

World Trade Organization Gives Businesses Improved Access to Foreign Markets

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 earlier 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.

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.

In February 2017, a major milestone for the global trading system was reached when the first multilateral deal concluded in the 21-year history of the WTO entered into force. The Trade Facilitation Agreement (TFA) will reduce the costs of trading across borders and lead to increased U.S. and foreign exports and jobs. It will provide enforceable government commitments, which will reduce red tape at the borders, and speed movement of goods internationally.

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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 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 2017, WTO Director-General Roberto Azevêdo said:

“Of course we cannot ignore all the current risks, but actually the multilateral trading system is stronger than it has been for some years and more needed than ever. And, while it certainly must evolve and improve, I have yet to hear of any credible alternative to the system we have today. Without it, we would be in a world ruled by unilateral actions—which is almost a euphemism for trade wars—and we’d all, without exception, be worse off.

“This year we have already seen the entry into force of the Trade Facilitation Agreement and the TRIPS [Agreement on Trade-Related Aspects of Intellectual Property Rights] amendment, which eases the access to essential medicines for the poorest countries.

“Besides their economic significance, I think these breakthroughs achieved more than the sum of their parts. They showed that the 164 WTO members could work together in a meaningful way to solve the most complex problems they face. And they proved that the WTO can deliver.

“We can’t cross our fingers and hope that with renewed growth other structural problems will simply melt away.

“We need to confront these problems head on.

“Trade is often singled out as a disruptive force in labour markets. While trade does have an effect, technology is actually the major force driving change and disruption in economies everywhere.

“Automation, digitization and new managerial techniques are revolutionising the global economy.

“Productivity gains from new technologies are reducing the demand for labour in sectors such as agriculture or manufacturing. In some economies, including the U.S., 8 out of 10 job losses in manufacturing are due to higher productivity—not cheaper imports.

“Like technology, trade is essential for progress. So we should not reject these forces. We need to embrace them and adapt.

“Having made these points, let’s not ignore that the overall benefits of trade or technology are of no consolation for someone who has lost their job.

“We must ensure that the global economic system is more inclusive, ensure that its benefits reach everyone.”

California is one of the 10 largest economies in the world, with a gross state product of more than \$2.6 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 225 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.

The 11th Ministerial Conference (MC11) took place from December 10–13, 2017 in Buenos Aires, Argentina. The conference ended with a number of ministerial decisions, including on fisheries subsidies and e-commerce duties, and a commitment to continue negotiations in all areas. Some 70 members, including the United States, European Union and Japan, pledged to forge ahead with negotiating rules on electronic commerce after a broader deal among the full membership failed. Absent from the group were China, India, Vietnam and Indonesia.

U.S. Trade Representative Robert Lighthizer issued the following statement on the conclusion of the 11th Ministerial Conference of the World Trade Organization in Buenos Aires:

“MC11 will be remembered as the moment when the impasse at the WTO was broken. Many members recognized that the WTO must pursue a fresh start in key areas so that like-minded WTO Members and their constituents are not held back by the few Members that are not ready to act. In this regard, the United States is pleased to work with willing Members on e-commerce, scientific standards for agricultural products, and the challenges of unfair trade practices that distort world markets. Further, the United States intends to continue pushing meaningful disciplines on harmful fisheries subsidies based on guidance agreed to by Ministers at Buenos Aires. We are proud to defend the interests of U.S. stakeholders at the WTO, including our farmers and ranchers, who need a result on agriculture that is based on the realities of today, rather than a 16-year-old, outdated and unworkable framework.

“The United States looks forward to working with those WTO Members who are seeking free and fair trade through the implementation of WTO agreements and decisions as negotiated by Members. We welcome the opportunity in 2018 to continue to discuss how we can improve the functioning of the WTO and to ensure that it achieves its objectives for the benefit of all Members.”

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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