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### IMF (INTERNATIONAL MONETARY FUND)

- ❖ IMF was established with IBRD (INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT) also known as WORLD BANK at the conference of 44 Nations Held At Bretton Woods New Hemisphere USA July 1944.
- ❖ IMF came into force on 27th December 1945.
- ❖ Member countries is 188 last south Sudan has joined it.
- ❖ India is a founder member of IMF.
- ❖ Headquarter is at Washington DC.
- ❖ Managing director is Kristalina Georgieva

- ❖ IMF is controlled and managed by a Board of director's.
- ❖ Each governor has got the right of 250 votes on the basis of the membership and one additional vote for each SDR 100000 of quotas. SDR ( special drawing rights)
- ❖ Voting rights depends on the quantum of quota of a particularly country
- ❖ Till 1971 amount of quotas & assistance provided were denominated in US dollar but since Dec 1971 all quotas & transactions of IMF are expressed in SDR ( special drawing rights) which is also known as paper gold
- ❖ Since 1st January 2011 the value of SDR is being determined by the basket of 4 currencies- 1) Euro- 34% 2) Japanese yen- 11% 3) Pound sterling- 11% 4) US Dollar- 44%
- ❖ IMF financial year is from 1st May to 30th April.
- ❖ Various facilities like extended fund facility, standby facility, contingent credit lines, compensatory facility.
- ❖ Poor countries helped by poverty reduction and growth facility.
- ❖ India's 8th place in IMF general quota
- ❖ India to be the 8th largest shareholders in IMF
- ❖ India was the founder member of IMF.
- ❖ The finance minister is the ex-officio governor in IMF board of governors
- ❖ India participates in FTP (Financial transactional plan) of the IMF 2002 ESAF (ENHANCED STRUCTURAL ADJUSTMENT FACILITY) was established in 1987 to help low income and debt burden countries

*Role.*

#### **Main objectives of IMF-**

- 1) To promote international monetary co-operation.
  - 2) To ensure balanced international trade.
  - 3) To ensure exchange rate stability.
  - 4) To eliminate & minimize exchange restrictions by promoting the system of multilateral payments
  - 5) To grant economic assistance to member countries for elimination the adverse imbalance in BOP
  - 6) To minimize imbalances in quantum & duration of International trade.
- ❖ IMF was established to provide short term assistance to correct the balance of payment disequilibrium
  - ❖ IMF fund regarded as guardian of good conduct in area of balance of payment
  - ❖ IMF controlled and managed by board of governors, executive board, managing director, IMF secretariat, Interim committee, development committee.
- IBRD (INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT) OR WORLD BANK**

- IBRD and its associate's institutions as a group are known as World Bank.
  - In 1945 it was realized to concentrate on reconstructing the war affected economies
- IBRD was established on 5th December 1945 with IMF on the basis of the recommendations of the **Bretton Wood Conference**. That is the reason why IMF & IBRD are called Bretton wood twins.
- ❖ IBRD started functioning in June 1946.
  - ❖ World Bank and IMF are complementary institutions.
  - ❖ Aims to reduce poverty in middle Income & credit worthy poorer countries by promoting sustainable development.
  - ❖ The World Bank group today consist of five closely associated institutions propitiating the role of development in the member nations in different areas. These five are:-



1. IBRD (International Bank for Reconstructions and Development).
2. IDA (International Development Association).
3. IFC (International Finance Corporations).
4. MIGA (Multilateral Investment Guarantee Agency).
5. ICSID (International Center for Settlement of Investment Disputes).
- 7) BIPA (Bilateral Investment Protection & Promotion Agreement).

❖ India is a member of four constituents of the world bank group i.e IBRD, IFC, IDA & MIGA

#### Similarities Between IMF & WORLD BANK are as follows-

- ❖ Owned & directed by the government of member nations .
  - ❖ Almost every country on earth is a member of both Institutions.
  - ❖ Both concern themselves with economic issues.
  - ❖ Both focus on broadening & strengthening the economies of their member nations.
  - ❖ Hold joint annual meeting.
  - ❖ Headquarter is at Washington DC .
  - ❖ Share joint task forces sessions & research efforts .
  - ❖ India is a founder member of IBRD .
  - ❖ The voting rights of member countries is determined on the basis of member country's share the total Capital of the Banks.
- ❖ Each member has 250 votes plus one additional vote for each 100,000 shares of the capital stock held.
- ❖ World bank also provides technical services to the member countries for this, bank has established the Economic Development Institute & staff college in Washington
- ❖ In 1958 bank played an important role in establishing India Aid club for providing special economic assistance to India now its called India Development Forum.
- ❖ India borrow from IBRD & IDA.
- ❖ **PESTEL**- Political, economic, socio-cultural, technological, environment & legal
- ❖ **CAGE**- Cultural, administrative, geographic & Economic
- ❖ Organization structure are Board of governors, executive directors, president act as a chairman of executive directors
- ❖ World bank provides 30% of total loans to power sector, 30 % to transport sector and remaining 40% to agriculture, fisheries, mining, forestry, Industrial sector, technical assistance, population control, tourism, urbanization drainage etc.

## WTO (WORLD TRADE ORGANIZATION)

- ❖ 8TH round of Uruguay (1986-1993) gave birth to world trade organization.
- ❖ Members of GATT signed on an agreement of Uruguay round on 15th April 1994 in Morocco for establishing a new organization named WTO
- ❖ WTO was officially constituted on January 1st 1995 which took place of GATT as an effective formal organizations.
- ❖ On 12th Dec 1995 GATT was abolished and replaced by World Trade Organization which came into existence on 1st Jan 1995.
- ❖ Its headquarter is at Geneva
- ❖ WTO is a permanent organization which has been established on the basis of an international treaty approved by participating countries
- ❖ WTO is not an agency of UNO
- ❖ WTO has a general council for its administration which includes one permanent representative of each member nation. Generally it has one meeting per month which is held at Geneva
- ❖ The highest authority of policy is WTO ministerial conference which is held after every 2



years.

- ❖ India is founder member of both GATT & WTO
- ❖ WTO has recent 160th member countries .latest Yemen country has joined it in 9th ministerial conference at Bali 2013
- ❖ 161st member country which will join WTO will be Seychelles on 26th April 2015 at 10th ministerial conference which will be going to held at Nairobi, Kenya Dec 2015
- ❖ WTO is designed to play the role of watchdog in the spheres of trade in goods, trade in services, foreign investment, and intellectual property rights.
- ❖ WTO also has 23 observer states. Algeria Andorra Azerbaijan Bahamas Belarus Bhutan Bosnia and Herzegovina Comoros Equatorial Guinea Ethiopia Holy See Iran Iraq Lebanese Republic Libya Sao Tomé and Principe Serbia Somalia South Sudan Sudan Syrian Arab Republic Timor-Leste Uzbekistan.
- ❖ Afghanistan is the 164 member, joining effective 29 July 2016
- ❖ • GATS - *General Agreement on Trade in Services* is a treaty of the World Trade Organization that entered into force in 1995 as a result of the *Uruguay Round Negotiation*.
- ❖ The treaty was created to extend the multilateral trading system to service sector.
- ❖ All the members of WTO are signatories to the GATS.
- ❖ The basic WTO principle of *Most Favoured Nation (MFN)* applies to GATS as well.

Services given by governments are exempted from GATS.

- ❖ The basic purpose of WTO is to promote international trade among member countries without any discrimination

*There are number of important committees for administration of WTO, out of which two committee play the pivotal roles in WTO : -*

- 1) DSB - (Disputes Settlement Body)- it considers the complains of member countries against violation of rules by any member country. This body appoints a group of experts to investigate into such complains. This body meets twice a month for such cases.
- 2) TPRB- (Trade Policy Review Body)- it review the trade policy of member countries. The trade policy of all big trade powers of the world are reviewed after every 2 years. All the members of WTO are the members of TPRB.
- 3) Other important bodies of WTO are council for trade in goods, council for trade in services, council for trade related aspects of intellectual property rights.

➤ Objectives of WTO are as follows-

- 1) To improve standard of living of people in the member countries.
- 2) To ensure full employment and broad increase in effective demand.
- 3) To enlarge production and trade of goods.
- 4) To enlarge production and trade in services.
- 5) To ensure optimum utilization of world resources.
- 6) To accept the concept of sustainable development.
- 7) To protect the environment.

**Organization structure of WTO** are 1) Ministerial conference 2) General councils 3) Councils 4) Committees & management bodies

**WTO agreement includes-** 1) Agreement on agriculture 2) Agreement in trade & textiles 3) Agreement on market access 4) TRIMS (Trade related investment measures) 5) TRIPS (Trade related intellectual property rights) 6) Services and disputes settlement body

The highest decision making body of the WTO is the ministerial conference which has to meet at least every 2 years

Ministerial conference can take decisions on all matters under any of the multilateral trade agreements



> **Ministerial conferences are as follows-**

- 1) **1st ministerial conference** - held at **Singapore in 1996**, main focus on International labor organization (ILO), Competition in International trade of textiles and information technology, issue related to investment solved under TRIMS.
- 2) **2ND Ministerial conference** - held at **Geneva in 1998**, to focus full and Faithfull implementation of existing multilateral agreements.
- 3) **3rd ministerial conference** - held at **Seatal, America in 2000**, this meeting was failure as the developing nations protested against the lack of transparency and imposition of the view of rich countries on the poor countries in negotiations and slogan rises that WTO is wrong trade organizations as it exploits the developing countries for the benefit of advanced countries under the slogan of globalization
- 4) **4th ministerial conference** - held at **Doha, Qatar in 2001**. Doha ministerial declaration calls for negotiations on the issues such as reductions in industrial tariffs, phasing out of agriculture export subsidies, promoting trade in services and provide special treatment to developed countries
- 5) **5th ministerial conference** - held at **Cancun, Mexico in 2003**, it was failure as the developing nations jointly opposed the high agriculture subsidies in the USA and EU. Two issues are there 1) agriculture subsidies (financial assistance) and Singapore issues
- 6) **6th ministerial conference** - held at **Hong-kong in 2005**, it focus on Doha Development agenda which includes negotiations on agriculture and non -agriculture market access, reductions in tariffs on thousands of products and on farm subsidies, negotiations in services.
- 7) **7TH ministerial conference** - held at **Geneva in 2009**, the general theme of the conference. The WTO is the multilateral trading system and the current global environment.it was a failure conference.
- 8) **8th ministerial conference** - held at **Geneva in 2011**, it covers three topics 1) importance of multilateral trading systems & the WTO 2) Trade & development 3) The Doha Development Agenda negotiations. Easter package in 2011, Pascal Lamy the director general of WTO said that the biggest stumbling block was what is called NAMA (NON- AGRICULTURE MARKET ACCESS)
- 9) **9TH Ministerial conference-** held at **Bali, Indonesia in 2013**, Bali package, accepted Yemen as a new member. The round is historic because WTO reached its first ever global trade reform deal approved by 160 ministers after 12 years of negotiations. The deal seeks to lower barriers to trade worldwide through a global trade facilitation agreement (FTA) that seeks to reduce red tape, cut cost & improve efficiencies by taking measures such as digitization of procedure. Azevedo was elected to succeed Pascal Lamy.
- 10) **10th ministerial conference** - held at **Nairobi, Kenya in Dec 2015**.

- ❖ **DFQF-** Duty free quota free
- ❖ **LDC plus Package** were trade facilitation and the export competition pillar of the agriculture negotiations
- ❖ **India trade policy review** carried out every four Years
- ❖ **SPS-** Sanitary photo-sanitary
- ❖ **TBT-** technical barrier to trade The subsidies provided by the government to the agricultural sector is termed by the WTO as Aggregate Measures of support (AMS)
- ❖ **AMS** is calculated in terms of product & input subsidies.
- ❖ The WTO argues that the product subsidies (non- product) like credit, fertilizers, irrigation



and power will cut the production cost of farming and will give undue advantage to such countries in their access to the world market such subsidies are called to cause distortions to the world trade.

- ❖ Such subsidies are not permitted in one sense as they have a minimum permissible limit de minimis under the provisions which is 5% and 10% of their total agricultural output in the case of developed and developing countries.

- ❖ Agriculture subsidies in WTO is identified by Boxes such as green box, amber box, red box, blue box and S&D Boxes

**Amber box-** all subsidies which are supposed to distort production & trade fall into the Amber box i.e all agricultural subsidies except those which fall into the blue & green boxes. These include government policies of minimum support prices. Reduction 5% to 10 %

**Blue box-** this is the amber box with conditions. The conditions are designed to reduce distortions. Any subsidy that would normally be in the amber box is placed in the blue box if it requires farmers to go for a certain production level. These subsidies are nothing but certain direct payments made to farmers by government in the form of assistance Programme to encourage agriculture rural development. At present there are no limit on spending on the blue box subsidies.

**Green box-** The agriculture subsidies which cause minimal or no distortions to trade are put under the green box. This is a very wide box and includes all government subsidies like public storage for food security, pest and disease control, research and extension and some direct payments to farmers that do not stimulate production like restructuring of agriculture, environmental protection, regional development, crop and income insurance. The green box subsidies are allowed without limits provided they comply with the policy specific criteria. It means this box is exempt from the calculations under subsidies under the WTO provisions because the subsidies under it are not meant to promote production thus do not distort trade. That is why this box is called production neutral box.

**S & D box-** The social and Development box allows the developing countries for some subsidies to the agriculture sector under certain conditions. These conditions revolve around human development issues such as poverty, minimum social welfare, health 20 support etc., specially for the segment of population living below poverty line. Developing countries provide subsidies of less than 5% of their total agriculture output.

- ❖ The SWISS formula was proposed by Switzerland in the Tokyo round negotiations of GATT 1973-1979

#### General Principles

### **TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS**

The **Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)** is an international legal agreement between all the member nations of the **World Trade Organization (WTO)**. It sets down minimum standards for the regulation by national governments of many forms of intellectual property (IP) as applied to nationals of other WTO member nations. TRIPS was negotiated at the end of the **Uruguay Round** of the **General Agreement on Tariffs and Trade (GATT)** in 1994 and is administered by the **WTO**.

The TRIPS Agreement is part of the “**single undertaking**” resulting from the **Uruguay Round** negotiations. This implies that the TRIPS Agreement applies to all WTO members, mandatorily. It also means that the provisions of the agreement are subject to WTO dispute settlement mechanism which is contained in the Dispute Settlement Understanding (the “Understanding on Rules and Procedures Governing the Settlement of Disputes”). The TRIPS Agreement is one of the most important agreements of the WTO.



# India's journey of patent laws through TRIPS compliance

There has been a moving development in the domain of Intellectual Property Rights in India; modifications are noticeable in the legislation enacted by the legislators. India along with other emerging nations graced a signatory to the treaty of TRIPS of the World Trade Organisation (WTO) in 1995 with a matter that agreement will allow free flow of trade, investment and eliminate the restrictions enduring in the norm of Intellectual Property.

To comply with the norms of **TRIPS**; India amended the Patents Act 1970 three times, the year **2002 amendment** added 'exclusive marketing rights'. The patent protection extended to 20 years; it was the year of 2005 was amendment took place for the third time. Subsequently, the amendment caused raising questions by the members belonging to



communities of science, technical and business.

The Exclusive Marketing Rights (EMR) presented in 1995, based on the subject-matter of Article 65 and 70 of TRIPs, however, are incompetent to secure help from legislators and they lapsed. A case filed against India by the USA and European Union in the **Dispute Settlement Body (DSB)** and got an inopportune decision from the body. This created India to proceed with the first reformation which interjected EMR for five years or to a range where a commodity expelled or affirmed for a patent. The first amendment aimed to exclude patents on products of foods, medicine and drugs and this happened for being a signatory to the treaty. The Act for patents passed in 1970 excluded many products from getting patents, EMR based on foreign patents were given after 1st January 1995.



An applicant to EMR will have to meet pre-conditions provided in the **Patents (Amendment) Act, 1999** of which an applicant will need to have a valid patent for pharmaceutical products granted after 1st January 1995, Rights in Marketing in countries which are a signatory of TRIPS, application for the patent product need should have made in India and approval of marketing taken within the territory of India. The first three stipulations based on the agreement signed in TRIPs and the last condition inculcated to get the approval from India drug regulatory. The Act gave protection to a foreign pharmaceutical company and permitted stronger research within India.



**Regional Economic Integration** can best be defined as an agreement between groups of countries in a geographic region, to reduce and ultimately remove tariff and non-tariff barriers to the free flow of goods, services, and factors of production between each other. Regional economic integration agreements are treaties between member states in a particular region of the world such as Sub-Saharan Africa or the Middle East. These agreements are usually made between nations with smaller economies to promote trade within the region. However, they can have disadvantages, too.

**Regional integration allows countries to:**

- Improve market efficiency
- Share the costs of public goods or large infrastructure projects;
- Decide policy cooperatively and have an anchor to reform;
- Have a building block for global integration;
- Reap other non-economic benefits, such as peace and security.

**Limitations of Regional Economic Integration**

Much as a country expects benefits from joining different economic groupings, it should as well expect the adverse effects out of it which may include the following:

1. Trade diversion i.e. this is where trade is diverted from low cost producers outside the integrated region to high cost producers within the region.
2. Loss of revenue which could have been got from tariffs due to free flow of goods and services and factors of production within the region and common tariff structure on non-member states.
3. It may lead to loss and movement of resources and goods from less developed countries to more developed countries.
4. Most LDCs produce similar products and find it hard to trade among themselves leading to surplus.
5. When many industries are constituted in one country due to pull factors, it causes uneven distribution of industrial benefits.
6. Cooperative countries are forced to forego some of their national interests which reduce self-reliance and sovereignty.
7. It may lead to production of low-quality products because of restriction of similar commodities from non-member countries.
8. It may lead to over exploitation and quick exhaustion of resources to supply a large market.
9. Large scale ventures may experience diseconomies of scale. It leads to loss of political sovereignty in case of a political integrated federation.
10. When there is political instability in one country, it may affect the whole integrated region because all countries depend on each other.