

World Trade Organization

WTO Gives Businesses Improved Access to Foreign Markets

Summary

Background

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 World Trade Organization (WTO), effective January 1, 1995, succeeding the 47-year-old GATT.

The WTO is the only global international organization dealing with the rules of trade between nations. 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 their business.

The GATT was 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 153 governments, which together account for the majority of world trade (Russia, several Central Asian countries, Algeria, Libya, Iran and Iraq are currently asking for or 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 non-tariff barriers to trade. Currently, there are more than 21 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. In June 2005, Congress once again confirmed the United States' membership in the trade organization. Through a vote of 338-86, the U.S. House of Representatives easily defeated a bill to pull the United States out of the WTO.

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 Fifth Ministerial Conference in Cancun, Mexico in September 2003 was for members to agree on how to complete the rest of the negotiations. But the meeting ended in deadlock over agricultural issues. The original January 1, 2005 deadline was missed. After that, members unofficially aimed to finish the negotiations by the end of 2006. Their efforts were unsuccessful.

Current

The July 2008 package was considered a stepping stone on the way to concluding the Doha Round. The main task before WTO members was to settle a range of questions that would shape the final agreement of the Doha Development Agenda (DDA). Political breakthrough required consultations among a group of ministers representing all interests in the negotiations.

In a September 2009 speech, WTO Director-General Pascal Lamy said that “what is outstanding in the DDA negotiations is doable and a deal is within reach, but to get there, we still need a translation of the current global political support into tangible negotiating moves.” He said

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that following up on a successful ministerial gathering in India, senior trade officials are in Geneva consulting on “a compass to guide the negotiations over the coming months, so we can wrap them up in 2010.”

Impact

The WTO estimates that the impact of the 1994 Uruguay Round trade deal added more than \$100 billion to world income. The World Bank estimates that successful world trade talks could bring nearly \$325 billion in income to the developing world by 2015, and could lift 500 million people out of poverty. Other studies have shown that an elimination of 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 \$1.8 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, the successful implementation of these negotiations would translate to:

- major cuts in foreign tariffs on U.S. farm exports;
- expanded market access for all U.S. farm products through tariff cuts and quota expansion;
- expanded market access for U.S.-manufactured goods;
- opening of foreign markets for the United States, such as telecommunications, entertainment, construction and engineering, etc;
- a reduction in the cost of exporting to some countries by 5 percent to 15 percent; and
- an improvement in foreign customs procedures that currently cause shipment delays.

Anticipated Action

In a speech to the U.N. Trade and Development Board, WTO Director-General Lamy said, “At the beginning of September [2009], India hosted a successful gathering of trade ministers aimed at reviewing the state of play in the negotiations and providing the impetus that would bring the negotiators back to the table in Geneva with their pens full of fresh ink.”

At the meeting, members unanimously reaffirmed their commitment to conclude the negotiations by 2010, given the role that they see trade playing in the recovery of their economies.

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.

Reasons for Position

- 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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