

## Multilateral organizations and forums in development of international economic relations

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Multilateral organizations and forums, whose participants play, as a rule, the leading role in international economic relations, in the process of more than a century development have been significantly changing in a quantitative, legal, organizational and, especially, functional way. As a result of growth of the impact on foreign economic activity, these organizations and forums, in the end, gained exclusive importance in modern business on the global market and simultaneously created problems at member states of benefit optimization and minimization of costs of their participation.

Originally, in the second half of the 19<sup>th</sup> century, multilateral economic organizations were established as precise industrial institutes mostly in the form of unions for elimination of barriers due to extension of application of national research achievements with various parameters, as well as protection of interests of certain groups of entrepreneurs in some countries. The necessity to overcome challenges of organizational and technologic compliance in foreign economic relations or provision of uniformity of liabilities actuated joint search for compromise solutions, primarily in the spheres, where high necessity in it emerged.

The oldest multilateral intergovernmental organization – the International Telecommunication Union – was founded in 1865 for coordination and acceleration of development of the promising way of communication by means of development of common standards and new technologies. In 1984, the Universal Postal Union was created with the purpose of provision of fast processing and free transborder correspondence transfer. In 1975, the International Organization of Weights and Measures was established with the purpose of distribution of more perfect metric system of quantities.

In 1883, the Paris International Union for the Protection of Industrial Property as an instrument of provision of favourable conditions due to expansion of mutually beneficial commercial operations with the results of inventions, was founded, and in 1884 – the International Railway Congress Association for the development of the most prospective, as of that moment, type of surface transborder carriers, etc.

Thus, a century before the last the business community strived to unification of technical requirements and behavior rules for its participants in international communication in the priority spheres – units of measurement, communication, transport and, by using modern terms, innovations.

A period between the two World Wars can be considered as a new stage in creation of multilateral economic organizations. At that time, as shattered economy of many countries and growth of necessity in application of advantages of international labour division for acceleration of economic development recovered, institutes with broad range of functions started to appear: the International Chamber of Commerce in 1919 (its members were national unions of entrepreneurs and separate, primarily large, companies), which united in its documents the most efficient practice of realization of commercial operations on the global market and made it open to public, as well as the International Labour Organization – in the same year as the Economic Committee of the League of Nations in 1920.<sup>1</sup> Though the number of affluent multilateral economic organizations remained restricted in that period, and their activity was still disparate.

The number of multilateral economic organizations started to grow especially fast after the Second World War, when, from the one part, foreign economic relations started to develop intensively, their forms expanded, the assortment of goods and services in foreign trade increased, types of transborder investments multiplied, and, on the other part – large and various abuse on the global market started to spread: supply of counterfeit goods, illegal money transfer, including money of criminal nature, etc.

The number of large multilateral economic organizations boosted and today reckons by dozens, and totally – by hundreds. The quantitative growth evidences their high demand for development of global economy in its variety, but this is just one indicator of increase of the role of such organizations, and it is not the most important one.

As the number of countries and indirect participants of foreign economic operations expanded, the number of members of multilateral organizations increased. For example, 23 countries were the founders of the General Agreement on Tariffs and Trade (GATT) concluded in 1947 and being actually an organization with its own headquarter in the center of Geneva, a progenitress of the World Trade Organization (WTO). In the mid 1960's, during the period of negotiations of “Kennedy round” there were 62 members in GATT. In April 1994, when foundation of WTO completed by signing of the Marrakesh

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<sup>1</sup> Avdevich M. “Modern tendencies of multilateral regulation of international economic relations”. - M.: 2001, p.10.



Declaration, 123 countries were among its members,<sup>2</sup> and now Russia becomes the 154<sup>th</sup> member of the WTO (and two dozens of countries wish to join). 17 member countries were in the Customs Cooperation Council (CCC) at its foundation in 1952, two decades later their number exceeded 60, and two decades later – over 100, and their number keeps growing.

Expansion of the activity area of multilateral economic organizations happens at the same time. We should recall that GATT regulated only goods trade, whereas WTO distributed common rules for service trade, and also includes an agreement regulating trade of intellectual property objects, and an agreement, liberalizing transborder investments related to trade. This process increases the value of multilateral economic organizations in international business development.

In 1946, the Organization for European Cooperation consisting of 18 countries of the Western Europe was founded for facilitation of liberalization of mutual trade, introduction of currency convertibility and transfer to multilateral calculations, as well as for acceleration of development. In 1961, upon the initiative of the USA it was rearranged into the Organization for Economic Cooperation and Development (OECD) consisting of 18 member countries, including, particularly, the USA, Canada, Japan, Australia and Mexico, for the purpose of coordination of economic policy and steady development of both member countries and other countries, and expansion of international economic cooperation (since then the number of OECD kept growing and reached 34 countries).

Intensification of “division of labour” seems logic and especially important in the growing family of multilateral economic organizations, because it, as is known, leads to the boost of activity results. Such division of labour happens in many directions.

In the conditions of growing number of member states of international economic relations with different development level, differences in economic structure and in supply with natural resources, a flexibility in these relations and search for new organizational management forms are needed. As a result, along with traditional formalized organizations, the following non-formalized ones gain popularity: (1) forums, which allow to find an acceptable solution of complicated problems, touching interests of almost all countries, and (2) specialized “clubs”, regulating relations between separate groups of debtors (the number of the latter has significantly increased as well).

Annual meetings of the Group of Eight are the brightest example (by the way, they started in 1975 consisting of 6 countries, then from 1977 – including Canada, and were convened consisting of 7 countries, and, in the end, from 1991, including Russia, - 8 countries; there are three more decent candidates next in turn – Brazil, India and China). At the forum, the leaders of the leading countries discuss issues most pressing for international economic relations, and, what is more important, agree positions.

Meetings within the framework of the Group of Eight, to the mind of reputed Russian experts, are a great achievement of global economic diplomacy, and we cannot

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<sup>2</sup> Trading into the Future. WTO. The World Trade Organization. Geneva, 1995, p.10.

fail to agree with it. For example, the former minister of finance of the Russian Federation, professor A. Livshits wrote: “I am convinced: it is one of the best invention of the global diplomacy. The strongest composition of members. Global level of issues. Unique mechanism. The decisions are made only unanimously. Nothing is signed. Everything is performed. I will add: there are no disastrous summits. Anyone is successful”.<sup>3</sup> Decisions of the Forum serve as a road map for events of governments of other countries and international organizations.

Representatives of 19 countries, issuing state credits to the foreign representative offices, gathered together in 1956 in Paris and founded the first “club of creditors”. In 60’s and 70’s it was concentrated on regulation of debts of the developing countries; further countries of Central and Eastern Europe, as well as Russia, joined them. The purpose of the Paris club was to coordinate their actions primarily by means of delay of payments under the primary debt amount (usually for 10-15 years) and sometimes – writing off an uncollectable debt. The condition of receipt of benefits is adoption and performance of recommendations of the International Monetary Fund (IMF) on stabilization of national economics.

Later on a similar London club stated to operate, which united about 600 foreign commercial banks, for the purpose of regulation of corporate and foreign indebtedness by means of restructuring: payment delay, decrease of interest rate, establishment of grace period (period of payment of interest only) and partial writing off.

In 1971, for the purpose of cooperation on solution of issues of economic development and expansion of trade and economic cooperation one more specialized international non-governmental organization was established – the World Economic Forum (WEF), which members were about one thousand of large companies from over 50 countries. WEF conducts annual meetings of high officials, famous scientists and entrepreneurs in Davos (Switzerland, the main event of the Forum) for discussion of the most important problems of the global economy, as well as regional summits with the similar purpose for the appropriate region, general economic national and sector meetings. Preparation of final documents is not provided, but the press widely covers the course of discussion, points of view of reputed speakers, interviews with participants and their proposals.

Conclusion making of conferences and sessions of official multilateral economic organizations by means of adoption of documents with various degree of liability for the member countries grows into practice. Thus, an agreement of development, along with binding documents (conventions), of non-binding of so-called “gentleman agreement” was achieved in OECD. It is possible to achieve an agreement within the frameworks of such agreements and adopt them faster. Thus, the latter constitute an extraordinary majority in the common pack of documents of OECD; apart from this they, as a rule, are complied with. There operate four agreements in the WTO, which are not compulsory for all members, but only for the countries interested in participation.

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<sup>3</sup>“Izvestia”, June 6, 2007



There appear multilateral economic organizations, assisting the production development of several large groups of goods, as well as foreign trade with them. For example, in 1945 the Food and Agricultural Organization of the UN (FAO) was created, which participated in realization of programs of development of appropriate natural resources, investment projects and marketing strategies.

In 1946, the International Bank for Reconstruction and Development (IBRD) started to operate, and a year on – the International Monetary Fund (IMF), assisting development of global economics and trade by means of elimination of currency restrictions and reasons of instability of national currencies (IBRD provides with long-term loans for construction of infrastructure objects and warranties on private investments, and IMF – short and medium-term loans in foreign currency for righting the balance of repayment of countries and decrease of internal debts).

In 2003, the UN founded the World Tourist Organization, which was engaged in the issues of politics and practice of promotion of international tourism within the interests of stimulation of economic growth and creation of labour places, as well as protection of traditional tourist objects. 150 countries and territories (full members) are members of the Organization and over 350 countries and territories are associated ones – local authorities, touristic unions and transport organizations.<sup>4</sup>

Specialized multilateral organizations, assisting development of foreign trade and foreign investments in separate groups of countries with special interests and problems in this field, are created. First of all – growth and reformation of economy of developing countries and economies in transition.

In 1964, the UN Conference on Trade and Development (UNCTAD), assisting primarily developing countries in the interests of their integration into the global economy, was established. Particularly, in 1971, it developed the General scheme of preferences for facilitation of industrial export of these countries (it provides for cancellation or decrease of customs fees approximately by 70 billion dollars per year), later on UNCTAD prepared a series of international trade agreements concerning a number of types of tropical food and industrial raw materials for stabilization of appropriate global markets, and in 1980 it issued the only existing code of business practices (“Code of multilateral rules and principles of control over restrictive entrepreneurial activity”).

In 1988, the International Agency on Insurance of Investments (IAII), which insures them against political risks for the purpose of stimulation of inflow of foreign capital to the developing countries and distribution of information about their investments abilities, was established. The agency provided such guarantees for direct investments in approximately 100 countries.

In 1990, the European Bank for Reconstruction and Development (EBRD) for financial assistance of countries, realizing transit to the market economics, was established. The bank participates in realization of infrastructure projects in the process

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<sup>4</sup> Basic facts about the United Nations Organization. – M., 2005, pp. 90-81.

of reforms (credited about 500 projects for the total amount of 100 billion dollars).

There appear multilateral organizations on servicing of foreign trade in separate important spheres: in legal issues – the United Nations Commission on International Trade Law (UNCITRAL, founded in 1968), which developed, for example, the Convention on Carriage of Goods by Sea in 1978 and the Convention on international purchase and sale agreements (widely known as the Vienna Convention) in 1980; on customs issues – the Customs Collaboration Council (CCC) in 1950, which was transformed into the Global Customs Organization in 1996 (CCC created the first customs classification of goods for international trade, the so called “Brussels classification”, that came into effect in 1959, and its successor developed the current globally accepted classification - the Harmonized system of description and coding of goods – in 1988); on standards – the International Standardization Organization (ISO) in 1946, which prepared and renewed over 10 thousand technical standards; at last, on various kinds of transport: marine, aviation and motor (in 1947-1959).

Newly founded institutes engaged in countering the growing use of foreign economic relations for the criminal purposes may be related to a comparatively new direction of specialization of multilateral economic organizations. We mean two institutes: first of all, the Financial Action Task Force on Money Laundering (FATF, created in 1989 upon the initiative of the leaders of the Group of Eight), developing preventive measures and sanctions against legal entities and natural persons engaged in money “laundering” (according to the estimates of foreign experts, “laundering” exceeds 1 billion dollars per year), secondly, the Egmont Group (established in 1995, an informal union of subdivisions of financial intelligence, a kind of Interpol). The group unites 127 national state authorities also fighting money laundering, but in other way: they exchange information about doubtful transborder financial operations and means of legalization of income, including money laundering and income used for terrorism funding.<sup>5</sup>

Apart from this, multilateral economic organizations, previously created for other purposes, join fighting against abuse in the global trade. Particularly, CCC adopted the International convention on mutual administrative collaboration in the case of prevention, investigation and extinction of violations of customs rules in 1977 and created, within its organizational structure, the Committee on countering violations of customs law in 1983. OECD adopted the Convention on prohibition of bribery of officials at conclusion of foreign economic deals in 1999, at this, both appointed and elected officials, i.e. public officers and deputies, were specified therein.

Interest of global community in collective regulation and ordered stimulation of international entrepreneurial activity in the search of compromise led to production by multilateral economic organizations of documents of various types: compulsory (for example, almost all documents of WTO), semi-compulsory (UNCTAD; the members

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<sup>5</sup> Egmont Group - Wikipedia - pp. 1-6 <http://ru.wikipedia.org/wiki>; Annual Report 2010-2011, Financial intelligence units in action. The Egmont Group Secretariat, Toronto, 2011.



claimed that they would strive to perform decisions, but they did not execute their intention legally) and advisory (ICC). Advisory documents of the ICC, without legal effect, are of high reputation on the global market.

It is important to note that today specialized international economic organizations, as a rule, operate not separately, but in close cooperation with each other: they exchange information and analytical materials, directly participate in each other's conference, express their opinion on discussed issues and give certain offers.

It is characteristic that in the Marrakesh agreement of WTO establishment, art.3, named "WTO functions", cooperation with IMF and IBRD is defined as one of its functions. Moreover, the cooperation strategy is determined in the following way; "for the purpose of achievement of higher agreement at conduction of global economic policy". Thus, it is highlighted that WTO activity goes beyond the frameworks of purely trade and political issues.

At all diversity of legal statuses, forms and directions of activity of multilateral economic organizations, as well as adopted documents, there is a reason to consider that a comprehensive system of regulation and stimulation of international trade and economic collaboration, which has never been before, is operating and developing now. This system is comparatively new and fair, though it still has defects and deficiencies.

It is logical that right in the conditions of globalization, when global economy is turning into whole entity, a uniform international system of rules for all its participants has formed and is being improved, and a bigger number of countries and companies is striving to join it.

At last, WTO is becoming the main participant of this system, because (1) WTO is an intergovernmental organization legally binding member countries, (2) WTO documents contain a set of principles and rules of trade and economic relations, aimed at provision of fair competition on the global market, in which the vast majority of participants of these relations are interested, (3) almost 100% of global trade comes to WTO member countries and (4) in everyday activity WTO constructively cooperates with many other large economic organizations.

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