

World Trade Organization

Gives Businesses Improved Access to Foreign Markets

- Support the removal of trade-distorting practices to foster a level playing field.
- The World Trade Organization's Trade Facilitation Agreement is expected to add \$400 billion to \$1 trillion to trade.
- Reduced cost of trading across borders will lead to increased U.S. and foreign exports and jobs.

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.

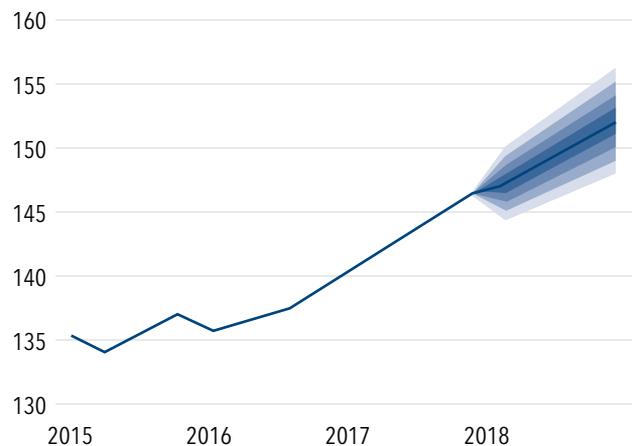
In 1994, the U.S. Congress approved the trade agreements resulting from the Uruguay Round of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT). The agreement liberalized world trade and created a new WTO, effective January 1, 1995, succeeding the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

VOLUME OF WORLD MERCHANDISE TRADE

Seasonally adjusted volume index, 2005=100



Source: World Trade Organization and United Nations Conference on Trade and Development

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. 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

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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, 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.

California is one of the 10 largest economies in the world with a gross state product of more than \$2.7 trillion. Although trade is a nationally determined policy issue, it has an immense impact on California; California exports goods to more than 226 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.

PAST ACTIVITY

In February 2017, the global trading system reached a major milestone when the first multilateral deal concluded in the WTO's 21-year history entered into force. The Trade Facilitation Agreement (TFA) has already begun to reduce the costs of trading across borders and led to increased U.S. and foreign exports and jobs. It provided enforceable government commitments, which reduced red tape at the borders and sped movement of goods internationally.

The Eleventh Ministerial Conference took place in Buenos Aires in December 2017. Unfortunately, not as much progress was made during this conference as was hoped; however, members made a commitment to continue negotiations in all areas.

The WTO came under scrutiny by President Donald J. Trump in the second half of 2018, as he threatened to leave the global body. The European Union responded by calling for a revamp of the WTO, saying it is important to uphold the global commercial order under growing tensions. Other countries, such as Argentina and Japan, have joined the EU to come behind the U.S. to support a drive for greater transparency and discipline within the WTO.

At the G-20 Summit in Buenos Aires, Argentina at the end of 2018, leaders agreed to a joint communiqué that stated the need to change the WTO, recognizing that the WTO is need of reform as it has recently fallen short of meeting its objectives.

ANTICIPATED ACTION

The California Chamber of Commerce is hopeful the major trading economies can come to a consensus on a reform of the WTO in 2019. The revamp should address the functioning of the appellate body, encourage greater transparency and enhance discipline for members who fall behind on their reporting obligations.

At the G-20 Summit in Argentina, leaders agreed to review WTO reform progress at the next G-20 Summit in Japan in June 2019.

CALCHAMBER POSITION

The CalChamber, 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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January 2019