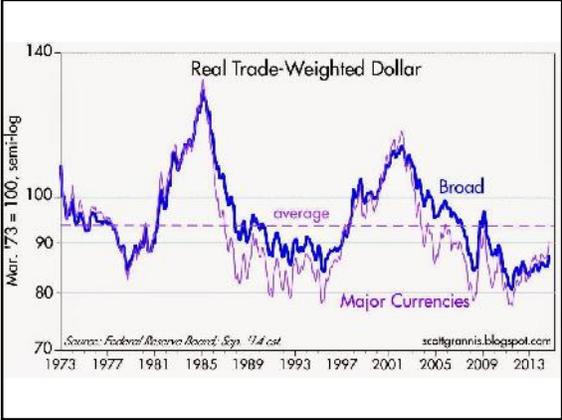
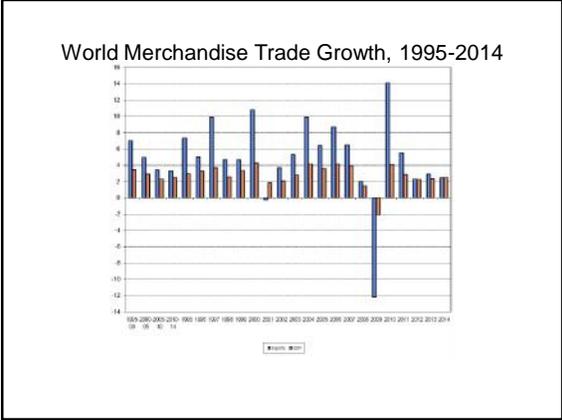
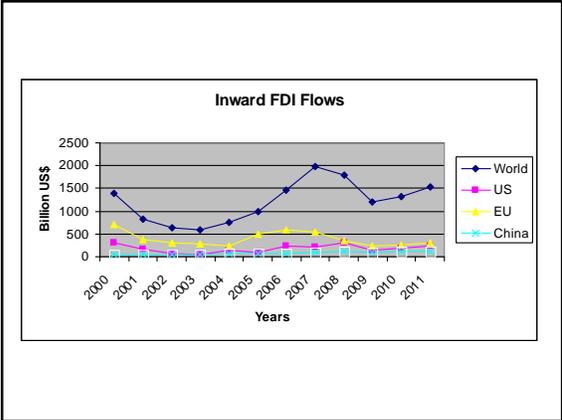


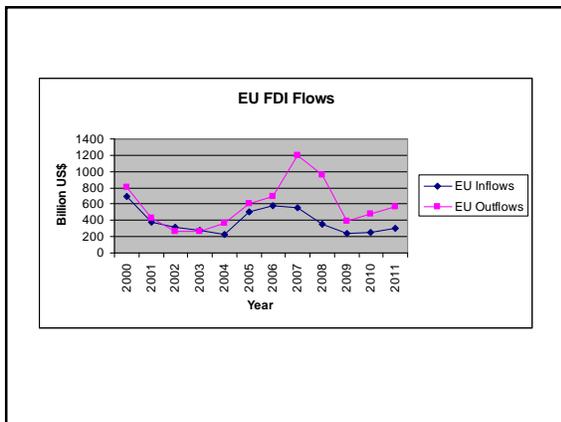
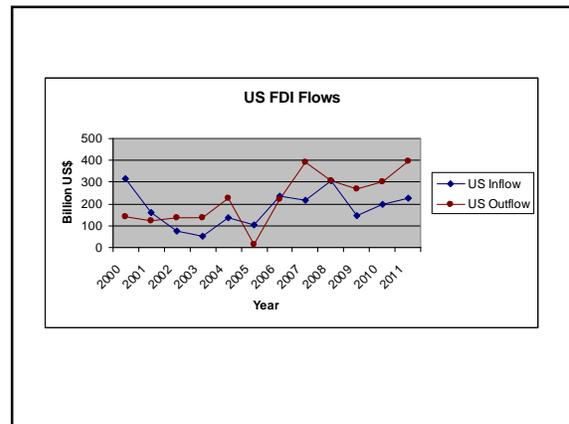
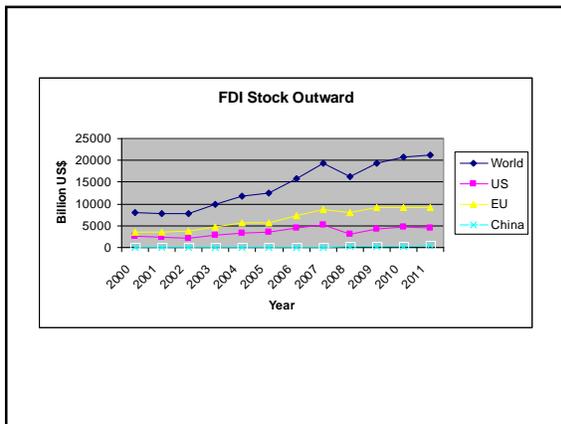
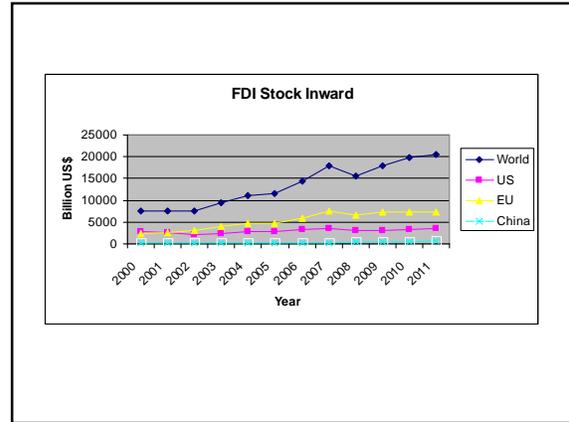
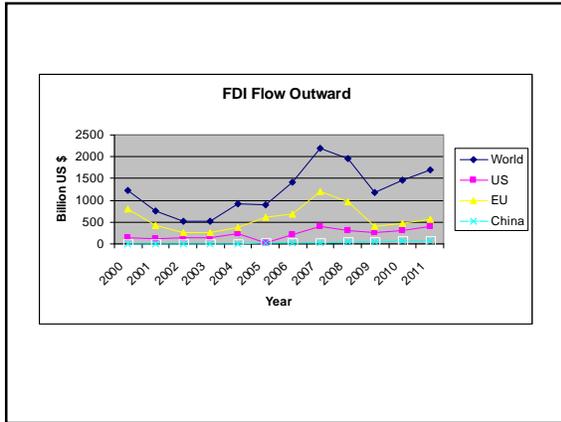
## Globalization and Business

- ### Causes of Increased Globalization
- Lower tariff barriers
  - Flexible exchange rates
  - Freer capital flows
  - Information access
  - Transportation costs
  - Migration



- ### Foreign Direct Investment
- Parents ownership of affiliates in various countries
  - World FDI was \$2.0T in 2007 (its peak); 80% was M&A
  - World FDI was only \$1.3T in 2012





### GATT and WTO

- General Agreement on Tariffs and Trade was established in 1947, after WWII
- Originally 23 countries
- GATT became the WTO after the Uruguay Round on Jan. 1, 1995
- General principle is that reducing barriers to trade is beneficial.

### GATT Principles

- Reciprocity – each country wants to get concessions from others
- Nondiscrimination – Most favored nation
- Transparency
- National Treatment – same treatment
- Compensation – entitled to damages if harmed

### GATT/WTO Reality

- Only as good as member pledges
- National sovereignty is always an issue
- Under GATT resolution of disputes were always up to the member nation
- Negotiations are handled in “rounds”
- Agriculture was a major exception until the Uruguay Round (1986-1994)

### Uruguay Round Agreement

- Internal Support – AMS
- Amber box (trade distorting) and Green box (nontrade distorting). Blue box if supply is limited
- Reduce AMS by 20% over six years (13% over 10 years for LDCs)

### Dispute Settlement

- Stronger Dispute Settlement, file with WTO
- 30 days enter consultation
- 60 days to resolve the dispute
- Panel appointed by parties or WTO DG
- Final resolution within 14 months
- Loser must compensate or withdraw

### Doha Round Negotiations

- “Preparation” began in Seattle in 12/99
- Round began in Doha in 11/2001 with a scheduled end on 31/12/2004
- Agriculture has unfinished business and is a focus of the round. Other goods are textiles and services
- Also want Singapore Issues -- Competition Policy, Investment, Government Procurement, Trade Facilitation

### What's at Stake

- World Bank estimates that an agreement could increase incomes by \$500B per year by 2015
- 60% of gain would go to LDCs
- 144 millions people lifted out of poverty

### Problems with the Round

- People against globalization
- People against MNCs
- Labor demonstrations
- Environmental activists
- Development proponents
- Number of nations in WTO: 146 in 2003 versus < 90 in 1986.

### Additional Considerations

- 80% of gains for LDCs would be from their own liberalization
- Peace Clause on export subsidies ended on Dec. 31, 2003
- Uruguay Round negotiations took a long time but an agreement was reached
- Other changes are taking place – CAP reform, US Farm Bill, All But Arms