



Why the World Trade Organization's New Trade Facilitation Agreement is a Promising Development

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The newly approved and recently implemented Trade Facilitation Agreement is the first international trade agreement of its kind. It will make it easier for all member nations of the World Trade Organization, but especially developing nations, to participate in and profit from international trade. Perishable goods produced in small quantities – like food and other agricultural products grown on small-scale farms in developing countries – are difficult to sell in international markets. Often foods and other perishables spoil because they get caught in bureaucratic bottlenecks when crossing borders. The Trade Facilitation Agreement will remove these inefficiencies, making it easier for large and small exporters to benefit and facilitating global trade by removing regulatory obstacles and barriers at national borders.

The History of the World Trade Organization and the Trade Facilitation Agreement

The World Trade Organization (commonly called the WTO) functions as a forum where its 164 member nations can create trade rules, negotiate trade agreements, and settle trade disputes. The organization as it exists today has its roots in the 1947 General Agreement on Tariffs and Trade – an agreement made between 23 nations intending to prevent the economic protectionism that had spurred the two world wars in the first half of the 20th century.

The Trade Facilitation Agreement is the first official decision made by the WTO since its founding in 1995 and is the product of a long, multifaceted conversation between its member nations. The root of the new Agreement can be traced back to the 2001 Doha Development Round, or Doha Round, which is the most recent round of trade negotiations among members of the WTO emphasizing trade support for developing countries. The Doha Round created initiatives like the “Bali Package,” which came out of the 2013 meeting of the membership in Indonesia. The Bali Package emphasizes lowering global trade barriers and sets the stage for this first agreement.

The Trade Facilitation Agreement is intended to speed the flow of goods across borders by prioritizing perishable goods and releasing products before customs duties are imposed. The plan aims to reduce bureaucratic obstacles in trade by installing e-payments systems for member countries, reducing export fees, and supporting firms that are exporting for the first time. In line with both the Doha Round and Bali Package, the elimination of costs and barriers promised by the Agreement are specifically intended to support the developing world. According to a WTO study, countries that are the least developed may see an increase in exports of up to 35 percent.

Why the Trade Facilitation Agreement Matters

According to Associated Press predictions, once fully implemented the new Agreement may reduce global trade costs by more than 14 percent on average and stimulate hundreds of billions of dollars in economic activity. Importantly, implementation indicates a commitment from the WTO, the world's largest multilateral trading system. Multilateral trading systems are trade systems binding three or more countries. Since 1995, the WTO has provided a multilateral trade dispute settlement mechanism for its 164 member nations. Because the Trade Facilitation Agreement will improve existing trade flows, developing countries that depend on trade for a larger portion of their gross domestic product than developed countries will especially benefit from these efficiencies. This agreement is a major accomplishment of the WTO and a sign of progress within the Doha Development Round, and it raises hopes that additional substantive policies will be implemented to support developing countries in the future.

The United Nations Conference on Trade and Development has agreed to provide implementation roadmaps in the least developed countries like Ghana and Liberia. To start, the United Nations Conference is running Empowerment Programs in these countries, and the Trade Facilitation Agreement will build on that work with a system of gradual integration. Developing countries will be guided through a three-phase system that, in the end, will leave each country with the infrastructure necessary to participate successfully in international trade. At a minimum, the Trade Facilitation Agreement will help developing countries meet international trade facilitation standards and set up legal frameworks for participation in global supply chains.

Ratification of Trade Facilitation Agreement

Unlike World Trade Organization agreements that require member consensus for approval, the Trade Facilitation Agreement became official when it was ratified by two-thirds of the member countries and “went into force” on February 22, 2017. The timing of this agreement was important, because it went into effect during a period of global uncertainty about international trade.

As he submitted the letter of approval in January 2015 and encouraged other countries to support the initiative, then-U.S. Trade Representative, Michael Froman said, “The Agreement will unlock immense commercial opportunities for all developing and developed countries alike. These benefits can only be fully realized with implementation of this Agreement. We all want to start enjoying the benefits and we hope other Members will take this crucial next step as soon as possible.”

The United States and the Future of the World Trade Organization

After November 2016, the incoming U.S. administration of President Donald Trump reaffirmed approval of the Trade Facilitation Agreement, and its continuing implementation of the agreement demonstrates a commitment to the World Trade Organization’s multilateral trading system. This reaffirmation is encouraging to allies. Indeed, the symbolic and functional importance of this continued U.S. commitment cannot be underestimated, particularly at a time when there has been uncertainty about the continued health for international economic relationships and globalization following the 2016 referendum on Brexit in late June and the U.S. election in early November. In this key area of international trade, at least, major powers including the United States remain supportive.