To Bali and Beyond:
Securing Real Deliverables
Through the Multilateral Trade System

Position Paper for
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Following the Second World War, the community of nations built international institutions they hoped would secure a peaceful, prosperous world for generations to come. None of these has succeeded as spectacularly as the institutions created to foster global trade: The General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO).

The U.S. business community remains firmly committed to the WTO and the global rules-based trading system. Its rules inform national policy, and its dispute settlement system commands global respect. However, more than a decade after the Doha Round of global trade talks was launched, the WTO’s role as the key forum for market-opening trade negotiations is at risk.

The good news is that negotiators are focusing on a discrete package of deliverables with a specific deadline. The WTO’s 9th Ministerial Conference (MC9) — to be held in Bali, Indonesia, on December 3-6, 2013 — is a critical opportunity to demonstrate that the organization can deliver new trade openings. The Chamber delegation visiting Geneva in September will carry this message of urgency to the negotiators and to new WTO Director-General Roberto Azevêdo and his leadership team — and to lend our support.

Value of the Multilateral Trade System

As MC9 approaches, it is worth reflecting on how the multilateral trade system has benefited the entire world. Since the GATT was signed in 1947, eight successful multilateral negotiating rounds have helped increase world trade from $58 billion in 1948 to $22 trillion today. This is a 40-fold increase in real terms, and it has helped boost incomes in country after country.

While this rising tide of commerce has brought gains for developed countries, its most dramatic benefits have accrued to developing nations. As recently as 1993, 1.9 billion people—nearly half the world’s men, women, and children—lived on $1.25 a day or less, in constant 2005 dollars. Since then poverty totals have been falling fast. By 2000 the number of people in absolute poverty had fallen to 1.7 billion, and the share of world
population to 28%. The most recent estimates issued by the World Bank find the totals down to 1.2 billion people and 17.5% of population.

While there is no single factor to explain these income gains, the rise in international commerce has by all accounts played a major role. The economic growth that trade helps fuel contributes to programs to get boys and girls into school; build infrastructure to allow entrepreneurs and farmers to transport their goods to market; strengthen judiciaries and the other institutions of governance; support private sector job creation; and combat measles, diarrhea, malaria and other preventable illnesses. In the post-war era, these efforts have helped developing countries add two decades to life expectancy and cut the mortality rate of children under age five by 50%.

To reiterate, the 40-fold rise in international trade since 1947 is not the only factor underwriting this extraordinary improvement in the human condition. But it is one, and the business community urges ministers gathering at MC9 to bear it in mind.

*Trade Facilitation Agreement*

From the perspective of the U.S. business community, the top priority for MC9 is to finalize a Trade Facilitation Agreement (TFA), which would promote economic growth and raise living standards around the world. Such an agreement would recognize that businesses today create goods by tapping into a web of “global value chains” that provide access to raw materials and intermediate goods from all around the world.

In this new reality, chokepoints at the border — including excessive customs paperwork, redundant security programs, and burdensome regulation — have the same detrimental impact on trade as tariffs. Cutting red tape at the border through a Trade Facilitation Agreement could boost the world economy by as much as $1 trillion and generate more than 20 million jobs, according to the Peterson Institute for International Economics.

In the view of the U.S. Chamber, a TFA must go beyond “best endeavor” commitments. The WTO is fundamentally about binding obligations, and a trade facilitation deal that is a mere code of conduct would only replicate non-binding norms such as those of the World Customs Organization. The TFA would need to be packaged with agreements in several other areas, but negotiators agree these must be scaled appropriately.

Trade ministers, ambassadors to the WTO, and WTO Secretariat officials say they recognize that the WTO needs to produce results. Years of Doha Round negotiations without progress have exacted a toll, and there is widespread recognition that failure to arrive at a Bali package would be another blow for the organization.

For our part, the Chamber pushed for a strong Bali package in meetings held by our earlier delegation to Geneva in February. The Chamber delegation met with 15 ambassadors to the WTO in the first visit to Geneva by a U.S. business group this year. We are returning in September to underscore the imperative of action as well as our support for a strong package as MC9 nears and as the new Director-General and his team take the helm.
Information Technology Agreement

In addition, the WTO has the opportunity to show its value in negotiations to expand the product coverage of the Information Technology Agreement (ITA), which has helped deliver a cornucopia of technology products to the world. Seventy countries are parties to the ITA, and they account for 97% of world trade in information and communications technology (ICT) goods. The ITA has contributed enormously to promoting jobs, increasing competitiveness, lowering consumer prices, boosting economic growth, and fostering innovation around the world.

However, a host of tech products invented since the ITA was negotiated in 1996 are not included: Among these are GPS systems, game consoles, Bluetooth devices, and flat panel televisions. Extending free trade to these new products would multiply the ITA’s benefits. Negotiations are under way to expand the list of products covered by the ITA, but these talks are not an integral part of any package of deliverables for MC9.

However, despite tremendous progress over the past year, the ITA expansion talks were suspended in July. This action followed China’s presentation of a product sensitivities list that was more than twice as long as that of any other country. China also requested the exclusion of roughly 100 product lines from the negotiations. China’s stance emerged as the chief obstacle to obtaining an ambitious ITA expansion outcome this year.

An ambitious, balanced, and commercially significant expansion of the ITA would provide an important boost to the WTO as an institution and to the global economy. By one estimate, ITA expansion would add $190 billion to global GDP annually. As a significant player in the global ICT industry, China is one of the largest potential beneficiaries of an expanded ITA, which would give a boost to the Chinese economy and help to strengthen China’s innovation capacity. The Chamber delegation to Geneva will prioritize progress on this front as well.

Trade in Services Agreement

Finally, the United States has joined with more than 50 other countries to launch negotiations for a high-standard trade agreement in services dubbed the Trade in Services Agreement (TISA). This exciting new accord has the potential to ignite economic growth and job creation worldwide. While the TISA negotiations are not being conducted under the aegis of the WTO, they are being conducted in Geneva by the parties’ ambassadors to the WTO.

Services account for 70% of world GDP and employ about 3.2 billion people around the world. In the United States, services employ about 96 million of America’s 114 million private sector workers. The larger the share of services in a country’s economic output, the more prosperous that country is likely to be. Tradable services may be found in such sectors as audiovisual; finance; insurance; energy services; transportation, logistics, and express delivery services; information technology services; and telecommunications.
Contrary to popular misconception, many jobs in services pay well. Approximately 18 million Americans are employed in business services such as software, architectural services, engineering and project management services, and insurance—all of which generate billions of dollars in exports. Wages in these sectors are 20% higher on average than those in manufacturing, which supports about two-thirds as many U.S. jobs.

The potential for service industries to engage in international trade is almost untapped. One in four U.S. factories exports, but just one in every 20 providers of business services does so. Just 3% of U.S. services output is exported, according to the Peterson Institute for International Economics. The same trend prevails for other countries.

As its chief goals, the TISA should expand international market access for service industries and ensure firms receive national and most-favored nation treatment. It should also lift governments’ sectoral limits on investment in services. Because the four modes of delivery for services are not perfect substitutes for one another, the TISA must provide liberalization across all four modes of delivery for services.

In addition, the TISA should seek to eliminate regulatory inconsistencies that at times loom as trade barriers. It should encourage parties to follow the principles that underlie U.S. administrative law and the APEC-OECD joint regulatory checklist. These principles include increased transparency and public participation, clear central coordination, evidence-based regulation, accountability under the law, and impartiality.

The TISA should safeguard cross-border data flows. In today’s global economy, companies often move data across borders to create new products, enhance productivity, deter fraud, protect consumers, and grow their business. Recent studies estimate that within ten years products and services reliant on cross-border data flows will add over $1 trillion annually to the global economy.

To seize these benefits, the TISA should prohibit restrictions on legitimate cross-border information flows and bar local infrastructure mandates relating to data storage. It should also promote international standards, transparency and predictability; ensure that cloud computing services are freely available, regardless of facility or end-user location; and recognize that governments may take different approaches to reach equivalent outcomes as they work to assure privacy.

Finally, the TISA should include rules to ensure that private companies are not put at a disadvantage when they compete with state-owned enterprises (SOEs) and other national champions. It should guard against anti-competitive behavior by SOEs and ensure a level playing field.

The payoff from the TISA could be huge. Eliminating barriers to trade in services could boost U.S. services exports by as much as $860 billion—up from 2012’s record $632 billion—to as much as $1.4 trillion, according to the Peterson Institute. Such a dramatic increase could create as many as three million American jobs. Similar benefits would accrue to other countries, in particular to developing economies.
As noted, the TISA is not a WTO agreement, but there is precedent for such “plurilateral” agreements among a set of path-breaking countries to expand over time to cover all or a vast majority of world trade in the sectors addressed. The hope is that the TISA will ultimately strengthen the WTO and the global rules-based trading system in the tradition of the Tokyo Codes (plurilateral agreements that became part of a multilateral accord under the Uruguay Round) or the Government Procurement Agreement (a successful plurilateral agreement under the WTO).

The TISA has the potential to drive economic growth and job creation worldwide. The Chamber is committed to working closely with U.S. negotiators and other governments to press for a strong agreement that translates this potential to reality.

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In sum, prospects for the WTO to shake off the gridlock of recent years and embrace new ambitions have improved. Success depends first on the WTO’s Member States, but new Director-General Roberto Azevêdo and his team also have an important role to play. The Chamber pledges to do all it can to help restore the WTO’s status as the premier forum for market-opening trade negotiations.

Chamber Recommendations

- In word and deed, the United States and other countries must continue to support the WTO as the foundation of the global rules-based trading system and the world’s premier forum for market-opening trade negotiations.
- The United States and other WTO Member States must secure tangible deliverables at the Bali Ministerial, especially in the form of a Trade Facilitation Agreement that establishes binding rules to streamline the passage of goods across borders.
- Talks to expand the Information Technology Agreement represent a commercially significant opportunity and signal that sectoral and plurilateral approaches may help revive the WTO as a forum for trade negotiations.
- The Trade in Services Agreement represents a once-in-a-generation opportunity to tear down barriers to international trade in services, guarantee national and most-favored nation treatment, and eliminate investment caps on services.
- The TISA should also promote regulatory cooperation, prohibit “forced localization” measures, safeguard cross-border data flows, and ensure a level playing field for private companies when they compete with state-owned enterprises.