

INTERNATIONAL TRADE ORGANIZATIONS

INTERNATIONAL BUSINESS MARKETING



To accompany the Marketing Curriculum.

CTAE Resource Network, Instructional Resources Office, 2010

GEORGIA PERFORMANCE STANDARDS:

MKT-MP-5: Define international business/marketing, explain why nations engage in international trade, and describe how international trade affects the economic interdependence of nations.

See the end of this document for complete GPS listing

BCS-BE-8: The student analyzes how international business impacts business.

See the end of this document for complete GPS listing

Student Information Guide

DIRECTIONS:

Use the information in this student information sheet to complete the accompanying student study sheet. Complete all items on the study sheet and turn in to the teacher.

THE WORLD TRADE ORGANIZATION

World Trade Organization

WORLD TRADE ORGANIZATION 



 WTO founder members (January 1, 1995)  WTO subsequent members

Formation	January 1, 1995
Headquarters	Centre William Rappard, Geneva, Switzerland
Membership	153 member states
Website	www.wto.int

The **World Trade Organization (WTO)** is an international organization designed by its founders to supervise and liberalize international trade. The organization officially commenced on January 1, 1995 under the Marrakech Agreement, replacing the General Agreement on Tariffs and Trade (GATT). The GATT was the only instrument governing international trade from 1948 until the WTO was established in 1995.

The World Trade Organization deals with regulation of trade between participating countries; it provides a framework for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing participants' adherence to WTO agreements which are signed by representatives of member governments and ratified by their parliaments. Most of the issues that the WTO focuses on derive from previous trade negotiations.

The WTO has 153 members. The WTO is governed by a ministerial conference, meeting every two years; a general council, which implements the conference's policy decisions and is responsible for day-to-day administration; and a director-general, who is appointed by the ministerial conference. The WTO's headquarters is at the Centre William Rappard, Geneva, Switzerland.

FUNCTIONS

Among the various functions of the WTO, these are regarded as the most important:

- It oversees the implementation, administration and operation of the covered agreements.
- It provides a forum for negotiations and for settling disputes.

Additionally, it is the WTO's duty to review and propagate the national trade policies, and to ensure the coherence and transparency of trade policies through surveillance in global economic policy-making. Another priority of the WTO is the assistance of developing, less-developed and low-income countries in transition to adjust to WTO rules and disciplines through technical cooperation and training.

The WTO is also a center of economic research and analysis: regular assessments of the global trade picture in its annual publications and research reports are produced by the organization. Finally, the WTO cooperates closely with the IMF and the World Bank.

PRINCIPLES OF THE TRADING SYSTEM

The WTO establishes a framework for trade policies. It is concerned with setting the rules of the trade policy games. Five principles are:

1. **Non-Discrimination.** It has two major components: the most favored nation (MFN) rule, and the national treatment policy. Both are embedded in the main WTO rules on goods, services, and intellectual property. The MFN rule requires that a WTO member must apply the same conditions on all trade with other WTO members. National treatment means that imported goods should be treated no less favorably than domestically-produced goods.
2. **Reciprocity.** It reflects a desire to obtain better access to foreign markets. A related point is that for a nation to negotiate, it is necessary that in doing so gains will materialize.
3. **Binding and enforceable commitments.** The tariff commitments made by WTO members in a multilateral trade negotiation and on accession establish "ceiling bindings": a country can change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade. If satisfaction is not obtained, the complaining country may invoke the WTO dispute settlement procedures.
4. **Transparency.** The WTO members are required to publish their trade regulations, to maintain institutions allowing for the review of administrative decisions affecting trade, to respond to requests for information by other members, and to notify changes in trade policies to the WTO.
5. **Safety valves.** In specific circumstances, governments are able to restrict trade.

ORGANIZATIONAL STRUCTURE

The General Council has multiple bodies which oversee committees in different areas.

Council for Trade in Goods

Council for Trade in Services

Committees on

- Trade and Environment
- Trade and Development

- Regional Trade Agreements
- Budget, Finance and Administration

Working groups on

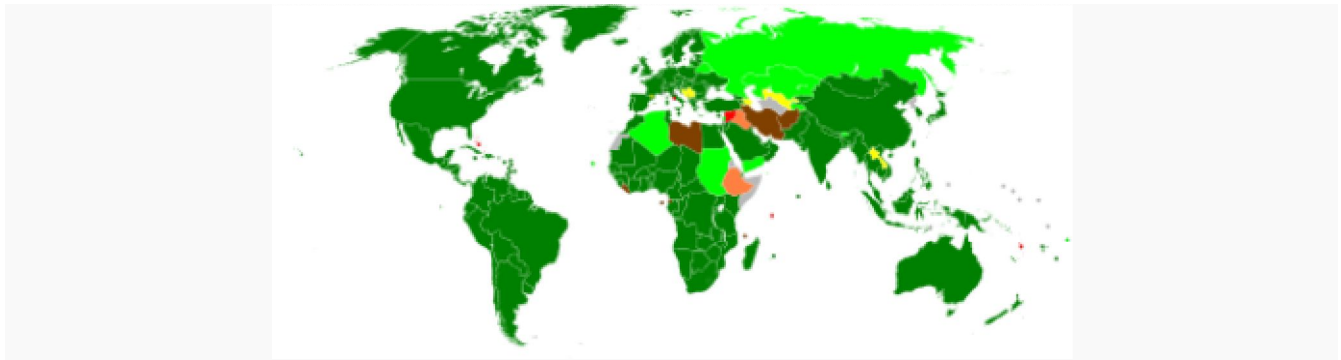
- Trade, debt and finance
- Trade and technology transfer

TRADE NEGOTIATIONS COMMITTEE

The Trade Negotiations Committee (TNC) is the committee that deals with the current trade talks round.

VOTING SYSTEM

The WTO operates on a *one country, one vote* system, but actual votes have never been taken. Decision making is generally by consensus, and relative market size is the primary source of bargaining power. The advantage of consensus decision-making is that it encourages efforts to find the most widely acceptable decision. Main disadvantages include large time requirements and many rounds of negotiation to develop a consensus decision, and the tendency for final agreements to use ambiguous language on points that makes future interpretation of treaties difficult. In reality, WTO negotiations proceed not by consensus of all members, but by a process of informal negotiations between small groups of countries.



Status of WTO negotiations: ■ members (including dual-representation with the European Union) ■ Draft Working Party Report or Factual Summary adopted ■ Goods and/or Services offers submitted ■ Memorandum on Foreign Trade Regime submitted ■ observer, negotiations to start later or no Memorandum on FTR submitted ■ frozen procedures or no negotiations in the last 3 years ■ no official interaction with the WTO

AGREEMENTS

The WTO oversees about 60 different agreements. Member countries must sign and ratify all WTO agreements on accession. Some of the agreements follow:

AGREEMENT ON AGRICULTURE (AOA)

The Agreement on Agriculture came into effect with the establishment of the WTO at the beginning of 1995.

SANITARY AND PHYTO-SANITARY (SPS) AGREEMENT

Under the SPS agreement, the WTO sets constraints on members' policies relating to food safety (bacterial contaminants, pesticides, inspection and labeling) as well as animal and plant health (imported pests and diseases).

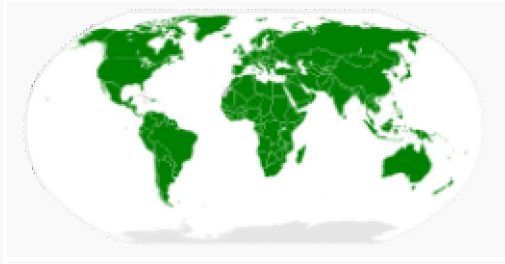
AGREEMENT ON TECHNICAL BARRIERS TO TRADE (TBT)

The Agreement on Technical Barriers to Trade is an international treaty of the World Trade Organization. The object ensures that technical negotiations and standards, as well as testing and certification procedures, do not create unnecessary obstacles to trade".


THE INTERNATIONAL MONETARY FUND



International Monetary Fund



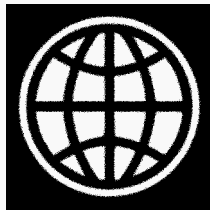
IMF member states in green

Headquarters	 Washington, D.C., USA
Website	www.imf.org

The **International Monetary Fund (IMF)** is the international organization that oversees the global financial system by following the policies of its member countries, in particular those with an impact on exchange rate and the balance of payments. It is an organization formed with a stated objective of stabilizing international exchange rates and facilitating development. Its headquarters are in Washington, D.C., United States.

THE WORLD BANK

World Bank



World Bank logo

Formation	27 December 1944
Type	International organization
Legal status	Treaty
Purpose/focus	Crediting
Membership	186 countries
Website	http://www.worldbank.org/

World Bank is a term used to describe an international financial institution that provides leveraged loans to developing countries for capital programs. The World Bank has a stated goal of reducing poverty.



GEORGIA PERFORMANCE STANDARDS

MKT-MP-5: Acquire foundational knowledge of international business and marketing concepts to understand the scope and impact on the economy.

- a. Define international business/marketing
- b. Explain why nations engage in international trade
- c. Describe how international trade affects the economic interdependence of nations

BCS-BE-8: The student analyzes how international business impacts business.

- a. Defines international business.



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