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国际贸易理论

International Trade Theory

Sixth Edition

CHARLES W. L. HILL

第6版

【美】查尔斯·希尔　著

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【美】 查尔斯·希尔（Charles W.L. Hill） 著

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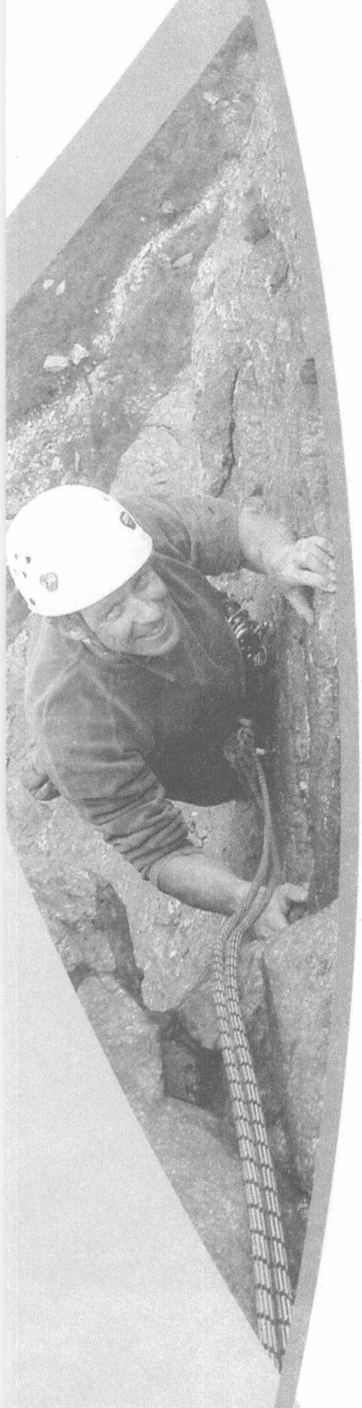
内容提要

本书从第3版开始一直是全球国际商务领域使用最广泛的图书。全书共分3章：全球化；国际贸易理论；国际贸易的政治经济学。文中给出了传统的贸易理论、最新的贸易理论及实际中应用的最优贸易理论。该书阐述了全球化如何降低了成本，促进了市场的成熟度。同时，该书也说明了各国如何通过贸易政策工具对本国贸易进行保护，以及政府干预对国际贸易的影响。

本书适用于国际贸易、工商管理以及英语专业选作教材，也可作为从事或将从事国际贸易的专业人士的参考读物。



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Charles W. L. Hill is the Hughes M. Blake Professor of International Business at the School of Business, University of Washington. Professor Hill received his Ph.D. from the University of Manchester's Institute of Science and Technology (UMIST) in Britain. In addition to the University of Washington, he has served on the faculties of UMIST, Texas A&M University, and Michigan State University.

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The Globalization of Health Care

Conventional wisdom holds that health care is one of the industries least vulnerable to dislocation from globalization. After all, like many service businesses, health care is delivered where it is purchased, right? If an American goes to a hospital for an MRI scan, won't that scan be read by a local radiologist? And if the MRI scan shows that surgery is required, surely the surgery will be done at a local hospital in the United States. Until recently, this was true, but we are now witnessing the beginnings of globalization in this traditionally most local of industries.

Consider the MRI scan: The United States has a shortage of radiologists, the doctors who specialize in reading and interpreting diagnostic medical images including X-rays, CT scans, MRI scans, and ultrasound. Demand for radiologists is reportedly growing twice as fast as the rate at which medical schools are graduating radiologists with the skills and qualifications required to read medical images. This imbalance between supply and demand means that radiologists are expensive; an American radiologist can earn as much as $350,000 a year. In 2002, an Indian radiologist working at the prestigious Massachusetts General Hospital, Dr. Sanjay Saini, thought he had found a clever way to deal with the shortage and expense—beam images over the Internet to India where they could be interpreted by radiologists. This would reduce the workload on America's radiologists and also cut costs. A radiologist in India might earn one-tenth of his or her U.S. counterpart. Plus, because India is on the opposite side of the globe, the images could be interpreted while it was nighttime in the United States, and be ready for the attending physician when he or she arrived for work the following morning.

As for the surgery, here too we are witnessing the beginnings of an outsourcing trend. In October 2004, for example, Howard Staab, a 53-year-old uninsured self-employed carpenter from North Carolina had surgery to repair a leaking heart valve—in India! Mr. Staab flew to New Delhi, had the operation, and afterward toured the Taj Mahal, the price of which was bundled with that of the surgery. The cost, including airfare, totaled $10,000. If Mr. Staab's surgery had been performed in the United States, the cost would have been $60,000 and there would have been no visit to the Taj Mahal.

Howard Staab is not alone. Some 170,000 foreigners visited India in 2004 for medical treatments. That number is projected to rise by 15 percent a year for the next several years. According to the management consultancy McKinsey & Co., medical tourism (overseas trips to have medical procedures performed) could be a $2.3 billion industry in India by 2012. In another example, after years of living in pain, Robert Beeney, a 64-year-old from San Francisco, was advised to get his hip joint replaced, but after doing some research on the Internet, Mr. Beeney elected instead for joint resurfacing, which was not covered by his insurance. Instead of going to a nearby hospital, he flew to Hyderabad in southern India and had the surgery done for $6,600, a fraction of the $25,000 the procedure would have cost in the United States.

Mr. Beeney had his surgery performed at a branch of the Apollo hospital chain. Apollo, which was founded by Dr. Prathap C. Reddy, a surgeon trained at Massachusetts General Hospital, runs a chain of 18 state-of-the-art hospitals throughout Asia. Between 2001 and 2004, Apollo treated 43,000 foreigners, mainly from nations in Southeast Asia and the Persian Gulf, although a growing number are from Western Europe and North America. In 2004, 7 percent of its revenue came from foreigners. With 200 U.S.-trained doctors on his staff, Dr. Reddy reckons that he can offer medical care equivalent to that in the United States, but at a fraction of the cost. Nor is he alone; Mr. Staab's surgery was performed by Dr. Naresh Trehan, a cardiac surgeon who was trained at New York University School of Medicine and worked there for a decade. Dr. Trehan returned home to India and opened his own cardiac hospital, which now conducts 4,000 heart surgeries a year, with a 0.8 percent mortality rate and 0.3 percent infection rate, on par with the best of the world's hospitals.

So will demand for American health services soon collapse as work moves offshore to places like India? Hardly! Regulations, personal preferences, and practical considerations mean that the majority of health services will always be performed in the country where the patient resides. Consider the MRI scan—to safeguard patient care, U.S. regulations require that a radiologist be licensed in the state where the image was made and that he or she be certified by the hospital where care is being given. Given that not many radiologists in India have these qualifications, no more than a small fraction of images can be interpreted overseas. Another complication is that the U.S. government-sponsored medical insurance program, Medicare, will not pay for services done outside of the country. Nor will many private insurance plans, or not yet anyway. Moreover, most people would prefer to have care delivered close to home, and only in exceptional cases, such as when the procedure is not covered by their medical plan, are they likely to consider the foreign option. Still, most experts believe that the trends now in place will continue, and that a small but significant percentage of medical service will be performed in a country that is different from the one where the patient resides.

Sources: G. Colvin, "Think Your Job Can't Be Sent to India?" *Fortune,* December 13, 2004, p. 80; A. Pollack, "Who's Reading Your X-Ray," *The New York Times,* November 16, 2003, pp. 1, 9; S. Rai, "Low Costs Lure Foreigners to India for Medical Care," *The New York Times,* April 7, 2005, p. C6; J. Solomon, "Traveling Cure: India's New Coup in Outsourcing," *The Wall Street Journal,* April 26, 2004, p. A1; and J. Slater, "Increasing Doses in India," *Far Eastern Economic Review,* February 19, 2004, pp. 32–35.

Introduction

A fundamental shift is occurring in the world economy. We are moving away from a world in which national economies were relatively self-contained entities, isolated from each other by barriers to cross-border trade and investment; by distance, time zones, and language; and by national differences in government regulation, culture, and business systems. And we are moving toward a world in which barriers to cross-border trade and investment are declining; perceived distance is shrinking due to advances in transportation and telecommunications technology; material culture is starting to look similar the world over; and national economies are merging into an interdependent, integrated global economic system. The process by which this is occurring is commonly referred to as globalization.

In this interdependent global economy, an American might drive to work in a car designed in Germany that was assembled in Mexico by DaimlerChrysler from components made in the United States and Japan that were fabricated from Korean steel and Malaysian rubber. She may have filled the car with gasoline at a BP service station owned by a British multinational company. The gasoline could have been made from oil pumped out of a well off the coast of Africa by a French oil company that transported it to the United States in a ship owned by a Greek shipping line. While driving to work, the American might talk to her stockbroker on a Nokia cell phone that was designed in Finland and assembled in Texas using chip sets produced in Taiwan China that were designed by Indian engineers working for Texas Instruments. She could tell the stockbroker to purchase shares in Deutsche Telekom, a German telecommunications firm that was transformed from a former state-owned monopoly into a global company by an energetic Israeli CEO. She may turn on the car radio, which was made in Malaysia by a Japanese firm, to hear a popular hip-hop song composed by a Swede and sung by a group of Danes in English who signed a record contract with a French music company to promote their record in America. The driver might pull into a drive-through coffee stall run by a Korean immigrant and order a "single-tall-non-fat latte" and chocolate-covered biscotti. The coffee beans come from Brazil and the chocolate from Peru, while the biscotti was made locally using an old Italian recipe. After the song ends, a news announcer might inform the American listener that antiglobalization protests at a meeting of heads of state in Davos, Switzerland, have turned violent. One protester has been killed. The announcer then turns to the next item, a story about how fear of interest rate hikes in the United States has sent Japan's Nikkei stock market index down to new lows for the year.

This is the world we live in. It is a world where the volume of goods, services, and investment crossing national borders has expanded faster than world output consistently for more than half a century. It is a world where more than \$1.2 billion in foreign exchange transactions are made every day, where \$8.88 trillion of goods and \$2.10 trillion of services were sold across national borders in 2004.[1] It is a world in which international institutions such as the World Trade Organization and gatherings of leaders from the world's most powerful economies have called for even lower barriers to cross-border trade and investment. It is a world where the symbols of material and popular culture are increasingly global: from Coca-Cola and Starbucks to Sony PlayStations, Nokia cell phones, MTV shows, and Disney films. It is a world in which products are made from inputs that come from all over the world. It is a world in which an economic crisis in Asia can cause a recession in the United States, and the threat of higher interest rates in the United States really did help drive Japan's Nikkei index down in the spring of 2004. It is also a world in which vigorous and vocal groups protest against globalization, which they blame for a list of ills, from unemployment in developed nations to environmental degradation and the Americanization of popular culture. And yes, these protests really have turned violent.

For businesses, this process has produced many opportunities. Firms can expand their revenues by selling around the world and reduce their costs by producing in nations where key inputs, including labor, are cheap. Since the late of the 1980s, the pendulum of public policy in nation after nation has swung toward the free market end of the economic spectrum. Regulatory and administrative barriers to doing business in foreign nations have come down, while those nations have often transformed their economies, privatizing state-owned enterprises, deregulating markets, increasing competition, and welcoming investment by foreign businesses. This has allowed businesses both large and small, from both advanced nations and developing nations, to expand internationally.

At the same time, globalization has created new threats for businesses accustomed to dominating their domestic markets. Foreign companies have entered many formerly protected industries in developing nations, increasing competition and driving down prices. For three decades, U.S. automobile companies have been battling foreign enterprises, as Japanese, European, and now Korean companies have taken business from them. General Motors has seen its market share decline from more than 50 percent to about 28 percent, while Japan's Toyota has passed Chrysler, now DaimlerChrysler, to become the third largest automobile company in America behind Ford and GM.

As globalization unfolds, it is transforming industries and creating anxiety among those who believed their jobs were protected from foreign competition. Historically, while many workers in manufacturing industries worried about the impact foreign competition might have on their jobs, workers in service industries felt more secure. Now this too is changing. Advances in technology, lower transportation costs, and the rise of skilled workers in developing countries imply that many services no longer need to be performed where they are delivered. As illustrated by the opening case, the outsourcing trend is even hitting health services. An MRI scan might now be interpreted by a radiologist living in Bangalore, and a North Carolina man might elect to have surgery in Hyderabad, India, rather than his local hospital. Similar trends can be seen in many other service industries. Accounting work is being outsourced from America to India. In 2003, some 25,000 U.S. individual tax returns were done in India; in 2005 the number was expected to be closer to 400,000. Indian accountants, trained in U.S. tax rules, perform work for U.S. accounting firms.[2] They access individual tax returns stored on computers in the United States, perform routine calculations, and save their work so that it can be inspected by a U.S. accountant, who then bills clients. As the best-selling author Thomas Friedman has recently argued, the world is becoming flat.[3] People living in developed nations no longer have the playing field tilted in their favor. Increasingly, enterprising individuals based in India, China, or Brazil have the same opportunities to better themselves as those living in Western Europe, the United States, or Canada.

In this book we will take a close look at the issues introduced here, and at many more besides. We will explore how changes in regulations governing international trade when coupled with changes in political systems and technology, have dramatically altered the competitive playing field confronting many businesses.

We will consider whether globalization benefits or harms national economies. We will look at what economic theory has to say about the outsourcing of manufacturing and service jobs to places such as India and China, and at the benefits and costs of outsourcing, not just to business firms and their employees, but also to entire economies. First, though, we need to get a better overview of the nature and process of globalization, and that is the function of the current chapter.

What is Globalization?

As used in this book, **globalization** refers to the shift toward a more integrated and interdependent world economy. Globalization has several facets, including the globalization of markets and the globalization of production.

BEIJING, CHINA: Chinese shoppers walk through Beijing's main downtown shopping promenade past a Kentucky Fried Chicken (KFC) franchise. KFC is one of the most successful international businesses in China due to its adaptation and appeal to the Chinese market.

THE GLOBALIZATION OF MARKETS

The **globalization of markets** refers to the merging of historically distinct and separate national markets into one huge global marketplace. Falling barriers to cross-border trade have made it easier to sell internationally. It has been argued for some time that the tastes and preferences of consumers in different nations are beginning to converge on some global norm, thereby helping to create a global market.[4] Consumer products such as Citigroup credit cards, Coca-Cola soft drinks, Sony PlayStation video games, McDonald's hamburgers, and Starbucks coffee are frequently held up as prototypical examples of this trend. Firms such as Citigroup, Coca-Cola, McDonald's, Starbucks, and Sony are more than just benefactors of this trend; they are also facilitators of it. By offering the same basic product worldwide, they help to create a global market.

A company does not have to be the size of these multinational giants to facilitate, and benefit from, the globalization of markets. In the United States, for example, nearly 90 percent of firms that export are small businesses that employ less than 100 people, and their share of total U.S. exports has grown steadily over the last decade and now exceeds 20 percent.[5] Firms with less than 500 employees accounted for 97 percent of all U.S. exporters and almost 30 percent of all exports by value.[6] Typical of these is Hytech, a New York–based manufacturer of solar panels that generates 40 percent of its $3 million in annual sales from exports to five countries, or B&S Aircraft Alloys, another New York company whose exports account for 40 percent of its $8 million annual revenues.[7] The situation is similar in several other nations. In Germany, for example, companies with less than 500 employees account for about 30 percent of that nation's exports.[8]

Despite the global prevalence of Citigroup credit cards, McDonald's hamburgers, and Starbucks coffee, it is important not to push too far the view that national markets are giving way to the global market. As we shall see in later chapters, very significant differences still exist among national markets along many relevant dimensions, including consumer tastes and preferences, distribution channels, culturally embedded value systems, business systems, and legal regulations. These differences frequently require that marketing strategies, product features, and operating practices be customized to best match conditions in a country. For example, automobile companies will promote different car models depending on a range of factors such as local fuel costs, income levels, traffic congestion, and cultural values. Similarly, many companies need to vary aspects of their product mix and operations from country to country depending on local tastes and preferences.

The most global markets currently are not markets for consumer products—where national differences in tastes and preferences are still often important enough to act as a brake on globalization—but markets for industrial goods and materials that serve a universal need the world over. These include the markets for commodities such as aluminum, oil, and wheat; the markets for industrial products such as microprocessors, DRAMs (computer memory chips), and commercial jet aircraft; the markets for computer software; and the markets for financial assets from U.S. Treasury bills to eurobonds and futures on the Nikkei index or the Mexican peso.

In many global markets, the same firms frequently confront each other as competitors in nation after nation. Coca-Cola's rivalry with PepsiCo is a global one, as are the rivalries between Ford and Toyota, Boeing and Airbus, Caterpillar and Komatsu in earthmoving equipment, and Sony, Nintendo, and Microsoft in video games. If one firm moves into a nation that is not currently served by its rivals, those rivals are sure to follow to prevent their competitor from gaining an advantage.[9] As firms follow each other around the world, they bring with them many of the assets that served them well in other national markets—including their products, operating strategies, marketing strategies, and brand names—creating some homogeneity across markets. Thus, greater uniformity replaces diversity. In an increasing number of industries, it is no longer meaningful to talk about "the German market," "the American market," "the Brazilian market," or "the Japanese market"; for many firms there is only the global market.

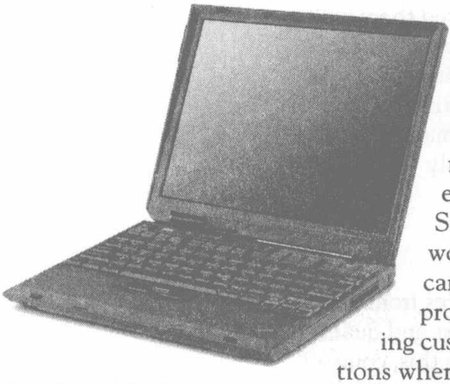
THE GLOBALIZATION OF PRODUCTION

The **globalization of production** refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of **factors of production** (such as labor, energy, land, and capital). By doing this, companies hope to lower their overall cost structure and/or improve the quality or functionality of their product offering, thereby allowing them to compete more effectively. Consider the Boeing Company's commercial jet airliner, the 777. Eight Japanese suppliers make parts for the fuselage, doors, and wings; a supplier in Singapore makes the doors for the nose landing gear; three suppliers in Italy manufacture wing flaps; and so on.[10] In total, some 30 percent of the 777, by value, is built by foreign companies. For its next jet airliner, the 787, Boeing is pushing this trend even further, with some 65 percent of the total value of the aircraft scheduled to be outsourced to foreign companies, 35 percent of which will go to three major Japanese companies.[11]

Part of Boeing's rationale for outsourcing so much production to foreign suppliers is that these suppliers are the best in the world at their particular activity. A global web of suppliers yields a better final product, which enhances the chances of Boeing winning a greater share of total orders for aircraft than its global rival, Airbus Industrie. Boeing also outsources some production to foreign countries to increase the chance that it will win significant orders from airlines based in that country.

For another example of a global web of activities, consider the IBM ThinkPad X31 laptop computer.[12] This product was designed in the United States by IBM engineers because IBM believed that was the best location in the world to do the basic design work. The case, keyboard, and hard drive were made in Thailand; the display screen and memory were made in the Republic of Korea; the built-in wireless card was made in Malaysia; and the microprocessor was manufactured in the United States. In each case, these components were manufactured in the optimal location given an assessment of production costs and transportation costs. These components were shipped to an IBM operation in Mexico, where the product was assembled, before being shipped to the United States for final sale. IBM assembled the ThinkPad in Mexico because IBM's managers calculated that due to low labor costs, the costs of assembly could be minimized there. The marketing and sales strategy for North America was developed by IBM personnel in the United States, primarily because IBM believed that due to their knowledge of the local marketplace, U.S. personnel would add more value to the product through their marketing efforts than personnel based elsewhere. (Interestingly, in another comment on the nature of globalization, in 2005, IBM's personal computer business, including the ThinkPad, was purchased by the Chinese company Lenovo, which promptly moved its headquarters to the United States because it believed that was the best location from which to run this business. See the Management Focus later in this chapter on Lenovo.)

While historically significant outsourcing has been primarily confined to manufacturing enterprises such as Boeing and IBM, increasingly companies take advantage of modern communications technology, particularly the Internet, to outsource service activities to low-cost producers in other nations. As we saw in the opening case, the Internet has allowed hospitals to outsource some radiology work to India, where images from MRI scans and the like are read at night while U.S. physicians sleep and the results are ready for them in the morning. Similarly, in December 2003, IBM



The ThinkPad X31 is ultra-global—its components come from various locations worldwide, but the assembly occurs in Mexico.

announced it would move the work of some 4,300 software engineers from the United States to India and China (software production is counted as a service activity).[13] Many software companies now use Indian engineers to perform maintenance functions on software designed in the United States. Due to the time difference, Indian engineers can run debugging tests on software written in the United States when U.S. engineers sleep, transmitting the corrected code back to the United States over secure Internet connections so it is ready for U.S. engineers to work on the following day. Dispersing value creation activities in this way can compress the time and lower the costs required to develop new software programs. Other companies from computer makers to banks are outsourcing customer service functions, such as customer call centers, to developing nations where labor is cheaper.

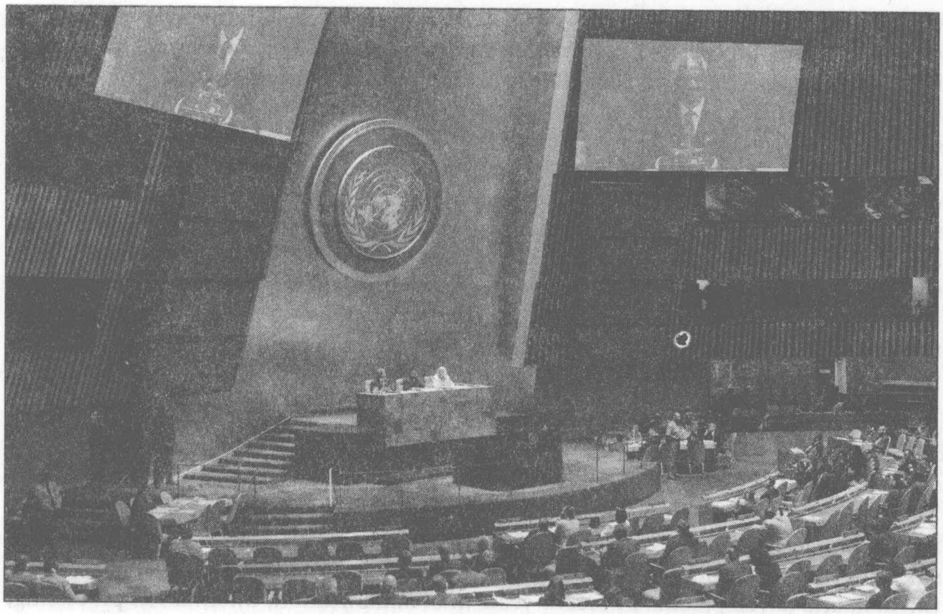
Robert Reich, who served as secretary of labor in the Clinton administration, has argued that as a consequence of the trend exemplified by companies such as Boeing, Microsoft, and IBM, in many cases it is becoming irrelevant to talk about American products, Japanese products, German products, or Korean products. Increasingly, according to Reich, the outsourcing of productive activities to different suppliers results in the creation of products that are global in nature; that is, "global products."[14] But as with the globalization of markets, one must be careful not to push the globalization of production too far. As we will see in later chapters, substantial impediments still make it difficult for firms to achieve the optimal dispersion of their productive activities to locations around the globe. These impediments include formal and informal barriers to trade between countries, barriers to foreign direct investment, transportation costs, and issues associated with economic and political risk. For example, government regulations ultimately limit the ability of hospitals to outsource the process of interpreting MRI scans to developing nations where radiologists are cheaper (see the opening case).

Nevertheless, we are traveling down the road toward a future characterized by the increased globalization of markets and production. Modern firms are important actors in this drama, by their very actions fostering increased globalization. These firms, however, are merely responding in an efficient manner to changing conditions in their operating environment—as well they should.

The Emergence of Global Institutions

As markets globalize and an increasing proportion of business activity transcends national borders, institutions are needed to help manage, regulate, and police the global marketplace, and to promote the establishment of multinational treaties to govern the global business system. Over the past half century, a number of important global institutions have been created to help perform these functions. These institutions include the **General Agreement on Tariffs and Trade (the GATT)** and its successor, the World Trade Organization (WTO); the International Monetary Fund (IMF) and its sister institution, the World Bank; and the United Nations (UN). All these institutions were created by voluntary agreement between individual nation-states, and their functions are enshrined in international treaties.

The **World Trade Organization** (like the GATT before it) is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties signed by WTO member states. As of May 2005, 148 nations that collectively accounted for 97 percent of world trade were WTO members, thereby giving the organization enormous scope and influence. The WTO is also responsible for facilitating the establishment of additional multinational agreements between WTO member states. Over its entire history, and that of the GATT before it, the WTO has promoted the lowering of barriers to cross-border trade and investment.



The United Nations has the important goal of improving the well-being of people around the world.

In doing so, the WTO has been the instrument of its member states, which have sought to create a more open global business system unencumbered by barriers to trade and investment between countries. Without an institution such as the WTO, the globalization of markets and production is unlikely to have proceeded as far as it has. However, as we shall see in this chapter and in Chapter 3 when we look closely at the WTO, critics charge that the WTO is usurping the national sovereignty of individual nation-states.

The **International Monetary Fund (IMF)** and the **World Bank** were both created in 1944 by 44 nations that met at **Bretton Woods,** New Hampshire. The task of the IMF was to maintain order in the international monetary system, and that of the World Bank was to promote economic development. In the 60 years since their creation, both institutions have emerged as significant players in the global economy. The World Bank is the less controversial of the two sister institutions. It has focused on making low-interest loans to cash-strapped governments in poor nations that wish to undertake significant infrastructure investments (such as building dams or roads).

The IMF is often seen as the lender of last resort to nation-states whose economies are in turmoil and currencies are losing value against those of other nations. Repeatedly during the past decade, for example, the IMF has lent money to the governments of troubled states, including Argentina, Indonesia, Mexico, Russia, the Republic of Korea, Thailand, and Turkey. The IMF loans come with strings attached; in return for loans, the IMF requires nation-states to adopt specific economic policies aimed at returning their troubled economies to stability and growth. These "strings" have generated the most debate, for some critics charge that the IMF's policy recommendations are often inappropriate, while others maintain that by telling national governments what economic policies they must adopt, the IMF, like the WTO, is usurping the sovereignty of nation-states.

The **United Nations** was established October 24, 1945, by 51 countries committed to preserving peace through international cooperation and collective security. Today nearly every nation in the world belongs to the United Nations; membership now totals 191 countries. When states become members of the United Nations, they agree to accept the obligations of the UN Charter, an international treaty that establishes basic principles of international relations. According to the charter, the United Nations has four purposes: to maintain international peace and security, to develop friendly relations among nations, to cooperate in solving international problems and in promoting respect for human rights, and to be a center for harmonizing the actions of nations. Although the UN is perhaps best known for its peacekeeping role, one of the organization's central mandates is the promotion of higher standards of living, full employment, and conditions of economic and social progress and development—all issues that are central to the creation of a vibrant global economy. As much as 70 percent of the work of the UN system is devoted to accomplishing this mandate. To do so, the United Nations works closely with other international institutions such as the World Bank. Guiding the work is the belief that eradicating poverty and improving the well-being of people everywhere are necessary steps in creating conditions for lasting world peace.[15]

Drivers of Globalization

Two macro factors seem to underlie the trend toward greater globalization.[16] The first is the decline in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II. The second factor is technological change, particularly the dramatic developments in recent years in communication, information processing, and transportation technologies.

DECLINING TRADE AND INVESTMENT BARRIERS

During the 1920s and 30s, many of the world's nation-states erected formidable barriers to international trade and foreign direct investment. **International trade** occurs when a firm exports goods or services to consumers in another country. **Foreign direct investment (FDI)** occurs when a firm invests resources in business activities outside its home country. Many of the barriers to international trade took the form of high tariffs on imports of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competition. One consequence, however, was "beggar thy neighbor" retaliatory trade policies with countries progressively raising trade barriers against each other. Ultimately, this depressed world demand and contributed to the Great Depression of the 1930s.

Having learned from this experience, the advanced industrial nations of the West committed themselves after World War II to removing barriers to the free flow of goods, services, and capital between nations.[17] This goal was enshrined in the General Agreement on Tariffs and Trade (GATT). Under the umbrella of GATT, eight rounds of negotiations among member states (now numbering 148) have worked to lower barriers to the free flow of goods and services. The most recent round of negotiations, known as the Uruguay Round, was completed in December 1993. The Uruguay Round further reduced trade barriers; extended GATT to cover services as well as manufactured goods; provided enhanced protection for patents, trademarks, and copyrights; and established the World Trade Organization (WTO) to police the international trading system.[18] Table 1.1 summarizes the impact of GATT agreements on average tariff rates for manufactured goods. As can be seen, average tariff rates have fallen significantly since 1950 and now stand at about 4 percent.

In late 2001, the WTO launched a new round of talks aimed at further liberalizing the global trade and investment framework. For this meeting, it picked the remote location of Doha in the Persian Gulf state of Qatar. At Doha, the member states of the WTO staked out an agenda. The talks were scheduled to last three years, although it now looks as if they may go on significantly longer. The agenda includes cutting tariffs on industrial goods, services, and agricultural products; phasing out subsidies to agricultural producers; reducing barriers to cross-border investment; and limiting the use of antidumping laws.