Chapter 14

The Role of IMF on Goods and Services Importing of Argentina, Egypt, and Ecuador

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ABSTRACT

Following World War II, international economic connections advanced steadily and to significant heights in the context of the global economy. With the signature of the articles of agreement by 29 members, the International Monetary Fund (IMF) was formally established in December 1945.The International Monetary Fund was created to assist nations who are temporarily having problems with their balance of payments so they may avoid imposing import restrictions because of these issues. This study examines how IMF policies affect imports of goods and services and reveals that, as of 2023, the top three countries with the highest IMF debt (Ecuador, Argentina and Egypt). The data collection spans the years 2000 through 2023. There is a thorough literature review included in this study as well. According to the study's findings, the key debtor nations saw temporary financial and monetary relief as a result of the IMF accords, and as was predicted, this led to a corresponding rise in imports.

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1. INTRODUCTION

Following World War II, international economic connections advanced steadily and to significant heights in the context of the global economy. The notion of international economic activities has gained prominence in the global economy and has to be assessed specifically in light of these relationships. The pre-World War II circumstances made it imperative to build an international trade and financial system that would liberalize global commerce, allow for multilateral equalization, and aid in the reconstruction of economies devastated by the conflict. Nations all around the globe have concurred that in order to more readily recover from the catastrophic consequences of war, international cooperation must be established and institutionalized. With the signature of the articles of agreement by 29 members, the International Monetary Fund (IMF) was formally established in December 1945. The initial period of operation for the organization was March 1, 1947 and France became the first nation to borrow money from the IMF later that year. The IMF was created to assist nations who are temporarily having problems with their balance of payments so they may avoid imposing import restrictions as a result of these issues (IMF, 2022: Garcia, 2022, p.2). Many nations, particularly those with struggling economies, have stand-by arrangements with the IMF, which has been offering member nations different types of support since its founding. With time, the IMF has established itself as the go-to source for financial assistance, particularly in emerging nations seeking to address economic instability. Under the context of stand-by agreements with the IMF, countries experiencing instability are attempting to end it through the implementation of stabilization plans sponsored by the IMF and centered upon strict fiscal and monetary policies. Economic crises have frequently struck developing nations, particularly during and after the liberalization process that lasted throughout the 1980s. They used stabilization measures backed by the IMF during this phase to get out of the economic crisis. For instance, to reduce the harm that economic crises produce, to assist in making up for the harm, to stimulate the economy and develop stabilization plans that will allow imports to continue uninterrupted. The drawback of these measures is that they have accelerated global financial integration by removing obstacles between domestic and global financial markets. It is anticipated that the process of financial integration will accelerate growth in underdeveloped nations. Nonetheless, there are growing assertions that there is a direct correlation between financial integration and the formation of these crises due to the regular occurrence of financial crises in these nations.

The removal of barriers between financial markets and the transformation of economies into a more open structure causes emerging markets such as Argentina, Egypt and Ecuador to encounter financial and economic crises more frequently. At the same time, the country's economies are not ready for financial integration,

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