

## THE WORLD TRADE ORGANIZATION

The World Trade Organization is the only international body dealing with the rules of trade between nations. At the heart of the WTO are agreements, negotiated and signed by most of the world's trading nations. These documents provide the legal ground rules for international commerce. Their goal is to help producers of goods and services, exporters, and importers conduct business in the global marketplace.

The WTO has three main purposes:

1. To help trade flow as freely as possible as long as there are no undesirable side effects. In part, this means removing obstacles to trade. It also means making rules transparent and predictable so that individuals, companies, and governments know their scope of influence.
2. To serve as a forum for trade negotiations among the community of trading nations.
3. To settle trade disputes among member nations. Recent cases have included heated disputes over steel tariffs. Other contentious issues include trade in hormone-treated U.S. beef and genetically modified corn and soybeans.

The GATT and now the WTO have made major contributions to improved trade and investment flows around the world. Their successes have resulted in improvements in the economic well-being of nations around the world.

To understand both the benefits and the challenges of entering the WTO, consider China, one of its most recent new members. WTO accession offers China not only easier access to global markets but the opportunity to reform its inefficient industries and farms. Already the world's seventh largest trader, China's limited economic reform over the last 20 years has allowed its businesses to flourish and the standard of living for millions of people to rise slowly but steadily. In the short term, WTO membership threatens to disrupt China's economic progress- removing barriers and slashing tariffs will introduce unprecedented foreign competition. China's 130 auto manufacturers, for example, must reduce tariffs on imports from the current 80 to 100 percent down to 25 percent.

Czinkota, Michael R., Ilkka A. Ronkainen and Michael H. Moffett. Fundamentals of International Business. Mason: South-Western, 2004.