

World Trade Organization

2021 Will Bring New Director General, Possible WTO Revamp

- A New Director General is expected to be chosen in 2021 after the United States held up nomination of the consensus candidate.
- WTO Goods Trade Barometer predicts 9.2% decline in volume of world merchandise trade in 2020.
- WTO celebrated its 25th anniversary in 2020, underlining the importance of a rules-based trading system amidst the COVID-19 pandemic.

BACKGROUND

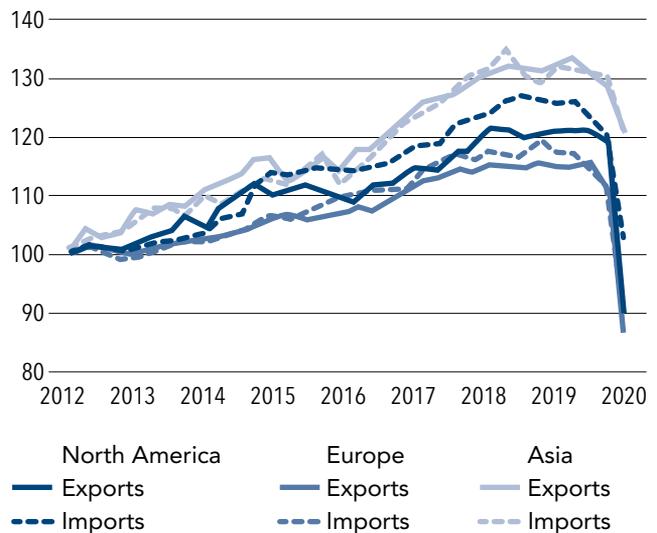
The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. At its heart are the WTO agreements, negotiated and signed by the bulk of 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).

MERCHANDISE EXPORTS AND IMPORTS BY REGION
(First Quarter 2012–Second Quarter 2020)



Source: World Trade Organization (October 2020).

WTO FUNCTION

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. There are more than 60 agreements dealing with goods, services, investment measures and intellectual property rights.

Part of the Uruguay Round agreements creating the WTO

Agenda for California Recovery

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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.

IMPACT

Successful multilateral negotiating rounds have helped increase world trade; the WTO estimates 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 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.

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.

2020 ACTIVITY

In 2020, the WTO tackled COVID-19 issues with the rest of the world, encouraging open trade of medical supplies, personal protective equipment, and an eventual vaccine. While tackling many logistical trade issues that arose with the global pandemic, the WTO remained under scrutiny by then-President Donald J. Trump. The WTO also underwent another unexpected transformation in May 2020 when then-Director General Roberto Azevêdo announced he would step down from his role at the end of August 2020, cutting his second term short by one year.

The search for a new Director General began soon after and the field of eight was narrowed down to two candidates by October 2020. Former finance and foreign minister Ngozi Okonjo-Iweala of Nigeria was the consensus candidate; however, the United States held up her nomination, preferring runner-up trade minister Yoo Mygun-hee of South Korea. The WTO has since stalled the nomination process, hoping to find a U.S. consensus with the new Biden administration.

Throughout 2020, the United States remained steadfast in opposing the WTO. Trump administration spokespersons said the WTO's dispute settlement system threatens U.S. sovereign rights, has strayed from its original mandate, and allowed nations to gain concessions they never would have been able to obtain at the negotiating table.

With the possibility of a new WTO administration, the European Union and other major nations have come together to push this as the opportunity for reforming and revamping the organization. Countries have supported the United States' drive for greater transparency and discipline within the WTO, but also have stated it is important to uphold the global commercial order under growing tensions, not dismantle it.

ANTICIPATED ACTION

In 2021, the WTO is expected to choose a new Director General, who is expected to tackle reforms within the organization.

The California Chamber of Commerce is hopeful the major trading economies can reach consensus on the Director General and a path forward for the WTO in 2021. The revamp should address the functioning of the Appellate Body, encourage greater transparency and enhance discipline for members who fall behind on reporting obligations.

The Twelfth WTO Ministerial Conference, originally planned for June 2020 in Kazakhstan, now may be scheduled for December 2021.

CALCHAMBER POSITION

The CalChamber, in keeping with longstanding 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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