

# World Trade Organization

## Gives Businesses Improved Access to Foreign Markets

### Summary

#### Background

The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations, and ratified or approved in their parliaments or legislatures. The goal is to help producers of goods and services, exporters and importers conduct business.

In 1994, the U.S. Congress approved the trade agreements resulting from the Uruguay Round of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT). The agreement liberalized world trade and created a new WTO, effective January 1, 1995, succeeding the 47-year-old GATT.

The GATT had been created in 1948 to expand economic activity by reducing tariffs and other barriers to trade. The Uruguay Round agreements built on past successes by reducing tariffs by roughly one-third across the board and by expanding the GATT framework to include additional agreements.

The WTO is a multilateral treaty subscribed to by 164 governments, which together account for the majority of world trade (with more than 20 nations negotiating their accession).

#### WTO Functions

The basic aim of the WTO is to liberalize world trade and place it on a secure foundation, thereby contributing to economic growth and development, and to the welfare of people around the world. The functions of the WTO are:

- administering WTO trade agreements;
- providing a forum for trade negotiations;
- handling trade disputes;
- monitoring national trade policies;
- offering technical assistance and training for developing countries; and
- cooperating with other international organizations.

The ultimate goal of the WTO is to abolish trade barriers around the world so that trade can be totally free. Members have agreed to reduce, over time, the most favored nation duty rates to zero—along with abolishing quotas and other nontariff barriers to trade. Currently, there are more than 20 agreements dealing with goods, services, investment measures and intellectual property rights.

Part of the Uruguay Round agreements creating the WTO requires the White House to send a report to Congress evaluating U.S. membership in the organization every five years. Following the report, members of Congress may introduce legislation opposing U.S. membership.

#### Past Negotiations

At the Fourth Ministerial Conference in Doha, Qatar, in November 2001, WTO member governments agreed to launch new negotiations. They also agreed to work on other issues, in particular the implementation of the present agreements. The entire package is called the Doha Development Agenda.

The 10th Ministerial Conference was held December 15–19, 2015 in Nairobi, Kenya, the first such meeting hosted by an African nation. The conference resulted in the historic Nairobi Package, delivering commitments to especially assist the poorest members of the WTO.

The ministers cited the “pre-eminence of the WTO as the global forum for trade rules setting and governance” and recognized the contribution the rules-based multilateral trading system has made to the strength and stability of the global economy.

#### Impact

Successful multilateral negotiating rounds have helped increase world trade, while the WTO estimates that the 1994 Uruguay Round trade deal added more than \$100 billion to world income. The World Bank estimates that new successful world trade talks could bring nearly \$325 billion in income to the developing world, and

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could lift 500 million people out of poverty. Other studies have shown that eliminating trade barriers would mean \$2,500 per year in increased income to the average U.S. family of four. Trade liberalization can create new jobs, higher incomes and economic growth for countries around the world.

In October 2016, Director-General Roberto Azevêdo said:

“While I believe that trade is essential for economic growth and development around the world, I also believe that trade is imperfect. Despite the overall gains it delivers, it can have negative effects in some parts of the economy and those effects can have a big impact on some people’s lives. We have a responsibility to reflect on this and to respond.

“We have to work harder to ensure that the benefits of trade are more widely shared. We also need a clearer analysis of the challenges before us so that we can tailor our response. The charge often leveled against trade is that it sends jobs overseas, particularly in manufacturing. Trade can indeed cause this kind of displacement, and we need to respond to it. But actually trade is a relatively minor cause of job losses. The evidence shows that well over 80% of job losses in advanced economies are not due to trade, but to increased productivity through technology and innovation.

“So we need to be clear-eyed about the problems in the job market. No-one could attack technology—trade is a much easier scapegoat. But the wrong diagnosis leads to the wrong medicine. And, when trade is considered the main issue, all too often the suggested prescription is protectionism. This medicine would harm the patient, rather than help him.

“To properly address the real challenges before us we need comprehensive and crosscutting domestic policies that address education, reskilling and support to the unemployed. We also need renewed leadership to keep delivering reforms at the global level. Finally, we need to work harder to make a credible, balanced, powerful argument for trade. We must join forces with partners like the IMF [International Monetary Fund] and World Bank to produce new research and new arguments to help make the case. Today’s seminar marks the start of this shared effort.”

California is one of the 10 largest economies in the world with a gross state product of more than \$2 trillion. International-related commerce accounts for approximately one-quarter of the state’s economy. Although trade is a nationally determined policy issue, it has an immense impact on California; California exports goods to more than 229 foreign markets around the world. Trade offers the opportunity to expand the role of the state’s exports.

For U.S. businesses, successful implementation of WTO negotiations would translate to:

- expanded market access for U.S. farm products;
- expanded market access for U.S.-manufactured goods;
- reduced cost of exporting to some countries; and
- improvement in foreign customs procedures that currently cause shipment delays.

### Anticipated Action

A large number of WTO ministers point to the growing number of regional trade agreements and stress the need to ensure that they remain complementary to, not a substitute for, the multilateral trading system. It is hoped that substantive negotiating will continue in the Doha Round in 2017 leading up to the next gathering of trade ministers in Buenos Aires from December 11–14, 2017.

It is understood the Trump administration prefers bilateral trade agreements. WTO chief Azevêdo said on November 24, 2016 he had no indication that U.S. President-elect Donald Trump wanted to withdraw the United States from the global trading body, per Reuters. “I think that at this point in time what we have to do is be ready for a conversation,” Azevêdo told reporters, adding that he was convinced the United States could be a very important partner in reviving global trade growth. Trump suggested during his election campaign that he could pull the United States out of the WTO if its rules stopped him renegotiating U.S. terms of trade to his satisfaction. “I haven’t had any indication from anybody that that would be the case,” said Azevêdo. If the United States were to pull out of regional trade deals, the WTO would continue doing what it does, he said.

At a meeting of all WTO members held December 1, 2016 to discuss the organization’s negotiating work, Director-General Azevêdo highlighted the progress made over the last 12 months and urged members to capitalize on this positive engagement in the new year, particularly as members begin to look toward the 11th WTO Ministerial Conference in December 2017.

**CalChamber  
Position**

The California Chamber of Commerce, in keeping with long-standing policy, enthusiastically supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad and elimination of disincentives that impede the international competitiveness of California business.

The WTO is having a tremendous impact on how California producers of goods and services compete in overseas markets, as well as domestically, and is creating jobs and economic growth through expanded international trade and investment.

The WTO gives businesses improved access to foreign markets and better rules to ensure that competition with foreign businesses is conducted fairly.

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