



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

## Reviewing the World Trade Organization

U.S. farmers and ranchers ask with growing frequency if the World Trade Organization (WTO) really affects our domestic agriculture. My immediate response is, Yes, critically! Any organization which influences 23 percent of our gross agricultural income warrants our close attention. We should not ignore or be overwhelmed by WTO just because it is headquartered in Switzerland, or because organizers used 26,000 words to describe its organization and operations.

If our business involves any form of crops or livestock, we need to become familiar with the WTO in general and specifically with its provisions that relate to the commodities we produce. An unprecedented total of 112 nations—large and small, rich and poor—signed to establish the WTO on January 1, 1995, to increase international trade. The group included our largest single export customer, Japan, along with our largest consolidated export market, the European Union. Conversely, China, North Korea, and the countries of the former Soviet Union are not participants.

The WTO has two basic purposes. First, it implements and monitors the international trade procedures accepted by member countries prior to January 1, 1995. These rules identify in detail the conditions under which other countries will accept our exports, and we theirs. The rules pertain to such items as tariffs, quotas, phytosanitary regulations, safeguards, preshipment inspections, rules of origin, countervailing duties, subsidies, and customs valuations. WTO also encourages discussions leading to additional international trade rounds as early as 1999.

Second, WTO settles disputes among its members. Whenever a mem-

ber claims injury by actions of another signatory, the aggrieved party can initiate dispute settlement procedures. The proceedings are orderly, timely, and somewhat transparent. Contrary to GATT's former process, the WTO proceedings are subject to definite time limits so they will not remain stalemated.

No individual, corporation, cooperative, or other entity can initiate a dispute procedure, since that is an exclusive prerogative of WTO member nations. The groups can bring unfair international trade situations to the attention of their respective governments, hoping that an official proceedings will be initiated for them at the WTO. Cases that have actually been filed to date include those which will determine if (a) the U.S. can insist on only environmentally friendly gasoline imports; (b) the EU can prohibit imports of U.S. meat produced with growth hormones; (c) Korea can insist on a less-than-seven-weeks shelf life for sterilized milk products (UHT milk); and (d) Australia can ban U.S. exports of untreated fresh, chilled, or frozen salmon.

Parties to a dispute select panelists by consensus from a WTO pool of qualified persons from each WTO country. The U.S. has fourteen people in the pool of eligible panelists.

World Trade Organization rules and dispute-panel settlement procedures do not automatically become part of U.S. law. They become effective for the United States only when Congress passes and the president signs appropriate legislation, which they have done for the initial WTO rules and dispute-panel settlement procedures. Any changes in WTO rules and procedures must be approved by Congress and the president to become effective for the United States. Moreover, our govern-

ment retains authority to deviate from international norms whenever it feels a situation is sufficiently important—an action which undoubtedly would be implemented with extreme caution. Further, any WTO member nation may withdraw from the WTO by providing six months' notice.

Several organizations in Europe and the United States want to monitor signing nations' fulfillment of WTO obligations. In the United States, the Trade Representative's office will monitor compliance.

If the United States or any other WTO country wins a dispute settlement it can ship the identified product into the subject country with new lowered trade barriers. If the subject country refuses to lower the outlawed trade barriers, the dispute winner is entitled to raise its own trade barriers on products it imports.

If we are to increase, or even maintain, our present \$60 billion annual export market, and retain all key elements of the import structure which our negotiators and Congress accepted, constant vigilance must be maintained by farmers and ranchers. Vigilance becomes even more critical as some WTO nations lower their tariffs and quota barriers and attempt to replace them with phytosanitary labeling and other nontariff barriers. The potential consequences from the World Trade Organization and its activities are much too important for producers to remain uninformed as time passes. ■

*The author is a former U.S. under-secretary of agriculture and commissioner, U.S. International Trade Commission. An earlier version of this article was published in "The Ferguson Ag Report," April 1, 1996.*