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Role of Economic Institutions & WTO in International Marketing

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ABSTRACT:

The role of economic institutions, particularly the World Trade Organization (WTO), in international marketing is a crucial aspect of global trade and commerce. This chapter provides a concise overview of the significance and functions of economic institutions, with a specific focus on the WTO. It explores the role of economic institutions in facilitating international trade, resolving trade disputes, and promoting a fair and rules-based global trading system. The chapter also highlights the impact of economic institutions on market access, trade regulations, and harmonization of standards. By understanding the role of economic institutions, businesses and policymakers can navigate the complexities of international marketing and leverage the benefits of a stable and predictable global trading environment.

KEYWORDS:

Anti-Dumping Measures, Dispute Settlement Mechanism, Economic Institutions, Export Promotion, Free Trade Agreements, Import Quotas, Intellectual Property Rights.

I. INTRODUCTION

The sole international body dealing with international trade regulations is the World Trade Organisation.A global marketer must have a full awareness of the new possibilities provided by the WTO's multilateral trade framework. Additionally, the World Bank, the worldwide Monetary Fund, WIPO, UNCTAD, and other economic agencies operating under the auspices of the UN system have all had a spectacular impact on the worldwide commercial landscape. Understanding the importance and functions of this organisation helps businesses in creating their marketing strategies for global markets [1], [2]. WTO's Importance and Effects on International Markets.

Organisation for World Trade

The sole international body dealing with international trade regulations is the World Trade Organisation. The WTO accords, which the majority of trade countries in the world negotiated and signed, are at the centre of it. The objective is to facilitate commercial operations for exporters, importers, and manufacturers of products and services.As the General Agreements on Tariffs and Trade (GATT) successor, it was established on January 1st, 1995.Its primary duty is to make sure that international commerce proceeds as reliably and freely as possible. 162 countries are now members of the WTO [3], [4].

Aims of the WTO

1. To raise the quality of life for citizens in member nations by guaranteeing full employment.
2. To guarantee a widespread growth in actual demand.
3. To increase commerce and production of products and services.
4. To guarantee the best possible use of global resources.
5. To uphold environmental protection and embrace the idea of sustainable development.

Activities of WTO

The following are the fundamental duties of the WTO:

1. It makes the trade agreements' implementation, management, and operation easier.

2. It gives member nations a venue for continued discussions about issues addressed by the accords and any additional concerns coming within its purview.
3. It conducts regular assessments of the trade policies and is in charge of resolving conflicts and disagreements among its member nations.
4. It promotes collaboration among global organisations.
5. The WTO's multilateral trade system's guiding principles.
6. Trade without discrimination prohibits a nation from making distinctions between its trade partners, domestic goods, and imports.
7. Negotiations to reduce trade obstacles and gradually move markets towards greater freedom.
8. Encouraging fair competition in global marketplaces.
9. The worldwide marketing climate is now more predictable.

Consequences of The WTO for Global Marketing

Understanding the marketing ramifications of WTO agreements is essential for every multinational marketer. Here is a list of the implications. Customs valuation, pre-shipment inspection services, and import licencing procedures are some additional topics of importance to global marketers. In these areas, openness of the processes is stressed in order to prevent their usage as non-tariff marketing obstacles. Additionally, the agreements provide that exporters and local manufacturers have the right to file lawsuits to stop the dumping of imported products. Therefore, organisations that operate in global marketplaces must have a full grasp of these agreements [5], [6].

II. DISCUSSION

Impact of WTO on Developing Countries

The following factors may be used to analyse how the WTO benefits developing nations:

Growth in Merchandise Exports: Since the establishment of the WTO, exports have expanded in emerging nations like India, China, Brazil, and others. The growth in exports is attributable to the removal of trade obstacles, both tariff and non-tariff.

Growth in Services Exports: The WTO has also unveiled the GATS accord, which focuses on services. The participating countries are required to liberalise the services industry under this agreement. Greater market access is offered in the service industries, including telecommunications, aviation, financial services, etc. India and other emerging nations would gain from such an arrangement. For instance, India's exports of services rose from around 5 billion US dollars in 1995 to 102 billion US dollars in 2008–09. A little under 45% of India's service exports were software-related [7], [8].

Textiles and Apparel: According to estimates, the Uruguay Round's effects have mostly benefited the textile industry. It was decided by member nations during the Uruguay Round that MFA would be phased out by 2005. Under MFA, industrialised nations like France, the USA, the UK, Canada, etc. used to impose import limitations on nations that produced textiles. The withdrawal of the MFA, which took effect on January 1, 2005, benefitted developing nations like India by increasing textile and apparel exports.

TRIPs Agreement Benefits: Developing nations like Brazil, India, China, and others have profited from the TRIPs agreement. Companies in poor nations have also created new items and patented them. Additionally, benefiting are developing nations. For items like Darjeeling Tea, Neem, Goa Feni, Basmati rice, and so on, India has secured GIS. The development of economic blocs like the European Union as well as the economic pillars the World Bank, the International Monetary Fund, and the evolution of the World Trade Organisation from the General Agreement on Tariffs and Trade have all played major roles in the expansion of the global economy post-World War II. The international economy relied on the trading of gold and other currencies up to 1969. This has a significant impact on liquidity. The agreement that IMF member countries recognise the Special Drawing Rights in resolving reserve transactions after 1969 eased liquidity. There is now a global reserve facility accessible. This issue will be developed later. Recently, the World Bank has played a highly active role in the rebuilding and growth of developing nation economies [9], [10].

The global trading system had been constrained by unfair trade practises prior to the General Agreement on Tariffs and Trade that was signed after World War II. The goal of GATT was to create a set of guidelines and norms to liberalise trade. Reduced barriers were made possible by the most-favorable-nation principle, which calls for each nation to give to all nations the most advantageous terms it negotiates with any nation. Numerous international economic organisations have been established as part of the UN system to facilitate and promote trade via multilateral framework. These organisations play a significant part in shaping the global marketplace, promoting global money flows, and supporting monetary stability. The World Bank was founded to aid in the restoration of economies disrupted by war by facilitating the investment of capital for productive purposes and to foster the long-term balanced growth of international trade. The IMF was born out of this conference at the end of World War II. The IMF, on the other hand, serves largely as a supervisory organisation that coordinates member nation attempts to increase collaboration in the development of economic policy.

Worldwide Bank

The World Bank group is an international financial organisation that was founded after World War II to assist in providing long-term finance for the growth and rehabilitation of member nations. Although there are five organisations in the World Bank Group, the World Bank itself is made up of IBRD and IDA.

The International Development and Construction Bank

An international financial institution called the International Bank for Reconstruction and Development loans money to governments of middle-income and creditworthy low-income nations. The IBRD, which has its headquarters in Washington, is the first of the World Bank Group's five members. United States: D.C. Generally, the IBRD provides money to a government for the aim of improving that country's economic infrastructure, such as roads and electricity producing facilities. It was founded in 1944 with the objective of supporting the reconstruction of European countries damaged by World War II. Additionally, money is only loaned to IMF members, often when private financing is not available at fair conditions. Most loans include a grace period of five years and a repayment term of fifteen years or less.

Association for International Development

The IDA is a global financial organisation that provides grants and loans to the world's poorest developing nations at reduced or no interest rates. The IDA has its headquarters in Washington, D.C., in the United States, and is a part of the World Bank Group. It was founded in 1960 as a supplementary institution to the International Bank for Reconstruction and Development, providing loans to developing nations with the lowest per capita incomes and lowest gross national incomes. Countries' creditworthiness for commercial and IBRD borrowing as well as their level of poverty are taken into account when determining their eligibility for IDA assistance.

Foreign Investment Corporation

The biggest organisation dedicated only to private sector development is the International Finance Corporation. Established in 1956, the IFC. Despite the fact that the IBRD offers the IFC certain administrative and other services, it is legally and financially independent of the IBRD. By funding investments, raising money on global financial markets, and offering corporate and governmental advice services, IFC aids developing nations in achieving sustainable prosperity. The IFC carries out the following duties:

1. In collaboration with private investors, provides risk capital in the form of equity and long-term loans for successful private businesses.
2. To promote the growth of regional capital markets by implementing standby and underwriting agreements.
3. To encourage the movement of money internationally by offering financial and technical support to privately owned finance enterprises.

The Agency for Multilateral Investment Guarantees

An international financial institution called the Multilateral Investment Guarantee Agency provides political risk insurance and credit enhancement guarantees. It was established in 1988 to assist economic development, lessen poverty, and enhance people's lives in developing nations via foreign direct investment. By providing investors and lenders with political risk insurance, MIGA carries out its responsibility. These assurances assist investors in securing their foreign direct investments in developing nations against political and non-commercial dangers.

The International Centre for the Resolution of Investment Disputes

Established in 1965 with the purpose of mediating legal disputes and resolving disagreements between foreign investors, the International Centre for Settlement of Investment Disputes is an international arbitration organisation. The World Bank Group includes and finances the ICSID. Its headquarters are in the American city of Washington, D.C. 153 contracting member states agreed to enforce and uphold arbitral awards in accordance with the ICSID Convention as of May 2016. It is an autonomous, multilateral specialised institution to encourage international flow of investment and mitigate non-commercial risks by a treaty drafted by the IBRD's executive directors and signed by member countries. The centre runs a number of publications and engages in advising services. International facilities for investment dispute mediation and arbitration are provided by the International Centre for Settlement of Investment Disputes. The ICSID provides institutional and procedural assistance to conciliation commisions, tribunals, and other bodies that handle such issues but does not arbitrate or mediate disputes itself. The ICSID Convention, Regulations and regulations and the ICSID's Additional Facility Rules are the two sets of regulations that govern how cases are launched and handled at the centre.

ICSID-related instances

After paying value-added tax on goods and services it bought for its operations in Uganda, the Irish oil company Tullow Oil sued the Ugandan government in court in November 2012. The government of Uganda responded by saying the company had no right to claim tax on such goods prior to beginning drilling. The world's largest tobacco company, Philip Morris, sued Australia under the Australia-Hong Kong BITS for demanding plain packaging for its cigarettes and claimed that Uruguay had violated the Uruguay-Swiss BIT by imposing graphic health warnings on cigarette packs. The business argued that both nations' packaging regulations contradict its investment.

Worldwide Monetary Fund

29 nations signed the Articles of Agreement for the International Monetary Fund on December 27, 1945, bringing it into being as a result of a meeting conducted at Bretton Woods, New Hampshire, USA, from July 1–22, 1944. The IMF began conducting financial transactions on March 1, 1947. 189 nations now make up the IMF's almost universal membership.

The Duties of the IMF

to maintain the stability of the global financial system, which consists of the international payments and exchange rates that allow nations to do business with one another. In 2012, the mission of the Fund was revised to encompass all macroeconomic and financial sector challenges that have an impact on global stability.

International Monetary Fund's legal objectives

The International Monetary Fund's objectives are:

1. To encourage worldwide monetary cooperation by creating a permanent organisation that offers the tools for coordination and cooperation on global monetary issues.
2. To promote and maintain high levels of employment and real income as well as the development of the productive resources of all members as the major goals of economic policy. This is done by facilitating the expansion and balanced growth of international commerce.
3. To encourage exchange stability, to keep members' exchange agreements in order, and to prevent competitive exchange depreciation.
4. To aid in the construction of a multilateral system of payments for current exchanges among members and the removal of exchange barriers that impede the expansion of global commerce.
5. To instill confidence in members by making the general resources of the Fund temporarily available to them with adequate safeguards, giving them the chance to correct imbalances in their balance of payments without taking actions that are harmful to the prosperity of their country or the world.
6. In line with the above, to reduce the severity and shorten the length of disequilibrium in the members' global balances of payments.

Bank for Asian Development

Early in the 1960s, the idea for the Asian Development Bank emerged as a way to stimulate economic development and international collaboration in one of the world's poorest areas. In order to support the social and economic development of the Asian and Pacific area, 31 member states established the Asian Development Bank in 1966. The Bank prioritises regional and non-regional national activities while paying particular attention to the requirements of smaller or less developed nations. In order to support social and economic development, ADB offers loans, grants, technical assistance, equity investments, and assistance to its members and partners. The Asian Development Bank strives to eradicate poverty across Asia and the Pacific. ADB is focused on implementing projects in developing member countries that have an influence on the economy and development in collaboration with member governments, independent experts, and other financial institutions. As a multilateral organisation for development financing, ADB offers:

1. Loans.
2. Technical support.
3. Grants.

Governments that are members of ADB are both its shareholders and its customers. Additionally, the ADB offers loans and equity investments to private businesses in its developing member nations. By enabling policy discussions, offering advice services, and mobilising financial resources via co-financing operations that draw on government, commercial, and export credit sources, ADB maximises the development effect of its assistance.

Where does ADB get its funding?

ADB raises money by selling bonds on international financial markets. They also depend on membership dues, profits from our lending activities, and loan repayments.

ADB Provided Assistance

Loan and grant approvals to the developing member nations of the ADB were $16.29 billion in 2015, up from $13.49 billion in 2014. Operations in the private sector increased from $1.92 billion in 2014 to $2.63 billion in 2015. The overall operations for 2015 were $27.17 billion, the biggest amount in ADB history thanks to the mobilisation of more than $10.74 billion in co-financing with donor assistance.

Organisation for Worldwide Intellectual Property

In order to guarantee that the rights of intellectual property creators and owners are safeguarded globally and that its writers and inventors are recognised and paid for their creativity, the World Intellectual Property Organisation was founded in 1970. The primary responsibilities of WIPO include:

1. Advice and experience in the design and updating of national laws, which is crucial for WIPO member states that have TRIPS agreement commitments.
2. Initiatives at the national and regional levels that are comprehensive for authorities working with intellectual property
3. Numerous computerisation initiatives are being undertaken to assist developing nations in acquiring the information technology tools necessary to simplify the administration of their own intellectual property resources.
4. Financial support to make attendance at WIPO events and meetings easier.

Trade and Development Conference of the United Nations

Concerns from developing countries over the global economy, multinational firms, and the stark gap between wealthy and poor countries led to the establishment of UNCTAD in 1964. To provide developing nations a place to address issues related to their economic growth, the United Nations Conference on Trade and growth was created. The idea for the organisation came from the belief that the World Bank, GATT, and the International Monetary Fund were poorly set up to deal with the unique issues facing developing nations. the initial Geneva hosted the 1964 UNCTAD summit. Currently, 194 countries make up UNCTAD, which has its headquarters in Geneva, Switzerland.

Functions

The UNCTAD's primary responsibilities are:

1. To encourage commerce between rich and developing nations in an effort to hasten economic growth.
2. To create guiding concepts and strategies for dealing with issues relating to global trade and economic growth.
3. To give suggestions for implementing its values and policies,
4. To discuss commercial arrangements.
5. To examine and make easier the coordination of the various u.n. institutions working in the topic of global trade.
6. To serve as a hub for peaceful commerce and papers relevant to government development objectives.

UNCTAD's Activities

Research and assistance of negotiations for commodities agreements, technical development of new trade schemes, and many promotional initiatives aimed at assisting developing nations with trade and money flows are only a few of UNCTAD's significant efforts.

Centre for International Trade

The International Trade Centre is the only development organisation wholly committed to assisting small and medium-sized businesses in going global. As a result, the agency helps SMEs in emerging and transitioning countries raise their competitiveness and connect to global markets for trade and investment, increasing incomes and generating employment opportunities, particularly for women, young people, and underprivileged groups. The World Trade Organisation and the United Nations jointly operate the International Trade Centre, which was founded in 1964.

International Economic Integration Conceptual Framework

Economic integration has grown significantly since World War II and has had a significant impact on how global markets function. These types of regional commercial agreements are often referred to as international economic integrations. The following are the main justifications for such economic integration:

1. In general, neighbouring nations are more ready to collaborate on each other's policies since they have a shared past and current interests.
2. Similar consumer preferences and distribution methods are likely to exist.
3. may be readily developed in neighbouring nations.
4. increasing trade flows in the current product lines and the creation of new markets for additional items.
5. shifting of commerce from more productive non-member nations to trading partners who are members.
6. The member nations' economies may be integrated in a number of ways, including via preferential trade agreements, free trade zones, customs unions, customs markets, and economic unions that lead to political union.

These are the fundamental characteristics of such economic groupings:

1. Member nations of a preferential trading agreement reduce tariff barriers to imports of certain goods from one another.
2. Free Trade Area. This is the most fundamental kind of economic integration, where participating nations work to eliminate all tariffs and non-tariff trade obstacles. The North American Free Trade Area, which went into effect on January 1, 1994, is an example of an FTA. Trade between these North American nations and the European Free Trade Association is encouraged by this agreement between Canada, the United States, and Mexico.
3. In the next stage of economic integration, governments create a single external trade policy for non-members in addition to removing trade barriers among themselves. The European Union is the most well-known instance of a customs union. Trade between EU members is duty-free, and the same import tariff is paid irrespective of which EU member imports the product.
4. In a common market, all constraints on cross-border investment, labour mobility, technology transfer, management, and resource sharing are abolished in addition to unrestricted trade between members and a unified tariff policy for non-members.
5. Economic union. This more advanced degree of economic integration allows for the unrestricted flow of products and services. Through a coordinated monetary and fiscal policy, the member nations ensure budgetary restraint, exchange rate stability, and interest rates. Later, a single currency was created, and all of the European currencies were replaced by the new EURO in 2002.

The European Economic Community served as the first example of a shared and single market, but since it also included a customs union, it was an economic union. The 1957 Treaty of Rome established the European Economic Community as an intergovernmental body. Its goal was to create economic unity among its six founding members, Belgium, France, Germany, Italy, Luxembourg, and the Netherlands, including a single market. The EEC was called the European Community in 1993 when the Maastricht Treaty entered into effect to reflect that it encompassed a larger spectrum of policies. At the same time, the EC and the other two European Communities were combined to form the first of the European Union's three pillars. The pact called for a 10% cut in customs fees and a 20% increase in global import quotas for the customs union. The customs union was developed far more quickly than the twelve years anticipated. Following economic integration, the member nations work to align their foreign and security strategies. Representatives from the member nations form a single parliament that collaborates with the legislatures of each nation.

III. CONCLUSION

In conclusion, in international marketing, the participation of economic institutions, in particular the WTO, is essential. These organisations provide a structure for negotiating trade agreements, setting guidelines and standards, resolving conflicts, and advancing honest and open commerce. Businesses and governments may manage the difficulties of international marketing, increase market access, and profit from a stable and predictable global trade system by accepting and using the roles and procedures provided by economic institutions. Economic institutions are also essential for settling trade disputes between participating nations. By using the systematic and impartial procedure of dispute resolution offered by organisations like the WTO, parties may resolve disagreements without running the danger of taking unilateral retaliatory action. This promotes a culture of collaboration and trust among business partners and preserves stability and predictability in international marketing.

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