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**THE ROLE OF INTERNATIONAL FINANCIAL INSTITUTIONS IN THE
DEVELOPMENT OF INTERNATIONAL INVESTMENT LAW**

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ABSTRACT

Foreign investment is undoubtedly one of the most important factors in economic development. In this context, the behavior of host countries has a very important role in attracting foreign investment. View of capital-importing countries, especially developing countries, is not always the same in this regard, and has gone through ups and downs. These countries initially opposed the views of developed countries; but today, they appear to have followed the views of capital-exporting countries in order to attract more foreign investment. However, there are not still uniform international rules concerning the treatment of foreign investment. Theoretically, all economists consider capital as a driving force for economic growth and development of societies, and design all models of economic development based on this idea. Use of domestic and foreign investment through optimum utilization of resources is one of the most important factors in achieving economic development of societies. It is obvious that financing domestic capital formation is possible through various means such as the use of domestic savings and foreign debt, and attracting foreign investment. Societies that do not have enough capital for their development, consider the use of foreign capital as a requirement in the economic development of societies.

**Keywords: Foreign Investment, International Monetary Fund, Financial Institutions,
International Development**

INTRODUCTION

Today, the globalization process is seriously followed and supported by the United Nations and its specialized agencies at the international level. In particular, it can be seen at the economic dimension of globalization that three international organizations including the International Monetary Fund, the World Bank, and the World Trade Organization, as specialized organizations have adopted policies that are fully in line with the globalization of economy, and since these organizations play a coordinating role in the global economy, using the tools at their disposal, they push several countries, particularly developing countries, to adopt their own policies, and put the country that does not move in line with these policies under pressure.

International Monetary Fund

According to the IMF's Articles of Agreement, the basic objective of this institution is to develop international monetary cooperation, facilitate the balanced expansion and growth of international trade, grow currency stability, cooperate in the creation of a multilateral system of payments, provide access to public resources for members who are experiencing problems of balance of payments, and shorten the term

and reduce the imbalance in the balance of payments of member states.

The IMF's advice is not always commensurate with the economic environment of member states. Therefore, monetary policy prescription of the fund is not usually successful.

The IMF strongly affects the monetary policies of member states, and thus intervenes in the internal affairs of these countries. It has its own advantages, especially considering that the various states have different political goals that do not necessarily mean the use of the best monetary policy. It is obvious that the IMF, as an external expert and consultant, is far from political influence and biases since it is not aimed at increasing the number of voters.[4]

The World Trade Organization

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There is such a pressure in the process of globalization and the related policies adopted by these organizations. In other words, the performance of these organizations make a compulsion on national economies to attend in the global economy, and if any country for any reason were not prepared to participate in the process, it will find itself in the path of isolation. For example, if a country does not become a member of the WTO, the main custodian of free trade and full mobility of goods and services in the world, it will be unable to compete in export and successfully present in global markets. On the other hand, the membership of that country in the organization may lead to the loss of many new industries in the country, and this contradiction puts the country under heavy pressure. In fact, it takes any adjustments power from the country. The World Bank also conditions lending to these countries to liberalization and privatization policies, which

is an obligation for countries in need. The IMF also encourage movement towards globalization by providing its own advice and solutions for various countries. The quick pushing of national economies into the global economy takes them the ability to adjust and make these countries to enter the global economy in a short period, that can result in widespread negative consequences for these countries. The consequences include loss of new industries, risen unemployment, increased inflation, financial and administrative corruption, widened class gap, etc. In addition, it should be noted that the facing of national economies with these problems entirely depends on the economic, social and cultural characteristics of the country. In a fully prepared country, such a presence can actually increase its national interest, and these problems may not occur, but when the preparedness of a country is not sufficient to participate in the global economy, its negative consequences will be greater and deeper.[1]

The role of the World Bank

Undoubtedly, achieving sustainable long-term economic growth in a country is possible by mobilizing and allocating resources to invest in its national economy, and to achieve this goal, broad and deep financial markets and in

particular efficient capital market is essential. Considering that, one of the ways to develop the capital market is use of foreign investment in the financial cart that can lead to the development of the economy with proper planning and performance [3].

Restrictions on foreign investment

In 1970s, there was a growing skepticism of developing countries to foreign investment. Some countries nationalized their economies and forbade foreigners in participation at all sectors of economic activity. Some others imposed such restrictions on particular sectors of the economy. The main reasons for the restrictions was to protect national economic independence, prevent the plunder of natural resources, prevent interference of multinational corporations in the internal affairs, and ultimately protect their domestic industry.

Since 1980s, the liberalization of foreign investment has been considered by both developed and developing countries and countries have sought a way to amend existing laws on foreign investment in a unilateral way, or reduce restrictions on admission and attraction of foreign investment by conclusion of bilateral and multilateral treaties.

Despite the serious decline in investment restrictions in different countries, there are still restrictions on capital inflows in many countries. Many international treaties on investment have no specific regulations about liberalization of accepting and attracting foreign investment and only provide some supports after the acceptance of the capital.

Restrictions on foreign investment are divided into several groups. The first group includes a ban on foreign investment in general or in specific economic sectors. The second group includes restrictions on foreign ownership and management of economic enterprises. The third group includes imposing certain obligations to accept foreign investment, such as the use of domestic goods and services or the obligation to export. The fourth group includes mandatory supervision by committees and bodies responsible for granting licenses to investment. These restrictions will be evaluated according to Iranian law [2].

CONCLUSION

The usefulness of foreign relations and cooperation and attracting foreign investment depends on how to deal with this issue, its necessity, the extent and importance of our (recipient) need, existence of sufficient conditions for the use of this tool, and our

competency. It means if our deal is conscious, we can take advantage of this concept for the country's development and prosperity, but if we deal with it weakly, objections are certainly right. In fact, foreign investment is like a sharp knife. If a mature, experienced and skilled person uses it in the right time and place (appropriate environment), it can lead to removing the cancerous tumor. Otherwise, in the absence of any of the above conditions, it can cause death and destruction.

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