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ICC Essay

In an era of rapidly increasing globalization, the need for regulatory institutions in the international marketplace has become crystal clear. In order to enhance the shift toward a more integrated and interdependent world economy, free trade must be promoted, not hindered.

The responsibility to enforce free trade has fallen onto the shoulders of the World Trade Organization (WTO). Created in 1995 as a successor to the General Agreement on Tariffs and Trade (GATT), the WTO quickly embraced its newfound responsibility by establishing a 10-year plan to break down trade barriers in the apparel industry: the Agreement on Textiles and Clothing (ATC). This treaty required all WTO member countries to eradicate quota restrictions on fellow WTO nations by December 31, 2004, as quotas were deemed to be contradictory to the WTO's central goal of furthering world trade. Thus, on January 1, 2005, the textile and apparel industries were released from the constraints of restrictive trade barriers.

The full impact of eliminating the quotas remains to be seen, but by referring to the basic principles of international business, one can predict the consequences of the ATC fairly easily. Countries like India and China that were originally suppressed by the quota restrictions, will immediately increase their production schedules. This means that in the short run, the WTO will need to bolster its antidumping investigations. Countries liberated from import quotas will be eager to take advantage of their newfound freedom, and will attempt to flood foreign markets with their inexpensive textile goods. Dumping is a major concern because by selling goods below their fair market value, foreign companies can effectively destroy the domestic competition in the countries they enter.

In the long run, the WTO might have to deal with anti-discriminatory court cases between countries which have chosen to subsidize their struggling domestic businesses, and the

foreign companies that are bound to object. Because they are no longer afforded protection under import quotas, failing domestic businesses will appeal to their governments for financial assistance in order to regain their competitive edge. The WTO must attempt to set limits on subsidies so that no one company is given an unfair advantage. The biggest problem that the WTO will face is enforcement. The organization has a reputation for having “no teeth,” but in order to truly promote free trade, the WTO will need to strengthen its policing tactics.

After three years of studying economics at Drew University, I have found that this subject matter has become much more relevant. Words like “quota” and “dumping” are no longer just definitions I had to memorize for a micro exam, but rather have come alive through current events like the ATC. It is exciting to read articles covering issues I’ve learned about in class, and to be able to understand the bigger picture.

As an economics major with an international concentration, I plan to enter the world of international business upon graduation in 2006. I chose to focus on the international cluster of economic classes offered at Drew because it has become increasingly clear that globalization is a force to be reckoned with. Ten years from now, most general managers will need to be familiar with international business laws and customs if they want to be truly successful. Cross cultural literacy will become even more crucial; managers will need to understand how different cultures affect the way business is practiced abroad. I find the cultural variations between different countries’ negotiating strategies to be fascinating, and look forward to learning even more about international business practices when I enter the working world.