is unique in that it focused on the globalized economy and support nations financially. Its membership is open to all member states of the United Nations as one of the General Assemblies and follows the same parliamentary procedures as any other main organ of the United Nations. Thus, a total of 193 nations are represented in ECOFIN.

ECOFIN has helped many developing countries with financial assistance through times of crisis and development in order to spur growth and prosperity. Through its foreign aid programs, ECOFIN has set goals in lowering poverty and decreasing economic strain on countries facing large amounts of debt or countries that are in need of financial reconstructing.

Most recently, ECOFIN has taken a definitive stance on one of the key issues in the middle east: Israel and Palestine. ECOFIN has demanded that Israel end its occupation of Arab lands in Syria and cease its violation of human rights laws in accordance with the Palestinian people due to the evident economic impact that the political, military, and social situation in the area has on the people affected by this crisis.

Mandate of the committee

The mandate of a committee is the expressed powers or topic areas that it has the jurisdiction to cover and discuss. According to the United Nations, ECOFIN functions to discuss issues relating to economic growth and development (including international trade, international financial system, external debt sustainability and commodities), financing for development, sustainable development, human settlements, poverty eradication, globalization and interdependence, operational activities for development, and information and communication technologies for development. Its mandate further explores groupings of nations such as Least Developed Countries to encourage regional growth and support for all nations, which is just one of the many subgroups that are formed under ECOFIN to be able to substantively solve niche issues.

Introduction to the Agenda

- ## What are Bretton Woods Institutions?

The Bretton Woods Institutions are the World Bank and the International Monetary Fund (IMF). They were set up at a meeting of 43 countries in Bretton Woods, New Hampshire, USA in July 1944.

Their aims were to help rebuild the shattered postwar economy and to promote international economic cooperation. The original Bretton Woods agreement also included plans for an International Trade Organisation (ITO) but these lay dormant until the World Trade Organisation (WTO) was created in the early 1990s.

The creation of the World Bank and the IMF came at the end of the Second World War. They were based on the ideas of a trio of key experts – US Treasury Secretary Henry Morganthau, his chief economic advisor Harry Dexter White, and British economist John Maynard Keynes.

They wanted to establish a postwar economic order based on notions of consensual decision-making and cooperation in the realm of trade and economic relations. It was felt by leaders of the Allied countries, particularly the US and Britain, that a multilateral framework was needed to overcome the destabilising effects of the previous global economic depression and trade battles.

In his opening speech at the Bretton Woods conference, Henry Morganthau said the "bewilderment and bitterness" resulting from the Depression became "the breeders of fascism, and finally, of war".

Proponents of the new institutions felt that global economic interaction was necessary to maintain international peace and security. The institutions would facilitate, in Morganthau's words, "[the] creation of a dynamic world community in which the peoples of every nation will be able to realise their potentialities in peace."

The IMF would create a stable climate for international trade by harmonising its members' monetary policies, and maintaining exchange stability. It would be able to provide temporary financial assistance to countries encountering difficulties with their balance of payments. The World Bank, on the other hand, would serve to improve the capacity of countries to trade by lending money to war-ravaged and impoverished countries for reconstruction and development projects.

Source - www.brettonwoodsproject.org

Read more - https://elibrary.worldbank.org/doi/10.1596/978-1-4648-0484-7_bretton_woods_institutions

- ## Introduction

It is not strange to expect that after any war, be it International or Internal conflict, it is always being characterized by economic shamble, or the political and economic landscapes of the affected area must be altered negatively. For this, the impacts of the 1st and 2nd world war culminated in the Great Economic Depression of the 1930s (Dike, 2010). The League of Nations was founded in 1919 to maintain the peace. Neither the United States nor the Great Britain had the resources to single-handedly prevent the worldwide depression (Ibid). The move to salvage the countries of the world from this post-World War I economic shackles pave the way for the emergence of the concept “Bretton Woods Institutions”.

Globalization—the process through which an increasingly free flow of ideas, people, goods, services, and capital leads to the integration of economies and societies—is often viewed as an irreversible force, which is being imposed upon the world by some countries and institutions such as the IMF and the World Bank. However, that is not so: globalization represents a political choice in favor of international economic integration, which for the most part has gone hand-in-hand with the consolidation of democracy. Precisely because it is a choice, it may be challenged, and even reversed-but only at great cost to humanity. The IMF believes that globalization has great potential to contribute to the growth that is essential to achieve a sustained reduction of global poverty.

Globalization, or internationalization, is not a new phenomenon. The period through the end of the 19th century was also characterized by unprecedented economic growth and global integration. But globalization was interrupted in the first half of the 20th century by a wave of protectionism and aggressive nationalism, which led to depression and world war. International economic and political integration was reversed, with severe consequences. Since 1945, democracy and capitalism have been embraced by an increasing number of countries—including, since 1989, by most of the previously communist world.

As a result, the past 50 years have been a period of growing economic and political freedom and rising prosperity. Global per capita income has more than tripled, and most of the world has experienced a major improvement in life expectancy. Many developing countries have already taken advantage of the opportunities of the global economy. More rapidly globalizing countries, such as Brazil, China, Costa Rica, the Philippines, and Mexico on average doubled their share in world trade and raised per capita incomes by two thirds from 1980 to 1997. Their experience demonstrates that integration into the global economy can bring major advantages for developing countries.

However, other countries have not done so well. A large part of the world's population—especially in sub-Saharan Africa—has been left behind by economic progress. As a result, the disparities between the world's richest and poorest countries are now wider than ever, with increasing incidences of poverty within countries. Poverty is not only unacceptable on moral grounds, it also forms the breeding ground for war and terrorism. It is, therefore, the greatest challenge to peace and stability in the 21st century. Reversing the process of globalization would not solve the problem of poverty—that was amply demonstrated by the events of the 20th century. The world needs instead a new approach to globalization that exploits its enormous potential for improving human welfare. In order to carry the process forward, and build support for a better globalization, a common political understanding of how to maximize the benefits, while minimizing the risks, must be developed.

- **<u>The Role of Bretton Woods Institutions</u>**

The Bretton Woods Institutions—the IMF and World Bank—have an important role to play in making globalization work better. They were created in 1944 to help restore and sustain the benefits of global integration, by promoting international economic cooperation. Today, they pursue, within their respective mandates, the common objective of broadly-shared prosperity. The World Bank concentrates on long-term investment projects, institution-building, and on social, environmental, and poverty issues. The IMF focuses on the functioning of the international monetary system, and on promoting sound macroeconomic policies as a precondition for sustained economic growth.

The Concept “Bretton Woods Institutions” is a compound words made up of “Bretton Woods” and “Institutions”. The former being a name of a place located in New Hampshire, USA. Though the latter has no unanimous definition, but for the purpose of this article it refers to any structure or mechanism of social order governing the behaviour of a set of individuals within a given community (Hudgson,). In other words, institution is an organization, establishment, foundation, society, or the like, devoted to the promotion of a particular cause or program, especially one of a public, educational, or charitable character.

But in its technical sense, Bretton Woods Institutions refer to the International Economic Organizations viz: - World Bank and International Monetary Fund (IMF). These were set up at a meeting of 43 countries in Bretton Woods, New Hampshire, USA in July 1944. Their aims were to help rebuild the shattered postwar economy and to promote international economic cooperation. The original Bretton Woods agreement also included plans for an International Trade Organisation (ITO) but this was dormant until the World Trade Organisation (WTO) was created in the early 1990s.

The greatest asset that the Bretton Woods Institutions have in fulfilling these objectives is their culture of consensus-building, which is based on trust and mutual respect among the more than 180 countries—and their governments—that make up their membership. However, both institutions also recognize the need for change and internal reform. The IMF has implemented many reforms in recent years, designed to strengthen its cooperative nature and improve its ability to serve its membership. To mention a few:

1. The IMF has increasingly become an **open and transparent organization**, as demonstrated by the overwhelming amount of information now available on its internet website. It is also encouraging transparency among its membership.

2. It is taking action to strengthen **economic governance**. For instance, it is promoting the use of standards and codes as vehicles for sound economic and financial management and corporate governance.
3. It is working to safeguard the **stability and integrity of the international financial system** as a global public good. In particular, the joint IMF-World Bank Financial Sector Assessment Program (FSAP) is at the core of efforts to strengthen financial sectors and combat money laundering in member countries.
4. It is encouraging **true national ownership of reforms** by streamlining the conditions attached to IMF-supported programs. While conditionality remains essential, countries must themselves take responsibility for implementing the necessary reforms.
5. Lastly, the IMF is an institution ready to listen and learn, and not just from its member governments. It recognizes and values the role of **civil society organizations** in articulating the moral foundations for collective action and building grass roots support.

• Safeguarding the International Financial System

The IMF seeks to mitigate the negative effects of globalization on the world economy in two ways: by ensuring the stability of the international financial system, and by helping individual countries take advantage of the investment opportunities offered by international capital markets, while reducing their vulnerability to adverse shocks or changes in investor sentiment. Private capital flows have become the most important source of financing for economic growth, job creation, and productivity.

But they can also be a source of volatility and crisis. To address some of these problems, the IMF is encouraging its members to increase the transparency of their financial and corporate sectors as a means to reduce financial abuse, such as money laundering and fraud, and ensure a level playing field for all investors.

The institutions were able to set out "Basic or Minimum Standard for International Norms":- Basic standards, with special reference to the Standards of National Treatment; Most Favoured Nation Treatment; Reciprocity Standard; Standard of the open door; Standard of Preferential Treatment, Standard of Equitable Treatment or Standard of Non-discrimination (Diebold, 2011).

These minimum standards deserve pride of place among the standards of international economic law. It was these standards that laid down the bases in this field law which have grown into rules of general international customary law. As already mentioned, they began by being incorporated in innumerable treaties in order to secure to foreign merchants a modicum of security for their persons and property.

As can be shown by reference to the practice of States and international tribunals, these standards developed in time into rules of international customary law and their applicability was widened so as to apply to all persons sojourning in foreign lands (Schwarzenberger, 1948).

• It provided guidelines for both state and non-state actors on the international scene: - For example, the Fund and the Bank are mostly using National and Transnational Corporations in the execution of Developmental Projects. Transnational Corporations (TNCs) not only occupy an important status as economic actors on the international scene, but they are also political actors who are increasingly involved in the progressive development and enforcement of the regulatory structures of the international economic system (Nowrot, 2011).

• The IMF and the World Bank was able to ensure that their mechanisms and operations meet the requirements of the new world of integrated global markets (Bardo and Barry, 1993).

• The IMF and the World Bank have become some form of a cottage industry on good governance and the rule of law (Raffer, 2008).

• The Bretton Woods Institutions' basic principles of non-discrimination, multilateralism, and transparency even when abused in practice, have set standards against which the trading practices of individual member countries are judged (Helleiner, 1984).

• They were able to set precedents in constructing an international economic framework that reduces the risks of cumulative downward spirals, such as the one they had just suffered as a result of the post World war crises (Norton, 2009).

• The emergence of these institutions has paved way for the development of a special field of research and training in International Economic Law, Financial Houses and Organizations, Governmental Organizations, NGOs, International Economic Institutions and Relations.

• The Bank and the Fund as specialized economic agencies of the United Nations are not mere appendages of the central organization. They are the means for dealing with vital international economic problems. The economic program of the United Nations is a new and bold venture in international cooperation. Its object is to restore world trade, to free such trade from restrictions and discriminations, and to prevent the formation of conflicting economic blocs. A program of this character, if it is to be effective, cannot be dealt with merely by agreement on abstract principles (Pehle, 1946).

• In the field of international trade and financial relations, positive action for dealing with continuing problems has been and is being achieved through these institutions with broad authority (Reich, 2010).

• Above all, the emergence of Bretton Woods Institutions is the pioneer economic institutions that set precedents that brought about the proliferations of International Economic Institutions, Instruments, Bilateral and Multilateral agreements, as well as International and National Economical Integrations (Chifamba, 2007).

It is also stepping up its surveillance of international capital markets, and is improving its ability to predict and pre-empt crises. While improved supervision and effective analytical tools are important, the IMF recognizes that more fundamental reform of the international financial architecture may be needed. It has therefore devoted considerable resources over the past few years to ensuring greater involvement of the private sector in crisis resolution, but without deterring much needed investment in developing countries. As part of this work, it recently suggested the establishment of a sovereign debt restructuring mechanism (SDRM).

If adopted by the international community, such a mechanism could help countries avoid costly and protracted defaults.

- ## **Maintaining Cooperation-the Role of Financial Assistance**

The most general mandated function of each of the post war institutions was to promote cooperation by providing a forum in which members can consult and negotiate with each other on international monetary and trade matters. To investigate the role of financial assistance in international negotiations, an example is useful.

Consider first an example of domestic tax policy negotiations between opposing groups within the home government. Assume that both groups agree that taxes should be raised to eliminate an existing government budget deficit but that the groups disagree on the allocation of the total tax burden to be borne by each group.

Assume further that, if the two groups cannot negotiate a compromise, the government will be forced to rely on an inflation tax to finance the deficit and that this will, in turn, force the country to devalue its currency. Alesina and Drazen (1991) characterize the process leading to the compromise as a "war of attrition."

Each group believes that, the longer it refuses to compromise with the other, the more likely it is that the other group will concede. Whichever group concedes first ends up bearing a disproportionate share of the tax increase. Even though the country as a whole benefits from any compromise, Alesina and Drazen suggest that compromises will often be delayed as groups attempt to shift the allocation of burdens in their favor.

One possible solution to this problem is for the executive branch of the government to take a more active role in the negotiating process. For example, the executive might declare that it will impose a penalty on whichever group refuses to support a government-sponsored compromise.

Assuming that the executive is in office for a finite term, the problem with this solution is that, as long as the executive's objective is to maximize the country's welfare (defined as the unweighted sum of the welfares of both groups), it will never have an incentive to follow through with its threat. This is the classic problem of time consistency, that, once a compromise is reached, it is not in the executive's interest to punish either group. If the groups are rational, they will foresee this and disregard the executive's threat. Alternatively, an outside party or organization, one that is not subject to the time inconsistency problem that the domestic government faces, can play an important role. Assume both that the IMF has a longer time horizon than the domestic government and that the IMF's objective is to maximize global welfare.

During the period that the Bretton Woods system was in place, any set of domestic policies that would lead a country to devalue would reduce global welfare from the IMF's perspective. It is in the IMF's interest in this circumstance to provide the executive in the home government with an incentive to follow through with its threat. The IMF can offer the government financial assistance if it achieves a compromise and staves off a currency devaluation. As long as the value of the financial assistance exceeds the value of the penalty imposed on the group that refuses to compromise, the executive's threat will be credible.

The World Bank's original mission was to provide capital for European reconstruction. The World Bank's resources were from the beginning limited, but the intention was that the Bank would encourage private investment by providing loan guarantees. The president of the World Bank in 1947, John McCloy, "thought of the Bank as a temporary institution which would go out of business if it were successful, for it would no longer be needed as an intermediary between productive borrowers and private lenders" (Oliver 1975, 259).

It was soon realized that the task of reconstruction was beyond the Bank's scope, and the Marshall Plan, implemented in 1948, largely took over the job. The Bank then shifted its resources and focus to financing development projects in underdeveloped regions. Rather than serving as a guarantor of private investment, as the Bretton Woods participants had envisioned, the Bank took on an intermediary role, borrowing funds from private investors and lending them to developing countries.

• Providing Help for Self-Help

Many countries are still in the earliest stages of integrating with the global economy. Even so, they must still shoulder the main responsibility for making globalization work to their advantage. A country opening up to the global economy should have the institutional capacity to implement necessary structural reforms (such as trade and capital account liberalization) and should adhere, as a general rule, to a flexible exchange rate regime.

But many poor countries simply do not possess the resources to start the process of fuller participation in the global economy. They need additional assistance from the international community. As a universal institution, the IMF is committed to maintaining its engagement with the world's poorest countries. As a guidepost for reducing world poverty, it has joined countries and other international institutions in supporting the 2015 Millennium Development Goals.

The fight against world poverty should be centered on the principle of "help for self-help". Poor countries must strive to establish peace, the rule of law, and good governance, as well as implement economic policies that encourage private initiative and integration into the global economy. Meanwhile, rich countries should be offering stronger financial support in the form of investment, official development assistance, and debt relief. Even more important, they should open up their markets in products where poor countries have a comparative advantage.

To further the process of help for self-help, the IMF and World Bank established in 1999 a new approach to their lending programs that gives a central role to a country-led process for reducing poverty. A key component is the country-owned Poverty Reduction Strategy Paper (PRSP). This approach has now been accepted as a promising way to design poverty reduction strategies that can command broad support, both within a country and among its development partners. However, there is clearly room for further improvement, not least, through deeper analysis of the root causes of poverty, and increased technical assistance from the IMF and the donor community to build institutional capacity.

To bring about a decisive reduction in world poverty, the efforts of poor countries must be matched by more comprehensive support from the international community. That is why the IMF and World Bank are spearheading an effort under the enhanced HIPC Initiative that has already provided $40 billion of debt relief to 25 poor countries. But debt relief is no panacea. Indeed, the resources available from further debt relief or outright cancellation are relatively small when compared with the potential for action by the rich countries in the key areas of trade and aid.

Trade liberalization is the best form of help for self-help, both because it offers an escape from aid dependency and because it is a win-win game; all countries stand to benefit from freer trade. The true test of the credibility of rich countries' efforts to combat poverty lies in their willingness to open up their markets and phase out trade-distorting subsidies in areas where developing countries have a comparative advantage—as in agriculture, processed foods, textiles and clothing, and light manufactures. The United States, the European Union, and Japan spent almost $270 billion in 2000 on agricultural subsidies alone.

The achievement of the UN target of 0.7 percent of GNP for official development assistance (ODA) should be viewed as a concrete expression of solidarity between rich and poor countries. Yet, today, the average level of ODA in the OECD countries is only 0.22 percent of GNP—an unacceptably low figure that translates into a shortfall of over $100 billion a year in aid flows. A successful effort to enact legislation in rich countries to meet the UN target within the next decade would, in the first year alone, generate enough new resources to meet the estimated $10 billion annual requirement for a new global effort at HIV/AIDS prevention and treatment.

Achieving these goals will require difficult political decisions on the part of both poor and rich countries. But if the international community decided to implement the necessary reforms, world poverty would be significantly reduced, and the 2015 Millennium Development Goals would come within reach.

• Global Trade and Bretton Woods Institutions

The Fund and the World Bank have, however, been confronted from time to time with other new types of crises not explicitly envisaged by their charters, such as the debt crisis (Fatima 1998), the environmental crisis (Action against Bretton Woods, 1994), the crisis of governance (Bardo, 1995), the crisis generated by the failure of governments to respect human rights, and the crisis presented by tumultuous political upheavals and internal conflicts and above all aggressive legalism (Pekkanen, 2010). This category of crises has been more problematic, and dealing with them has sometimes been surrounded by controversy (Morais and Soto, 1996).

Criticism of the World Bank and the IMF encompasses a whole range of issues but they generally concerned about the approaches adopted by the World Bank and the IMF in formulating their policies.1 This includes the social and economic impact these policies have on the population of countries who avail themselves of financial assistance from these two institutions.

This centers on the following:

• That the two institutions in the course of discharging their mandates through the multi-lateral corporations do not observe the rule of law and violate human rights of some nations.

• That the conditionality imposed in terms or covenants for the grant of the loans succeeded in promoting mass un-employment and poverty in the benefiting nations.

• That the guidelines and principles set out by the institutions and those came after them are more favourable to the developed nations as opposed to the less developed nations.

It will not be out of place to argue that the IMF, the World Bank, and GATT- the full complement of the Bretton Woods institutions- have met virtually all the aspirations of their original architects.

To sum it up, the achievements of these institutions include the followings:

- The world economy has experienced a remarkable period of rapid growth, expanding international exchange, and relatively full employment in the past 70 years after World War II; and the Bretton Woods institutions deserve some of the credit (Helleiner, 1984).
- World trade, for example, grew in the quarter century from 1950 to 1975 at nearly double the rate at which world production grew. Liberalization of exchange controls generated truly international money and capital markets in which vast cross-border flows now take place around the clock.
- The IMF exchange-rate rules imparted a degree of order to international monetary affairs, if only by reminding members of the international community of agreed upon norms.
- The IMF also provided short-term credit, albeit in limited amounts, to countries in temporary balance of payments difficulties to reduce the likelihood of their resorting to "measures destructive of national or international prosperity (Article 1, IMF Charter).
- The World Bank directed long-term credit, which private markets would not otherwise have provided, first to the war-devastated areas for reconstruction and then to the developing countries for overall growth and development (Global Economic Prospect, 2012).
- GATT produced a series of tariff bargaining rounds that resulted in substantial reductions in tariffs on manufactured products in the industrialized world. And its basic principles of non-discrimination, variety of closely interrelated national markets. Transnational corporations, now based in a growing number of developing as well as developed countries, increasingly integrated their worldwide operations and developed their own internal planning systems.
- In a whole variety of other areas; space, the oceans, the environment, data flows, to name just a few. The resolutions of major new policy problems became impossible within traditional national boundaries but were now made possible

- Multilateralism and transparency is now order of the day. Moreover, changes in the world economy have been so rapid and so great that they have out-stripped the adaptive capacities of even the most flexible international machinery.

Conclusion

The IMF believes that economic growth is the only way to improve living standards in developing countries, and that this is best achieved through globalization. It is doing its utmost, within the mandate given to it by its members, to safeguard the international financial system, and help its members take advantage of the opportunities offered by integration into the world economy, while minimizing the associated risks. However, it also recognizes that, while much progress has been made in making globalization work better, much work still lies ahead.

The institutions have emerged through the efforts and initiatives of the duo of John Maynard Keynes and Harry Dexter White. The meeting for the birth of the institutions took place at a Hotel called Mount Washington, Bretton Woods, New Hamphshire, USA in 1994, which consists of 44 representatives of member countries. The establishment of the institutions was to foster economic development through long and short term loans to the needy nations.

The establishment of these institutions not only had brought about physical and economic development to the world, but was able to set out universal basic standard and principles of economic policies. In addition, it has set precedent and platform for the development of the field of international economic law, policies, guidelines, institutions, financial institutions and strategies in all its ramifications.

It is worthy to mention that inspite of these achievements of these institutions, it is faced with a new form of criticism ranging from its operational mechanism through other agencies that are fond of abusing the rule of law, stringent measures in loan conditionality that encouraged poverty, un-employment, environmental degradation, lack of fair representations by member nations etc.

Bearing these shortcomings and criticism in mind therefore, there is the need for the total overhaul of the institutions in terms of their structures, policies, operational mechanisms to address these complaints and grievances from the nations concerned in order to improve global macroeconomic management.

Interests of various parties and blocs

With the 190 members of the IMF and World bank, are bound to come differing interests. Members of Bretton Woods institutions are extremely diverse in not just their fiscal strength, but also their political and economic ideology. This naturally leads to different parties and blocs wanting different things out of these institutions, and subsequently our committee.

We'll look at several such viewpoints

European Union

The European Union is by far the most powerful economic union in the modern world, being the world's largest trading bloc, and the biggest single market area. The Euro is also a powerful competitor to the US dollar, with almost all trades within the European Union being conducted using the Euro.

As a well established market, the members of the European Union are generally benefiting greatly from the current system of the Bretton Woods institutions, as they push for less tariffs and easier exports to other nations.
Due to their advanced economies and superior development, member nations of EU do not have to worry significantly about foreign goods taking over their markets due to greater quality or reliability. However, due to China's vast manufacturing sector, its market can be disrupted on the basis of sheer quantity of cheap imports from China.

The EU is generally progressive with its economic policy, and is often against economic sanctions. In 2019, members of the EU enabled Iran to conduct trade with the bloc despite US sanctions, by using the INSTEX (Instrument in Support of Trade Exchanges), and has often pushed for reduction of tariffs and sanctions.

The EU has also emphasized the need for Bretton Woods institutions to prioritize issues such as climate change, inequality, and poverty reduction in their lending and policy advice. The EU has been a strong advocate for sustainable development, and it has called for the IMF and the World Bank to take a more holistic approach to economic policy, considering social and environmental factors as well as economic ones.

Overall, the EU sees the reform of Bretton Woods institutions as an important step towards ensuring that they remain relevant and effective in addressing the challenges of the global economy. The EU has been actively engaged in discussions around their reform, and it is likely to continue to play a leading role in shaping the future of these institutions.

United States

The United States has historically played a leading role in the IMF and the World Bank, and its interests have been closely intertwined with the institutions. The US is the largest shareholder in both institutions, giving it significant power to shape their policies and decision-making processes. The US has traditionally advocated for free trade, liberalization of capital flows, and market-oriented economic policies, which have often been reflected in the lending and policy advice of the IMF and the World Bank.

However, in recent years, the US has shifted towards a more protectionist stance, particularly under the Trump administration. This has led to tensions between the US and other members of the IMF and the World Bank, who have criticized the US for its trade policies. For example, the US-China trade war has had significant impacts on global trade and economic growth, and the IMF and the World Bank have expressed concerns about the escalation of trade tensions.

The US is also keen on maintaining the US dollar as the dominant global reserve currency. The US dollar is used in a majority of global transactions, and the US benefits from the demand for its currency. This has led to criticism of the IMF and the World Bank, as some argue that they have been too accommodating to US interests in promoting the use of the US dollar in global trade and finance. Some have called for alternative reserve currencies, such as the Chinese renminbi, to be promoted to reduce reliance on the US dollar.

Developing Nations

Developing nations make up the majority of the membership of the IMF and the World Bank, but their interests are often underrepresented in decision-making processes. Many developing nations have criticized the current system of the Bretton Woods institutions, arguing that it perpetuates inequality and favors the interests of developed nations. Developing nations often prioritize issues such as poverty reduction, access to finance, and sustainable development, which may not align with the policies of the IMF and the World Bank.

Some developing nations have also called for greater representation and voting power within the institutions. The current system gives disproportionate power to developed nations, particularly the US and European Union. Developing nations argue that this leads to policies that benefit developed nations at the expense of developing nations.

Many developing nations have also been impacted by US sanctions and trade barriers. These measures have had significant impacts on the economies of countries such as Iran and Venezuela, leading to calls for reform of the international trade system to better accommodate the interests of all nations, regardless of their economic power or political influence. Developing nations have also been critical of the IMF and the World Bank's role in enforcing these sanctions, arguing that they should take a more neutral stance in international disputes.

Multinational Corporations:

Multinational corporations (MNCs) are major players in the global economy and have significant influence on the policies and decisions of the IMF and World Bank. These corporations have a vested interest in the functioning of the global financial system, as it affects their ability to conduct business and generate profits.

MNCs generally support free trade and open markets, as these policies allow them to expand their operations and increase their profits. However, they may also seek to influence the institutions to further their own interests. For example, MNCs may lobby for policies that protect their intellectual property rights or reduce regulatory barriers to their business activities.

Additionally, MNCs have been criticized for their role in exacerbating global inequality and environmental degradation. Some critics argue that MNCs take advantage of lax regulations in developing countries to engage in exploitative labor practices and environmental destruction.

As such, MNCs have a complex relationship with the Bretton Woods institutions. While they generally support policies that promote free trade and open markets, they may also be supportive of certain regulatory measures that protect their interests. Additionally, MNCs may seek to influence the institutions to adopt policies that are more socially and environmentally responsible.

Overall, the role of MNCs in the Bretton Woods institutions is an important issue for our committee to consider, as their actions have significant implications for the global economy and the wellbeing of people around the world.

• Questions to Consider

1. What do Bretton Woods Institutions stand for?
2. When and how was the Institution(s) propelled?
3. Why Bretton Woods Institutions?
4. Who are the founding father(s) of the institution(s)?
5. Why were they (the institutions) created?
6. How do the institutions work?
7. Have the institutions achieved their goals? If yes, to what extend? And if No, Why?
8. What are the achievements and impact of these institutions on the development of the discipline of International Economic Law in the present world economic order?
9. What are the criticisms of these institutions?
10. What measures can Bretton Woods Institutions take to facilitate a more free and fair trade?