Running Head: Investment

International Trade Finance &Investment

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# Executive Summary

International trade is directly associated with the process of globalisation.The governments in many countries have decided to open their economies for international trade and commerce. It has been done with the help of multinational organisations, multilateral trading system, governmental and intergovernmental organisations. Globalisation and business have brought increased advantages to the citizens and countries.International and domestic trade agreements have allowed nations around the world to benefit from economies to create a more sophisticated environment.The study will explore international trade, international financial institutions, and some critical theories of international trade, finance and investment.

# Financial Markets and TradeOrganisations

The World Trade Organization (WTO) is the only major international organisation concerned with the terms of trade between nations. At its heart are the agreements of WTO,discussed and signed by most of the world's trading countries and approved in their governments. The purpose is to help producers, exporters, and importers of goods and services conduct their business. A variety of ways of looking at the World Trade Organization are available. It is a trade-opening organisation. It is a platform for the negotiation of trade agreements by governments (Petros, 2012). For them, it is a venue to settle trade disputes. The WTO, in turn, is a position where member governments attempt to overcome the trade issues they face with each other.On 1 January 1995, the WTO began existence, but it is half a century older than its trading method. Since 1948, the General Agreement on Tariffs and Trade (GATT) has established the rules for the system (Knight and Voon, 2020).

It did not take long for an unofficial, de facto international body, also known informally as the GATT, to be formed by the General Agreement. Via several rounds of negotiations over the years, GATT has grown. The last and largest GATT round was the Uruguay Round, which lasted from 1986 to 1994 and contributed to the creation of the WTO(Dimitropoulos, 2020).

## Principles of the Trading System

The WTO agreements are complex and lengthy since they are legal texts covering a wide variety of accomplishments. They are concerned with: textiles, agriculture, banking, clothing, public procurement, telecommunications, legislation on industrial and product safety, food hygiene rules, intellectual property, and much more. But there are several simple, universal concepts in all these texts. Those principles constitute the foundations of the multifaceted trading system(Huang et al., 2018).Some of the principles of the World Trading Organisation are traded without discrimination, equality in the local and international agreements among nations, and the promotion of free trade through negotiation.Besides, the World Trade Organisation aims to support the free and fair promotion of work. Most of the nations of the world are a part of this international trade organisation. When a country becomes part of the WTO or enters an agreement, it is granted the most favourable conditions to promote trade with other parties.Furthermore, the trade agreement is signed according to the principle of non-discrimination highlighted in the provisions of the WTO(Mbengue, 2017).

Policymakers are aware that regional trade agreements need to be aligned with multilateral rules, and that local measures, as well as regional and multilateral frameworks, require coherence. Some countries are also negotiating RTAs that are specifically meant to set anexample for future multifaceted rules-making. In contrast, others see deeper regional cooperation mechanisms as a way to supplement the multilateral system.In ways that go beyond existing multilateral law, RTAs are being established today. For example, finance, the movement of individuals and capital, state-owned enterprises and competition, anti-corruption, e-commerce, and rights of intellectual property are fundamental policy problems that need to be addressed in today's more integrated economies(Knight and Voon, 2020).

# Capital Allocation Within Domestic and International Markets

The World Bank has launched its first non-investment facility of project lending support policy change in beneficiary countries in 1980, sometimes referred to as "budget support"; loans or“policy lending”. Therefore, structural adjustment loans are planned, which is an updated lending program with which the bank would try to help governments overcome this (Dimitropoulos, 2020). The basic idea was that if such structural barriers were removed, the economy would do so embark on a more sustainable growth path. These loans have five special features compared to investment projects: that the funds disbursed much more quickly, in one or more instalments, and the case of investment projects, following the implementation of the project; therefore a synonymous term "Quick loans" the fact that World Bank funding is disbursed to the general individual procurement contracts instead of government budgets investment projects; Agreement between the Government Bank for macroeconomic and structural policy framework (for which spawning is essential) budget); the bank's minimum confidence in the public of the country financial management systems are capable of managing more generous financial support through its general budget system; and specific feelings, i.e. legal action important necessary for the country to have access to finance(Mbengue and Schacherer, 2017).

Regional Trade Agreements (RTAs) control more than half of international trade, functioning in compliance with global multilateral arrangements under the World Trade Organization (WTO). Recently, many countries have actively sought to develop new, often more modern and progressive, bilateral and regional trade agreements aimed at increasing trade and boosting economic development. In part, the current proliferation of RTAs reflects the need for greater integration than has been accomplished in previous multilateral agreements (Fitzgerald et al., 2019). The multilateral trading system can be complementary to the extent that the RTAs go beyond WTO commitments and remain open to additional participation by countries committed to meeting their goals. The number and scope of regional trade agreements (RTAs) have risen over the years, including a notable rise in the broad multilateral contracts being negotiated. One of the core principles of the WTO is non-discrimination between trading partners. Still, RTAs, which are reciprocal preferential trade agreements between two or more trading partners, constitute one of the exemptions and are permitted under the WTO in compliance with a set of regulations (KAGUNDA, 2017).

## Investment Treaties between States

By the end of 1991, the majority of the treaties were concluded. Nearly all OECD countries and over 75 developing countries are involved, out of the 253 treaties examined. As with the other historical studies, the one on Parts offers tabular analyses and remarks on the application of the Treaties to the critical areas of study (admission, treatment, expropriation and dispute resolution)(Mbengue and Schacherer, 2017). The investment treaties are the international contracts that take place countries that regulate the flow of foreign direct investment (FDI), putting a positive effect on the economies. Such agreements can be in the form of "Bilateral Trade Agreement" or a "Free Trade Agreement (FTA)". Besides, the contract can be among a particular bloc, such as the "North American Free Trade Treaty (NAFTA)". However, some specific terms and provisions may vary according to the nature of the treaty. The substantive protections that the host State undertakes to provide for such secured foreign investment would then be stated in the investment treaty, having defined what constitutes a covered "investor". A covered "investment." Although the exact conditions vary from treaty to treaty; investment treaties commonly establish several standard protections that may include the following:

***Non-contingent protections***

Many investment treaties set down critical care requirements that must be fulfilled by the host state accepting the investment(Huang et al., 2018).

## Contingent Protections

In the contingent protections, the investment aid is granted to a dependent member of the aid scheme and is subject to the conditions for the protection of other investors. These provisions include me. In the case of NMF, a particular element of valioso that allows the beneficial owner to invest cannot be considered as an investment by investors in the state of investigation(Dimitropoulos, 2020).

## Protection againstExpropriation

The terms "expropriation" and "government" are defined to define investment for the benefit of the Community as a link between the economy and the economic interest in the acquisition and takeover. To expropriate and expropriate certain features of the customs market, investments in the free movement of food must be made under the rules on seizure (Mbengue, 2017).

## Investor-State Arbitration

Possibly the most significant feature of an “international investment treaty” is the ability to implement contractual financial protection nonstopin contradiction of the host state via a worldwidenegotiation with the host state. This mechanism is based on the principle of resolving the investor situation (Petros, 2012). The standard rules conclude that the investor should be notified of the appropriation as a result of the re-establishment of the notified body. The presentation of the official notification of the "reflex period" of the thermos (based on the status quo) is not due to the quality of the investor and the rejecting state that the blending. This is not the case for the arbitrator, and the investor is subject to arbitration. Other customs authorities may make such an investment in the "menu" of arbitrators(Yu, 2019). This includes arbitration with the Bank of the United States of America, Washington, DC under the “International Central Resolution and Investment Agreement” (ICSID); an arbitral tribunal to establish the “Paris International Chamber of Commerce” and the “Paris Chamber of Commerce”; or (iii) an ad hoc arbitral tribunal acting by the rules of the “Arbitration Committee of the United Nations International Trade Union” (“UNCITRAL”). Each forum is different from the costsacquired and the process, including the decision-making ability of the appellants ’arbitrators(Cheng, 2019).

# Economic Evaluation

It is an essential tool to make sure if the economic resources of an organisationare used effectively or not. Economic evaluations assist organisations and managers in effectively evaluating the financial condition. There are different types of economic evaluation that are used by the managers and the leaders of an organisation. The most relevant economic evaluation techniques are; social return on investment, cost-benefit analysis, break-even analysis, and cost-effectiveness analysis. Economic evaluation helps the managers and funders to allocate the resources in the best possible way, for instance, people and funding.

## Economic Evaluation of Charities

Charities have experienced several advantages in evaluating the economy. Evaluation of economy or economic assessment allows them to:

* Produce a result that is extensively understood;
* Improve their understanding of creating values and norms in charities;
* Support them a large amount of funding;
* Aggregate the influence of several activities into one figure;
* Get feedback about their working style and economic activities.

However, there are also some limitations and boundaries in the economic evaluation of charities.The image of the organisation can get distorted sometimes due to this phenomenon, and the economic evaluation may be costly in certain conditions.However, according to economic theory, the result of the economic evaluations is seldom comparable.All the essential concepts of economic evaluation are used to get sophisticated and reliable results.

***Challenges that the country faces due to Industrialisation and Trade Policies***

The majority of supporters believe that trade plays a critical role in trade growth. Growth assumes that the main advantages in this area are given by unilateral development. Liberalisation in the developing world themselves. This view is shared not only in academia by free trade proponents, but also in the secretariats of multilateral bodies such as the BWIs and the WTO.It has along these lines been contended that exchange progression all alone would not bring benefits if the state keeps on mediating in different territories, aside from remedying

market disappointments, and if there are defects in other markets.In specific, consideration has focussed on the function of work market defects in obstructing quick redeployment of work and change in compensation in manners required by the new arrangement of motivations and serious powers achieved by profession advancement(Mbengue and Schacherer, 2017). Also, eliminating obstructions to private speculation, including unfamiliar venture, and improving the venture atmosphere is viewed as essential in acknowledging dynamic advantages of exchange advancement through improved profitability and development. Besides, Financial rules and regulations are also a challenge for the smooth running of international trade and finance.

## Finance theories and Concepts

Finance theory and concepts provide some important guidelines regarding the future of financial positions and statistics. Some of the critical economic views are discussed below:

## Efficient Market Hypothesis

The Efficient Market Hypothesis (EMH), better known as the Efficient Market Theory, is a hypothesis that suggests that all knowledge is expressed by share prices and that consistent alpha is challenging to obtain. Securities are also selling at their fair value on the exchanges, according to the EMH, making it impossible for investors to purchase undervalued stocks or sell inflated-price stocks. It can also be impossible to outperform the overall market by purchasing speciality stocks or market timing, and the only way an investor can get higher returns is by buying riskier investments (Huang et al., 2018).

## Fifty Percent Principle

The fifty per cent hypothesis suggests that the observed trend will (before continuing) experience a market turnaround of between one-half and two-thirds of the price change. This means that if a stock has been on an upward rise and increased 20 per cent, it will fall down 10 per cent before continuing its growth (Dimitropoulos, 2020). This is an extraordinary example, as this legislation most generally applies to the short-term trends that technical analysts and traders buy and sell on. It is necessary for investors to pursue this principle, since when monitoring the rise and fall of a stock price, it may lead to other charting techniques. The one-half retracement used in this hypothesis is what most technical analysts are looking for before the resumption of buying at the lower support stages. It has been witnessed that the fifty per cent principle is advantageous for short-term buyers. The investors closely watch developments in the economy, so it will be simpler for them to expect unpredictable changes. When they have a greater understanding of the different charting techniques of today, they enjoy the advantages. It is also noteworthy that these investors also take market-based decisions. This is much more important to them than the information they get about the corporation and its shares (KAGUNDA, 2017).

## Risk Return Relationship

Some investments face more risks than the others, and they are more likely to lose a part or all the investment. For example, the risk of "Canadian Savings Bonds" (CSBs) is shallow as the Government of Canada issues them. GICs and bank deposits are also a low risk as large financial institutions support them. For GICs and deposits, deposit insurance is up to $ 100,000 further protected if the bankruptcy of the financial institution goes high. With such a lower risk, the organisation or company would likely lose half of the investment. At the same time, they have lower potential returns than riskier investments and may not control the rate and speed of inflation (Dimitropoulos, 2020). It has further been discussed that bonds have the potential to have higher yields than “CSBs and GICs”, but they also have a higher risk. Their prices may fall if the credit of the issuer declines or interest rates rise. Stock yields are potentially higher than long-term bonds, but they are also riskier. The bond creditors are the creditors of bonds as well (Mbengue and Schacherer, 2017).

# Conclusion

It has been concluded economic activity in numerous countries depends on investment and trade by different financial organisations. These financial organisations include the World Trade Organisation and the World Bank. The aspects that foster, develop and encourage trade and investment in the world are primarily macroeconomic factors. Economicorganisations and financial institutions are more concerned with the growth of enterprises and business across the globe.It is easier to understand what financial institutions and trade organisations that promote investment and cross-border trade (globalisation) are needed for comprehensive business and economic analysis. The factors associated with macroeconomics have to be comprehended to consider the factors affecting globalisation. Trade has altered a lot since the WTO was formed. For trade, the country's mutual advantage has become significant.

# Recommendations

It has been recommended that world trade organisations and financial organisations should work together to provide equal and safer economic growth and development in the 21st century.The international trade scene is undergoing many shifts, and trading organisations have to play an important role in keeping up with these changes.The current scenario of trade, business, and investment should be changed, and space for free trade should be given.Furthermore, that trading bodies should formulate strategies that will help eliminate trade barriers and help developed countries compete in a highly competitive international trade environment intending to gain a transparent and stableglobal system of trade and investment.The financial organisations should also to enable their member states as well as the other countries to take full advantage of high-speed financial advancement to make it easier to operate trading positions more conveniently and in advance between countries.

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