

# 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
- cooperation 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 by the end of 2008. The main task before WTO members was to settle a range of questions that would shape the final agreement of the Doha Development Agenda. Political breakthrough required consultations among a group of ministers representing all interests in the negotiations. A series of meetings were held in Geneva from July 21 to July 30, 2008.

On July 30, 2008, WTO Director-General Pascal Lamy announced that the Doha Development Agenda negotiations failed to move forward after trade ministers stalled in their efforts to agree on blueprint agreements in agriculture and industrial products. Lamy told the media after

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speaking to members, that out of a to-do list of 20 topics, 18 had seen positions converge, but the gaps could not narrow on the 19th — the special safeguard mechanism for developing countries.

Still on the table are the draft agriculture and non-agricultural modalities texts containing formulas for cutting tariffs and agricultural subsidies, flexibilities for making different cuts, and related rules and disciplines.

### 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 \$1.7 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 220 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

On November 15, 2008, President Bush and world leaders gathered for the first in a series of meetings to discuss efforts to strengthen economic growth, deal with the financial crisis and lay the foundation for reform to help ensure that a similar crisis does not happen again.

According to the White House, the leaders agreed that needed reforms will succeed only if they are grounded in a commitment to free market principles, including the rule of law, respect for private property, open trade and investment, competitive markets and efficient, effectively regulated financial systems. The leaders further agreed, among other things, to strive to reach an agreement this year on modalities that lead to an ambitious outcome to the Doha Round of WTO negotiations

### 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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 January 2009