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ACCEDED MEMBER COUNTRIES  
TO WTO

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## From the Director's Desk



K.T. Chacko

WTO is a rule-based multilateral trading system that seeks to provide transparency, stability and predictability in international trade in terms of market access and other trading issues. Its special provision for dispute settlement is uniquely placed to generate trust and confidence in aspirant countries to join the WTO. They view this membership as a viable means to integrate themselves with and benefit from world economy.

WTO has two types of Members: the original Members who were Members of the General Agreement on Tariffs and Trade (GATT) by virtue of which they are founding Members of the WTO; and the new Members who joined the WTO through accession negotiations. Among the 153 Members, 123 are original Members, while 30 countries joined through the accession process. Most of the recent Members in the WTO belong to Least-Developed Countries (LDCs) like Nepal, Cambodia, Vanuatu, etc. and other developing countries like China.

Almost a decade and half experience of accession process indicate that most of the countries found it time-consuming, lopsided and a long-drawn affair. Bureaucratic, cumbersome and demanding nature of accession related work have resulted in escalating the financial cost of the total exercise. Certain technical aspects of the process relating to clarifications and queries in trade policy regime have been difficult to handle for these transitional economies as they are not equipped with such expertise and skills. In addition, Member countries, mostly industrialized countries' insistence on agreeing to WTO plus commitments such as TRIPs, competition policy, government procurement are becoming stumbling blocks to speedy and reasonable conduct of accession process to WTO.

It is true that, so far, the ease of accession hardly figured in any of the agenda of Ministerial meetings. It is one of the less important considerations in the current WTO negotiations. Policymakers of aspirant Member countries are of the opinion that Working Party should focus on the accession process by addressing key issues at stake such as providing market access, technical assistance, special and differential treatment, services sector commitments where they have comparative advantage, etc., rather than making demand for side issues such as investment, competition policy and environmental practices as immediate requirements.

# Experiences of Recently Acceded Member Countries to the WTO

Anil Kumar Kanungo\*

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*It is argued that a rule-based, transparent and predictable multilateral trading regime under the WTO is beneficial for developing and other transitional economies. As world economy is progressing, joining the WTO becomes a good bet for them who are still outside the system. Many developing and LDCs have in the past therefore acceded to the WTO with this intention in mind. These countries are otherwise known as Recently Acceded Member (RAM) countries. It is commonly portrayed that the accession process for these countries has been extremely bureaucratic, cumbersome, cost adding and technical. This paper aims to understand why there is a need for the countries to join the WTO. What measures can be prescribed to make the process more flexible and accommodative for applicants? While analyzing the issue, the paper suggests that the faith and confidence of developing and transitional economies in the WTO are still growing. It finally charts out a path for member countries to make process of accession relatively easier.*

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## Introduction

THE World Trade Organization (WTO) is a rule-based multilateral trading system that seeks to provide transparency, stability and predictability in international trade in terms of market access and other trading issues. Countries view WTO membership as a means to integrate themselves into the global economy and maximize the benefits of international trade. The WTO has two types of Members: the original Members who were Members of the General Agreement on Tariffs and Trade (GATT) by virtue of which they are founding Members of the WTO; and the new Members who joined the WTO through accession negotiations. Among the 153 Members of the WTO, 123 are original Members, while 29 countries joined through the accession process. Most of the recent members in the WTO belong to Least-Developed Countries (LDCs) category. Among the 50 LDCs on the United Nations list, 33 are already WTO Members by dint of their earlier membership with the GATT. However, only three—Nepal, Cambodia and Cape Verde—joined the WTO through the accession process. These countries along with developing countries like China, Vietnam, etc.

are referred to as Recently Acceded Member (RAM) countries.

Countries that have recently acceded to the WTO have experienced their entry to be a difficult and burdensome experience. Their point of view is that such long drawn, lopsided and imposing process is quite unfavourable to the countries who intend to join this multilateral trading system with positive expectations. But the process of accession has been one of the worrisome ones. This paper makes an attempt to understand why countries are interested to join the WTO. How process of accession is conducted? What are the challenges the aspirant countries face to accede? What measures can be suggested to make accession process more accommodative?

## I BENEFITS OF JOINING WTO

More than a decade experience of accession process substantially indicates that accession process has never been easy rather has been a bureaucratic, cumbersome and sometimes recalcitrant in nature. Most of the countries that acceded to the WTO are developing and transitional economies. These countries went

through a series of measures to finally come to terms with WTO obligations. China, Nepal, Cambodia, Vanuatu, Viet Nam, etc. are recent examples of this accession process.<sup>1</sup> But, why there is such a surge to join the WTO. Reasons are many and varied.

The foremost reason given by many trade experts as well as by the policymakers of aspiring countries is that the WTO provides a wide scope to integrate one's economy with the world economy. Its rules-based, transparent, predictable and special provision for dispute settlement is uniquely placed to generate trust and confidence in interested country to join it. The expectation hovers around the fact that more predictable access to foreign markets which WTO membership can bring, will result in strengthening the external sector of the country. Trade will prosper; member country will witness higher exports; country's GDP will be increased and many impending social problems such as poverty reduction, livelihood, rural employment and food security will be tackled. Gains of different hues such as economic, commercial, legal and political are attached to seeking accession to the WTO. Among all these gains economic and commercial ones attract most for a country to seek accession to the WTO.

The main economic benefit for a country from the WTO membership will be to accentuate policy reforms that liberalize trade and, as a by-product, provide support to a market economy. It is well recognized that trade liberalization can be a

powerful force for competition, productivity and economic growth. The other economic rationale is to attract more foreign direct investment (FDI) and, more generally, to use WTO membership as a seal of approval recognized by the international business community.

Similarly, the main commercial benefits of WTO accession are two-fold. *First*, members receive greater access as well as security of access to major export markets. They are guaranteed unconditional most favoured nation (MFN) status or, in other words, non-discriminatory market access to other countries. Such discrimination may take many forms, such as WTO members targeting non-members through adopting "legalized" anti-dumping procedures.<sup>2</sup> *Second*, any WTO member, irrespective of size or development, can use the dispute settlement mechanism to take action against another member to resolve trade differences and protect its interests. This is in other words a solid legal reason for countries to consider joining the multilateral trading system governed under the WTO.

It is asserted by policy-makers to suggest that there is also a strong political reason to join the WTO, i.e. developing or transitional economies joining the WTO is sending out a strong signal to the international community that forces of political globalization unite us and countries are ready to make a political commitment to pursue market economy reforms to create market economies.

However, many would point out that in the current era of globalization and liberalization benefits that flow from better foreign access to the acceding nation's markets, specifically in terms of lower prices and a greater variety of imports is a significant reason to join the world economy. By binding national tariffs, committing to eliminate quotas on imports, and reforming other state measures, the credibility of an acceding nation's policies can be enhanced and hence the private sector faces less uncertainty and gains more global opportunities. In principle, WTO accession can improve important components of the national business environment which, in turn, has sizeable domestic payoffs.

## II

### PROCESS OF ACCESSION

Normal accession process in the WTO is extremely bureaucratic, time consuming and cost driven. Accession process set out in the WTO is dealt under Article XII of the Marrakesh Agreement which led to the establishment of the WTO. This Article defines in very general terms the procedure of accession to the WTO. As per this Article, "*Any State or separate customs territory possessing full autonomy in the conduct of its external commercial relations or for the other matters provided for in this Agreement and the Multilateral Trade Agreement may accede to this Agreement, on terms to be agreed between it and the WTO.*"<sup>3</sup>

Article XII does not provide any membership criteria, "terms

to be agreed" and the procedure for negotiation. As Lanoszka (2001) puts it: "Article XII does not stipulate any membership criteria, and this signals perhaps the most problematic legal aspect of the accession process...No guidance is given on the 'terms to be agreed', these being left to the negotiations between the WTO Members and the applicant. Furthermore, Article XII does not identify any concrete steps, nor does it provide any advice when it comes to the procedures to be used for negotiating the terms of accession" (Ihor Burakovsky, Lars Handrich, Lutz Hoffmann, 2004, p. 106). This interpretation gives an understanding that the process of accession is lengthy and time consuming. Though there is an attempt to make the process less burdensome for the countries, yet the process is largely governed by unwritten rules derived from precedents and previous rulings. (Lanoszka, 2001, p. 589)

However, the process of accession still continues on the basis of such procedure. WTO is an inter-governmental organization, which does not have any power or authority to negotiate accession agreement with the aspirants. It is the mostly developed member countries that dictate the terms and conditions for such entry.<sup>4</sup> The provision of the above-mentioned Article is being interpreted by the developing and other LDCs as extra constitutional having excessive power to impose unreasonable demands and conditions (often known as "WTO plus" conditions) on the acceding countries.

The process of accession can broadly be divided into three phases. The *first stage* includes a country wishing to become a member of the WTO submits an application to the General Council of the WTO. The General Council then establishes a Working Party of all interested WTO members. The applicant then submits to the Working Party a detailed memorandum on its foreign trade regime, describing, among other things, its economy, economic policies, domestic and international trade regulations, and intellectual property policies. In the *next stage* the Working Party members submit written questions to the applicant to clarify aspects of its foreign trade regime. After all necessary background information has been acquired, the Working Party begins meetings to focus on issues of discrepancy between the applicant's international and domestic trade policies and laws and WTO rules and laws. The *final stage* of the accession process consists of series of bilateral negotiations between the applicant and WTO members (Williams, 2008, pp. 3-4). When the bilateral talks conclude, the Working Party sends an accession package, which includes a summary of all Working Party meetings and the Protocol of Accession to the General Council or the Ministerial Conference. Decisions on accession shall be taken by the Ministerial Conference. The Ministerial Conference shall approve the agreement on the terms of accession by a two-thirds majority of the Members of the WTO. Once the General Council or the Ministerial approves of

the terms of accession, the applicant must accept the protocol of accession. Thirty days after the applicant accepts the protocol of accession it becomes an official member of the WTO. Throughout this process the onus is on the applicant to satisfy the demands of existing WTO members.

## China

China became the 143rd member of the WTO on 11 December 2001. A 15 year-long quest came to an end, depicting a rich learning experience mainly for China and the US. Many viewed this entire accession process with a sense of queerness. As a major trading nation, China would have joined the WTO as a matter of course. Whereas other observed, that its sheer size and importance in the world economy urged the WTO to take utmost care unlike for others. Whatever may have been the motive, 15 years of intense negotiations seemed too far to achieve such a goal compared to the average time taken by others.

A Working Party was established on 4 March 1987, to start the process of China's re-entry into the GATT. The Working Party was assigned with the task of examining and evaluating China's trading regime, defining areas and timetables for negotiation and adjustment, and preparing a report for the GATT Council. The Working Party had conducted several meetings during the period till April 1989. Soon after the Tiananmen incident broke out and it was suspended and was not reconvened until 1992. In 1992,

China made serious efforts to re-enter the GATT and the Working Party held number of meetings and completed the general hearing and assessment of China's trading system. Negotiations on the commitment and conditions for entry into the GATT also started in 1992. More significantly, China accelerated its reform programme in the direction of a market economy. Negotiations between major powers like the US, Canada, EU and Japan continued till a final historic deal was clinched in 1999 between China and the US, setting the stage for inclusion into the WTO. During Doha Ministerial in 2001 China backed its WTO membership under extremely difficult situations where it is argued that the terms of agreement were much more onerous than other developing countries. Some of the toughest conditions that were imposed on China in its accession were as follows.

*Non-discriminatory treatment:* China will provide non-discriminatory treatment to all WTO Members. With respect to the right to trade, all foreign enterprises, including those not invested or registered in China, will be accorded treatment no less favourable than that accorded to enterprises in China.

*Dual pricing practices:* China will eliminate dual pricing practices as well as differences in treatment accorded to goods produced for sale in China in comparison to those produced for export.

*Price controls:* Price controls will no longer be used for purposes of affording protection

to domestic industries or services providers.

*State trading:* Within three years of accession, all enterprises will have the right to import and export all goods and trade them throughout the customs territory, with limited exceptions reserved for state trading.

*Restrictions experienced by foreign companies:* While China reserves the right of exclusive state trading for products such as cereals, tobacco, fuels and minerals, and maintain some restrictions on transportation and distribution of goods inside the country, many of the restrictions that foreign companies experience at present in China will be eliminated or considerably eased after a three-year phase-out period.

*Export subsidies and domestic support:* China will not maintain or introduce any export subsidies on agricultural products. The government will also limit its domestic support and other "green" subsidies to 8.5 per cent of the overall value of its agricultural production.

*Transitional Safeguard Mechanism:* During the initial 12 years of China's membership, there will be a special Transitional Safeguard Mechanism in cases where imports of products of Chinese origin cause or threaten market disruption to the domestic producers of other WTO Members.

*Textiles:* China will become a party to the Agreement on Textiles and Clothing and will be subject to its rights and obligations. As for all WTO

Members, quotas on textiles of Chinese origin will end on 31 December 2004, but there will be a safeguard mechanism available until the end of 2008, permitting WTO Members to take action to curb imports in case of market disruption caused by Chinese textiles exports.

*Import tariffs:* China has bound all import tariffs. China has also committed to the phased reduction and removal of tariff barriers, some tariffs being eliminated and others reduced, mostly by 2004, but in no case later than 2010. China's average bound tariff level will decrease to 15 per cent for agricultural products; the range will be from 0 to 65 per cent, with the higher rates applied to cereals. For industrial goods, the average bound tariff level will go down to 8.9 per cent with a range from 0 to 47 per cent, with the highest rates applied to photographic film and automobiles and related products.

*Banking:* Upon accession, foreign financial institutions will be permitted to provide services in China without client restrictions for foreign currency business. For local currency business, within two years of accession, these institutions will be permitted to provide services to Chinese enterprises. Within five years, foreign financial institutions will be permitted to provide services to all Chinese clients.

*Insurance:* Foreign non-life insurers will be permitted to establish as a branch or joint venture with 51 per cent foreign ownership. Within two years of

accession, foreign non-life insurers will be permitted to establish as wholly-owned subsidiaries. Upon accession, foreign life insurers will be permitted 50 per cent foreign ownership in a joint venture with the partner of their choice. For large-scale commercial risks, reinsurance and international marine, aviation and transport insurance and reinsurance, joint ventures with foreign equity of no more than 50 per cent will be permitted upon accession; within three years, foreign equity share shall be increased to 51 per cent; and within five years of accession, wholly foreign-owned subsidiaries will be permitted.

## Nepal

Nepal applied for GATT membership in 1989, but could not provide continuity to the effort. This was primarily due to the political change in 1990 which was preceded by a popular people's movement against the establishment of the day. The country reapplied for the WTO membership in 1995, completed the accession process in September 2003 and eventually became the first LDC to become a Member of the WTO through the accession process in April 2004.

Nepal submitted its Memorandum of Foreign Trade Regime (MFTR) in 1998 describing, among other things, its economy, economic policies, domestic and international trade regulations, and intellectual property policies. The queries and complaints from Working Party members were compiled by the

WTO Secretariat and were forwarded to Nepal in January 1999. There were altogether 365 questions, 24 on economy, economic policies and foreign trade, 178 on the framework for making and enforcing policies affecting foreign trade in goods and services, 114 on trade-related intellectual property rights regime and 48 on trade-related service regime. Nepal responded to these queries in 1999 and 2000 (Adhikari and Dahal).

The first meeting of the Working Party was held in 2000 at the WTO Secretariat in Geneva. Nepal submitted a schedule of tariff concessions and schedule of initial commitments on services sector in July 2000. In its accession process, Nepal held five rounds of bilateral negotiations and attended three Working Party meetings. The fifth Ministerial Conference in Cancun approved the terms of accession of Nepal and offered membership.

The accession process is lengthy and taxing for an LDC like Nepal. The documentation required and bilateral negotiations are beyond the human, technical and institutional capabilities of these countries.

## Cambodia

In 1994, Cambodia applied for membership of the WTO. Following the Doha Declaration of November 2001 that eased membership conditions for least developed countries, Cambodia's membership was finally approved in September 2003 at the Cancun Ministerial Conference. However, member-

ship did not become effective until a year later because an internal political deadlock in Cambodia after the July 2003 elections delayed ratification.

Given the important role of international trade in alleviating poverty and promoting economic growth, Cambodia initiated ambitious preliminaries to becoming a member of the Association of South East Asian Nations (ASEAN) and the WTO. The Cambodian government filed an official WTO application on 8 December 1994, and a Working Party was established two weeks later to consider it. According to Lu Laysreng, then Under-Secretary of State for Commerce, the Council of Ministers agreed to push for Cambodian entry into the WTO: "It is very important for Cambodia to join the WTO, because it provides facilities for us to move into a world association of business people." Cambodia then started to work on a number of issues that had to be resolved to enable Cambodia to join the WTO, including lower tariff rates, the adoption of an accounting system based on the Anglo-Saxon model, and the adoption of a hybrid legal system integrating Anglo-Saxon and French standards.<sup>5</sup>

The working party met for the first time on 16 April 2003 to consider the memorandum, and on 22 July it indicated that Cambodia would become a member of the WTO in September 2003. At Cancun in Mexico, on 11 September 2003, WTO ministers approved Cambodia's membership agreements, and invited the country to become the 147th

member. It would have been the first least developed country to join the WTO through a full working party negotiation process. However, Cambodia's parliament had yet to ratify the agreed terms, and because of the delay Nepal instead became the first least developed country to enter the WTO. Cambodia had to wait until early September 2004, when the Cambodian parliament unanimously ratified accession to the WTO after the resolution of the political impasse.

### Vanuatu

The accession bid of Vanuatu, an island LDC with a population of merely 190,000, and its subsequent withdrawal from WTO membership indicate a chilling experience of WTO-plus conditions imposed by the developed member countries. Vanuatu applied for WTO membership in July 1995. The country had been a *de facto* member of the GATT. As other colonial countries automatically became members of the WTO when they achieved independence from colonial powers, that were earlier GATT members. However, to become full-fledged members of the GATT, these countries were supposed to apply to formally accede to the organization before their *de facto* status expired. The countries that went through this process on time automatically became the members of the WTO when it replaced the GATT. However, the government of Vanuatu for political reasons could not decide whether it should go

through this accession process before its *de facto* GATT membership expired. As such when it subsequently decided that it would in fact like to join the WTO, it had to apply for membership as an outsider.<sup>6</sup>

Initial target set by the trade negotiators of Vanuatu was to obtain membership during the third Ministerial Conference of the WTO held in Seattle in November-December 1999. However, the negotiations became so protracted due to the imposition of a number of WTO-plus conditions that it was politically difficult for Vanuatu to fulfill all of them. Therefore, the target of acceding to the WTO by the Seattle Ministerial was missed.

After nearly six years of intense negotiations, on 29 October 2001, the Working Party for the Accession of Vanuatu to the WTO formally accepted the country's terms of accession, paving the way for its accession during the fourth Ministerial held in November 2001 at Doha. However, after a few days, the government of Vanuatu expressed its inability to the WTO Secretariat to abide by the decision of Ministerial immediately as it suffered from a "technical delay" in its accession procedure.<sup>7</sup> Though Vanuatu has not communicated officially the reason for the virtual withdrawal of its accession application to the WTO or its members, it is suspected that it was forced to do so because of the WTO-plus conditions imposed by the developed member countries as a part of its accession package.

### III

## EXPERIENCES OF RAM AND CHALLENGES OF ACCESSION

The challenges these countries face in their accession to the WTO are diverse. It is strongly realized that the accession process for developing countries, especially smaller economies and LDCs, is too lengthy and too demanding. It is also commonly believed that the fact-finding and information gathering by the Working Party is too difficult on most occasions as these smaller countries have no such manpower or technical ability to produce such information. The demands of the Working Party are too inquisitorial and uncoordinated in nature.

Process of accession has become extremely cumbersome and a drawn-out affair. The provision of "single undertaking" and the expansion of mandate inclusive of services and TRIPS have made the accession even more demanding. Acceding countries are requested to provide information on all laws relating to these new issues as well as the older areas. Countries are increasingly asked to demonstrate that they have the institutional and legal capacities to conduct international trade in a manner that will meet their commitments, including ensuring that government trading agencies operate transparently without special monopoly rights. Although WTO agreements do not explicitly make it mandatory that the countries should adopt fundamental market economy, developed countries and other members are imposing this

requirement *de facto* on acceding countries as part of their leverage in the accession process (Michalopoulos, 1998). Since such WTO developments generally reflect good economic policy, it would seem desirable that they be incorporated into the accession process.

The accession process proves to be more difficult for developing and LDCs countries in respect to meeting the WTO-plus requirement. For instance, acceding countries are required to make their legislation consistent with the standards adopted in the new agreements, without access to the transitional periods contained therein. Industrialized countries do not make these commitment for developing countries too apparent in the negotiation process. However, at the time of real negotiations to accede, developed countries bring them to the negotiating table. Developed members have historically insisted them to meet these requirements and have rarely provided such transitional periods. It is also argued that in addition to not providing transitional periods, S&D treatment is not being granted to developing countries in the main areas of agricultural support commitments, export subsidy provisions, balance of payments consultations, and the decision on Net Food Importing countries.

While negotiating for accession most of the aspirant countries believe Article XII leaves it to the Working Party to negotiate the terms of accession and to determine the procedures to be followed in the

negotiations. Most of the policy makers from these applicant countries argue that the Working Parties are not exercising the discretion that they have to be flexible under Article XII in their treatment of applicant countries, especially LDCs. It is suggested that the Working Parties follow routinely the procedures and questions established by the WTO Secretariat without differentiating across countries (Bosworth and Duncan)<sup>8</sup>.

In response to these shortcomings, it is argued that the accession of new members should strengthen, not weaken, the WTO system. This would happen if concessions were made to them. Multilateral trading system insists that it would be able to function only when acceding countries should comply fully with the WTO rules on accession. To relax the system would mean deviating from the prescribed rules and procedure; in such a case world-trading system may get weakened and the role of the WTO will be undermined. Given the current accession process in practice, it would appear that the fulcrum of negotiations hinges mostly on the power that the existing members, especially the developed countries exude.

#### IV

### MEASURES TO MAKE ACCESSION ACCOMMODATIVE FOR ASPIRANT COUNTRIES

The accession process is inherently lengthy and complex, and will remain a difficult challenge for any country, including LDCs. The idea

therefore of expediting the accession process sometimes gains legitimacy. But so far, the speed of accession hardly constituted any of the agendas of any Ministerial. It is one of the less important considerations in WTO negotiations. It is true that the WTO membership alone does not integrate developing or LDCs into the global trading system. They achieve this by setting in liberalizing policies to remain actively engaged in world trade and turn their industries into more internationally competitive. So sheer pressure of increasing the speed of accession at the cost of unpreparedness may not be a good proposition, as the world economy is getting more competitive. Such an attempt rather will go against their economic interests.

Working Party should focus on the accession process by addressing key issues at stake not making demand for side issues relevant to WTO commitments such as investment, competition policy and environmental practices. All these unimportant issues should be downplayed considering the fact that developing and LDC countries are not having necessary wherewithal to address those issues immediately. Discussion of their privatization policies could also be minimized and kept to state trading issues. Members could possibly adopt a simplified outline format for these countries in preparing their memoranda.

Members may direct the accession process to enable the aspiring countries to focus on those areas. A small subset of core areas may be developed on

which applicants' accessions could concentrate. This could prioritize their policies towards accession. Otherwise placing of many simultaneous demands on these countries without realizing their capability of meeting those policy reforms in short span are becoming unproductive and unfulfilling. Developing and LDCs cannot do everything at once, no matter how much technical assistance is received. They therefore need to be able to set reform priorities. Some issues may rightly be ranked as having less immediate importance, and members should permit such flexibility. For example, issues pertaining to WTO plurilateral agreements on civil aircraft and government procurement should certainly not become obstacles to accession.

So, it calls for a more selective approach to making detailed specific commitments. In certain important areas, acceding countries should be keen to make stronger commitments that reflect their economic priorities for reform. Existing members should be flexible enough to allow them greater scope to trade off strengthened commitments in priority areas for reduced obligations elsewhere, instead of consistently demanding that they make acceptable commitments in all WTO areas. A concrete example is the intellectual property requirements insisted on by some major technology-exporting countries such as the United States in order to fully comply with the TRIPs Agreement. Meeting such demands requires developing countries to adopt major

legislative, institutional and enforcement measures that, as technology-importing countries, they understandably may rank very low in their economic reforms. To insist that these acceding countries implement TRIPs as a high priority is not only economically viable for them, but also drain out their reform resources and effort that could be better utilized (Bosworth and Duncan).<sup>9</sup>

Another important area is vital for these countries to engage in is technical assistance. Providing technical assistance to acceding LDCs is vital. Though efforts are being made to provide such assistance through Integrated Framework organized by multilateral organizations, it needs to be supplemented with newer and more accession process oriented. WTO provides assistance to all acceding governments in the form of courses, seminars, provision of information, and assistance in the drafting of legislation and the tabling of offers. Individual WTO members finance this assistance. However, such assistance must build institutional capacity in trade policy formulation to ensure that countries can assess the costs to their own economy of trade barriers, and hence of the economic benefits of trade liberalization. This requires much broader technical assistance than WTO accession alone. Economic skills are needed to assess trade liberalization and other reform strategies.

Developing-country entrants should enjoy the "special and differential treatment" in the WTO agreements that are granted

to earlier developing-country members. A panel of experts should decide whether an applicant's trade regime complies with existing WTO rules, and when the "non-market economy" provisions for acceding countries should be revoked. WTO-plus commitments already agreed in bilateral trade agreements which pose a threat to development should not be automatically "multilateralized" in accession packages. Members of the Working Party should not include "non-market economy" provisions that restrict Most-Favoured Nation (MFN) rights. WTO-plus provisions on intellectual property and trade safeguards measures imposed by the US in relation to China and Viet Nam accession agreements should not become part of the overall accession package for future applicant countries.

Besides, it should be emphasized that ideally speaking, acceding countries should accede on terms that are broadly comparable to both for acceding countries among themselves and in comparison with incumbents. In practice, however, the situation evolves somewhat differently. In several areas acceding countries have made commitments in excess of incumbent Members.<sup>10</sup>

Acceding countries, for instance, are required to bind all tariffs while many developing countries still have relatively high shares of their non-agricultural tariff lines unbound. Similarly, there is pressure on new Members to sign all plurilateral agreements.<sup>11</sup>

## Conclusion

Experiences of RAM countries suggest that these countries have gone through tough measures to accede to the WTO. The treatment towards them found to be quite different compared to certain other countries who have acceded in the past. Time consuming, long drawn and overburden with commitments have been the hall-mark of their accession process. They argue as they are at different stages of industrialization they are not equipped to take such WTO-plus commitments and they do not have adequate financial, technical assistance to meet these heavily loaded requirements. The question of the appropriate treatment for the RAMs has been on the agenda since the negotiations started back in 2001. Respectively, the specific provisions on the issue of RAMs are present not only in the Doha Declaration, but also in the Framework Agreement and finally in the Hong Kong Declaration. The provisions in those documents represent a clear mandate on RAMs and as such should be used as a stepping stone towards the full modalities in this area of negotiations.

Throughout the years the membership of the RAMs group has evolved and is still changing as negotiations proceed. It is argued that Article XII, which governs the WTO accession process, is limited in scope and lacks precision in terms of setting the specific operational procedures. There is an urgent need to expedite the negotiations. In order to do so, RAMs are of the view that core issues in the negotiations should be tackled first, enabling us to derive from these modalities the

flexibilities that should be awarded to RAMs. Such approach appears to be a sensible and predictable way to address this issue to the satisfaction of all Members involved. In this respect RAMs are in a position to engage with other Members to achieve a solution that will, among others, effectively address all their concerns.

## NOTES

- <sup>1</sup> [www.wto.org](http://www.wto.org)
- <sup>2</sup> WTO accession may not eradicate anti-dumping problem. For example, China accepted as part of its accession to allow other members to treat it as a "non-market economy" for anti-dumping measures during a transitional period till 2015, thereby indicating to apply different, less transparent and potentially discriminatory practices against Chinese exports.
- <sup>3</sup> [http://www.wto.org/english/docs\\_e/legal\\_e/04-wto\\_e.htm#articleXII](http://www.wto.org/english/docs_e/legal_e/04-wto_e.htm#articleXII)
- <sup>4</sup> Adhikari, Ratnakar (2002), "Birth Defects of WTO Accession" in *The Kathmandu Post*, 27 March 2002.
- <sup>5</sup> Ek Madra, "Cambodia to Press for WTO Membership", *Cambodia Daily*, 4 March 1996, p. 11.
- <sup>6</sup> Hayashi, Michiko (2003), "Arrested Development: Vanuatu's Suspended Accession to the WTO" a Case Study Prepared for the International Commercial Diplomacy Project, Geneva.
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- <sup>9</sup> Available at [http://www.unescap.org/tid/publication/chap2\\_2215.pdf](http://www.unescap.org/tid/publication/chap2_2215.pdf)
- <sup>10</sup> The Czech Republic, Hungary, Poland, Romania, Slovakia and

Slovenia - had signed GATT by 1994 under Article XI. As all other GATT Contracting Parties, they became WTO Members upon signing the new WTO agreements. More recently, these countries have been joined in the WTO by ten other CIT. These are Bulgaria, Mongolia, the Kyrgyz Republic, Latvia, Estonia, Georgia, Albania, Croatia, Lithuania and Moldova. See Langhammer and Lücke (1999), Michalopoulos (2000) or Naray (2001).

- <sup>11</sup> The question whether this practice serves the interests of acceding countries or not is hotly debated.

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## **World's Poorest Countries Discuss WTO Accession**

SOME of the world's poorest countries began a three-day meeting in the Cambodian capital to discuss how to speed up entry to the WTO.

Trade representatives from 12 of the least-developed countries in Asia and Africa met officials from the WTO, World Bank, the European Commission and United Nations agencies in Phnom Penh to discuss accession to the Organization.

Cambodian Commerce Minister Cham Prasidh said his country wanted the meeting to help prepare other impoverished nations for the risks involved in negotiations with the global body. "We want to share our own experience in negotiating to join the WTO...(and) now we are trying to push for more LDCs (Least-Developed Countries) to join," Mr. Cham Prasidh said. "What we do is we try to, a little bit, lower their negotiation conditions so that those remaining LDCs can join without having to pay a very high ticket price," he said.

Fellow WTO members Cape Verde and Nepal joined Cambodia providing advice to officials from Afghanistan, Bhutan, Equatorial Guinea, Ethiopia, Laos, Sudan, Vanuatu, Yemen, Comoros, Liberia, Samoa, and Sao Tome and Principe.

*(The Khaleej Times, 28 September 2009)*

## **Vietnam May Get Market Economy Tag**

THE government is considering recognizing Vietnam as a market economy after Hanoi had insisted that it would be a signatory to the recent India-Asean FTA only if New Delhi gives the trade status where prices of goods and services are determined by the forces of demand and supply.

The Commerce Department has prepared a Cabinet note on the issue, which is being circulated among other ministries and departments for comments.

"Since Vietnam has decided to link the FTA with its getting market economy status, we feel that we should look at the issue sooner than later. We have prepared a Cabinet note proposing that the status should be granted to the country," said a Commerce Department official.

India is under no multilateral obligation to grant Vietnam market economy status at this point as under WTO stipulations, all members have to recognize Vietnam as a market economy only by 2018. China, too, has not been given market economy status by India.

Vietnam is the largest producer of cashew nuts with a one-third global share, the largest producer of black pepper accounting for one-third of the world's market and second largest rice exporter in the world after Thailand.

Once an economy is recognized as a market driven one, prices supplied by the country in all anti-dumping investigations against it have to be accepted as real prices and the investigating country cannot rely on third country prices for the same.

Anti-dumping investigations take place when a country suspects that the exporting country is supplying goods at prices lower than what is existing in their own economies.

In such investigations, prices often play an important role as the dumping margin, and the anti-dumping duty to counter it, is calculated on the basis of prices prevailing in the exporting country's market.

*(The Economic Times, 12 September 2009)*

## Armenia Starting to Attract Investors

IN 2008 volume of direct investments into Armenia's economy comprised \$1.9 billion, Armenian Agency of Development (AAD) Director General Robert Harutyunyan stated in a seminar, entitled "Commercialization of Scientific Researches". According to him, foreign investments' volume increased thrice compared to 2006 results, direct investments volume comprising \$500 million. Currently, their volume exceeds \$1 billion.

Major part of direct investments (50%) are effected by Russia, as the principal partner of Armenia. Significant investment programmes are implemented in Armenia by Germany, France and Argentina. So far, most invested in spheres in Armenia were telecommunications, mining, food industry, and information technology. According to Agency Director, a number of companies in Armenia work on foreign investments.

Considering Armenian market volumes, direct foreign investments are mainly directed at export. Investors are trying to find new markets for realization of their products. AAD is assisting the Armenian Government aiming to provide new markets for these companies.

The Director General stressed the importance of free trade with CIS states, Armenia's WTO membership, recently obtained possibility to employ GSP free trade regime for local goods. "All possibilities united, the Armenian manufacturers have a consumer market of 1 billion people," Mr. Harutyunyan noted.

Annual average GDP growth in Armenia is 8-10 per cent, according to 2008 results GDP growth comprised \$9.8 billion. State budget profits increased either, which is accounted for by better tax and customs administration, and increased business possibilities.

(<http://www.panarmenian.net/news>, 1 April 2009)

## "Gains" and "Losses" Since Two Years of Vietnam's WTO Accession

GAINS having been seen from Vietnam's accession to WTO after two years are: attracting more FDI, approaching to advanced sciences and technologies all over the world, or opportunities for Vietnamese products to be spreaded on global market ...

However, challenges paid attention by many enterprises is the competition issue. Market extension creates many opportunities for "big firms" in the world to take over Vietnamese market. As a result, most of the market share percentages will be held by them that make domestic enterprises worry about losing market shares.

On 2 January 2009, a seminar on "Impacts of Two Years Vietnam's WTO Accession" was co-organized by Ministry of Industry and Trade and National Ho Chi Minh Politics Institute in the National Conference Centre.

It's also a good chance for domestic enterprises to review themselves, to create new business and producing strategies which are vitally essential for enterprises to standardize and position themselves in this "accession ground".

Related-issues discussed in the seminar were impacts of accession on Vietnamese economy in the previous years, especially in two years since Vietnam's WTO accession, positive and negative effects of WTO commitment implementation, bilateral or multilateral commitments, especially how the retail market opening continuity from 1 January 2009 influences on the industry to propose specific solutions.

Finally, facing with the global financial crisis which is unceasingly outspread, what should we do to recover from this problem?

(<http://www.mutrap.org>. 4 January 2009)

## European Commission Welcomes Chinese Taipei's Final Offer for Accession to GPA

THE Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei) submitted its final offer in its application to the WTO Agreement on Government Procurement (GPA).

Commenting on the submission, EU Trade spokesperson Peter Power made the following statement:

“After intense negotiations, this positive move by the authorities of Chinese Taipei to finalize its offer for accession to the GPA demonstrates its willingness to meet the commitment taken on the occasion of its WTO accession in 2002, and its desire to develop deeper trade relations within the WTO framework. This accession will undoubtedly enhance the economic cooperation and exchanges with a very dynamic region of the world and will give Chinese Taipei access to key government procurement markets and contribute to attracting new trade and investment.”

Chinese Taipei’s market for government procurement was worth EUR 14.3 billion in 2006 and EUR 16.8 billion in 2007. Chinese Taipei has announced in June 2008 a plan to invest around EUR 100 billion over the next 8 years to modernize infrastructure, like for example an extension of Taoyuan and Taichung airports or the Eastern railway project. Foreign suppliers have had a share of 20 per cent in total government procurement worth more than EUR 120 billion in Chinese Taipei over the past 10 years. EU companies gained 3 per cent of the total, worth around EUR 3.7 billion.

(<http://www.deltwn.ec.europa.eu>, 2 December 2008 )

## Russia, Saudi Sign Bilateral WTO Deal

SAUDI ARABIA has given its consent for Russia to become a member of the WTO by signing a bilateral accession deal in Riyadh, Russia’s Economy Ministry said.

“Saudi Arabia has become the 60th WTO member with whom we have completed negotiations on market access,” the ministry said in a statement. Russia’s negotiator Finance Minister Alexei Kudrin signed the agreement with the Saudi Commerce and Industry Minister Abdullah ibn Ahmed Zainal Alireza, the statement added.

The ministry said Saudi Arabia was the last WTO member with whom Russia held bilateral negotiations on market access, adding that the agreement opens way for completion of multilateral negotiations.

Ex-Soviet Georgia withdrew its signature under a bilateral agreement with Russia in protest over a decree on links with its breakaway regions while neighbouring Ukraine, which joined the WTO this month, has not yet started talks with Russia.

“Georgia’s demands are not linked to market access. Ukraine has not started market access negotiations,” Russia’s economy ministry said. It added that Russia, the largest economy still outside the global trade body, was due to hold the next round of talks with the WTO accession working group on 16 June.

The ministry said the agreement covers Saudi exports of dates, cement, oil and oil products, fertilizers, plastics, carpets, glass and cables.

(*The Economic Times*, 3 June 2008)

## London Office Hosts Conference on Ukraine’s WTO Accession

BRYAN Cave LLP’s London office hosted a conference designed to coincide with and mark Ukraine’s accession to the WTO. Jointly organized by Bryan Cave and the Ukrainian-British City Club, the event highlighted the challenges and opportunities facing Ukraine’s changing trade and investment regime, post-WTO accession.

Ukraine is a fast-growing emerging market, which is becoming even more attractive to foreign investors in light of its WTO accession and other factors, including the economic downturn in Western Europe and the United States. After 14 years of negotiations to join the WTO, Ukraine has committed to extensive market-access concessions in agriculture, manufactured goods, services trade, intellectual property protection and overall reform of its commercial environment.

“Ukraine will become one of the most open economies in the WTO based on its commitments,” a Bryan Cave official said. “In doing so, Ukraine is taking a gamble that its openness will attract significant foreign investment and expand trade, and expedite its transition to a market-driven economy.”

(<http://www.bryancave.com/newsevents>, 16 May 2008)

## Russia Inches Closer to WTO Accession

RUSSIA could join the 151-member trade body by the end of the year if it keeps up its good progress, the EU's trade chief said on a visit to Moscow, although a number of sensitive issues still need to be resolved before the country gets the bloc's nod of approval.

"We're now down to, frankly, a handful of issues, a handful of bilateral matters that have got to be resolved," said EU Trade Commissioner Peter Mandelson after meeting with his Russian counterparts on 15 February.

The hefty duties imposed unilaterally by Russia on exports of raw timber – angering EU members Finland and Sweden, whose large pulp and paper industries depend on Russian wood – are now the main outstanding issue.

Mr. Mandelson said that a number of options on timber would be "carefully weighed" by member states before the next EU-Russia talks in roughly three to four weeks. "Russia in its turn must make sure that it is able to give a quick response. If that happens, we can do this, this year and it's certainly desirable and important to do so."

He also urged Russia to implement a hard-fought deal on the phase-out of overflight fees, which Moscow continues to charge European airlines wishing to fly over Siberia despite Brussels' insistence that they are in violation of international aviation rules (EurActiv 27/11/06).

A breakthrough on these issues would signal that the end to almost 15 years of negotiations is near, although Russia's WTO bid could still face a number of hurdles, notably now that Ukraine's accession to the Organization has been approved.

Ties between Moscow and Kiev are strained to say the least and, as a full-fledged member, Ukraine would be entitled to use its status to make fresh trade demands on Moscow before approving its bid. Notably, it could demand a reduction in the price it pays for Russian natural gas or an increase in the transit tariffs it charges Russia to deliver gas to European consumers, according to analysts.

However, Mr. Mandelson stressed it was important to ensure that any new demands placed

on Russia at this late stage in the process should be "proportionate and reasonable".

"Frankly, we want to see Russia in the WTO, it's the largest economy of its size and importance outside of the Organization. There are benefits, substantial benefits, both for Russia and its trading partners," he said.

According to Mr. Mandelson's spokesman, the EU would seek to conclude a full free trade pact with Russia once its accession is completed – similarly to what is being done with Ukraine. Indeed, free trade negotiations between the EU and Kiev were launched on 18 February 2008, just two weeks after the finalization of the country's WTO accession process.

(<http://www.euractiv.com>, 18 February 2008)

## China Suffers First Defeat at WTO over Auto Parts

CHINA suffered its first defeat at the WTO after it upheld a complaint by the United States, European Union and Canada over import tariffs on car parts, sources close to the case said.

The case is the first time China has been the subject of a complaint that went all the way through to the WTO's Dispute Settlement Body since it joined the organization in 2001.

Beijing has a minimum local content requirement of 60 per cent for home produced cars and if this is exceeded, it then levies the same tariff on the vehicle as it would if it was imported completely built. China has said the rules aim to prevent tax evasion by companies who import whole cars as spare parts to avoid higher tariff rates.

The plaintiffs argued this measure violates China's WTO accession agreement, which pledged a progressive opening up of its markets. "It's a move in the right direction," Canada's Trade Minister David Emerson said of the WTO's ruling. "It looks like (the WTO) thinking is in line with the arguments we've been making... Hopefully it'll bring about a change in the practices that China's been applying."

China is increasingly the focus of WTO complaints after keeping a relatively low profile in its first few years in the Organization and as its

booming economy sends exports all over the world. In 2004, the United States said it planned to lodge a complaint at the Disputes Settlement Body over tax breaks for Chinese computer chip makers, but the two sides negotiated a solution four months later without the need for WTO arbitration.

Since then, the US has lodged several other complaints against China with the WTO, including its record on protecting intellectual property rights in October last year.

Washington claims that US companies have lost billions of dollars due to copyright theft and piracy in China while Beijing insists it is doing its best to stamp out the problem. China also last year for the first time lodged a complaint of its own over what it claimed were unfair US anti-dumping and anti-subsidy investigations into products such as specialist paper.

The EU said it was considering launching WTO action against China for restrictions on foreign financial news organizations.

In December, US Treasury Secretary Henry Paulson said China had continued to fall short of its WTO commitments and had even regressed in some areas. "There is no doubt that there are areas where our side believes they could be doing a better job of living up to their commitments and where there's been some retrogression," Mr. Paulson said on a visit to China.

At the same time, he noted that there had been overall progress by China in addressing US trade concerns in general.

(*The Economic Times*, 14 February 2008)

## Cape Verde Formally Joins WTO

CAPE Verde formally joined the WTO in Geneva, a decision that was supported by the United States, but which could lead to a 40 per cent loss in the West African archipelago's tax revenues.

By joining the WTO, Cape Verde can make use of the African Growth and Opportunity (AGOA) programme, and can boost its services and transport sectors and the creation of small and medium-sized companies, the deputy representative for Trade for the United States said on a recent visit to the archipelago.

However, 40 per cent of Cape Verde's tax revenues come from its customs, a situation which will have to change due to the country's membership of the WTO. "Around 40 per cent of revenues are from customs. The dismantling of customs requires a significant fiscal reform, which will allow the country to replace the loss of customs revenue with other sources of charging taxes," according to a government source.

(<http://www.jet2letproperty.com>, 14 January 2008)

## EU and Ukraine Agree Terms for Ukrainian WTO Accession

THE European Union and Ukraine resolved the final outstanding issues in their discussions on Ukraine's accession to the WTO. At a meeting in London, EU Trade Commissioner Peter Mandelson and Ukrainian Vice Prime Minister Hryhoriy Nemyrya sealed the final terms of the agreement. The agreement clears the way for the final approval by WTO members of the terms of Ukraine's accession. Following ratification of the accession agreements, Ukraine will become the 152nd member of the WTO. The EU completed its bilateral negotiations with Ukraine on its WTO accession in 2003.

EU Trade Commissioner Peter Mandelson said: "This is an important day for the Ukraine. The EU has always been a firm supporter of Ukraine's WTO membership. Today's agreement clears the way for Ukraine to fully join the world trading system. This is the first step towards greater Ukrainian integration with the global economy and the European economy."

The EU completed its bilateral negotiations with Ukraine on WTO accession in 2003. It has since then continued to work with Ukraine in the multilateral working group that considers all applications for WTO membership on a number of issues, including guarantees concerning agreed reductions in export duties on some raw materials. The EU will now begin negotiations for a comprehensive free trade agreement with Ukraine.

(<http://ec.europa.eu>, 17 January 2008)

## Tonga to become WTO Member Next Month

THE South Pacific kingdom of Tonga will become the 151st member of the WTO. Tonga, one of the poorest countries in the world, submitted "its acceptance of the terms and conditions of membership" the WTO said.

With a population of about 117,000, Tonga's economy mainly depends on agriculture exports. The country finished its WTO accession negotiations at the end of 2005. According to related rules, the tiny archipelagic country will formally become a WTO member on July 27.

(*The Financial Express*, 29 June 2007)

## Russia Signs WTO Accession Deal with Moldova

RUSSIA and Moldova signed a bilateral agreement for Russia's accession to the WTO, the Economic Development and Trade Ministry said. The Economic Development and Trade Minister German Gref and his Moldovan counterpart Igor Dodon signed the agreement in Moscow.

"The talks with Moldova has been on for almost six years and the last year was the most difficult stage," the ministry's chief negotiator Maxim Medvedev was quoted by the Itar-Tass news agency as saying.

At the final round of talks in Moscow, "the two countries outlined the ways to resolve Moldova's agricultural export problems and other bilateral problems," he said.

Russia – the largest economy still outside the Geneva-based WTO – has been negotiating for membership since 1993. A deal signed with the United States cleared the last major hurdle to Moscow's longtime bid to join the world trade body.

Russia still has to sign bilateral agreements with Guatemala, Georgia, Costa Rica and Salvador, Itar-Tass said.

(*Xinhua News Agency*, 28 December 2006)

## WTO Members Approve Vietnam's Accession

WTO Members on 7 November formally approved Vietnam's membership in the global trade body, bringing to an end a process that had lasted over 11 years.

With the WTO General Council's approval of Vietnam's package of accession commitments, the only steps that remain for Vietnam to attain full membership are for Hanoi itself to ratify the deal and notify the WTO of its ratification. As Vietnam's National Assembly is expected to do so on 28 November, the country should become the WTO's 150th member on 28 December, following a 30-day waiting period.

### Details of the Accession Deal

Vietnam's accession agreement consists of more than 800 pages of documents detailing its liberalization commitments on goods and services, along with the WTO working party's report on its institutional and legal framework and the various reforms it has committed to undertake.

Under the terms of accession, tariffs on most goods will ultimately be capped at between zero and 35 per cent, with changes phased in over varying periods up to 2014. A handful of products are protected by tariff rate quotas, which are scheduled to be expanded until they disappear. Vietnam has promised not to subsidize agricultural exports. As a developing country, it will be allowed to make *de minimis* payments worth up to 10 per cent of the value of domestic agricultural production, and provide additional trade-distorting support of up to US\$246 million. Like other WTO Members, it will be allowed to spend an unlimited amount on domestic support measures that have no direct impact on prices or quantities produced.

Vietnam has also signed the plurilateral Information Technology Agreement, which commits it to allow duty-free imports of several computer and electronics products. In some cases the zero duty will apply immediately, but in others it will be phased in over four to eight years.

Hanoi has committed to increase foreign ownership limits on a range of services, in some

cases to 100 per cent. It has also agreed to open up services sector including banking, insurance and telecommunications to foreign ownership.

The report of the WTO working party on Vietnam's accession notes that Hanoi has committed to abide by International Monetary Fund (IMF) and WTO rules. It has also promised to continue privatizing state enterprises; to harmonize registration procedures for foreign and domestic traders; and to simplify its system of excise duties.

### Challenges Loom, But Positive Attitude Prevails

Some have questioned whether the deep liberalization commitments that Vietnam had to agree to in order to join the WTO will have costs that outweigh the benefits of membership. Civil society groups had described the demands that Vietnam faced in its bilateral market access negotiations as overly onerous. During the talks, Vietnamese government officials had complained that they were being asked to do more than other comparable countries (see *BRIDGES Weekly*, 26 July 2006).

Many businesses will need to adapt quickly to keep up with foreign competition. Vietnamese exports will still be liable to face anti-dumping duties by developed nations, such as those recently imposed by the EU on shoes and by the US on shrimp. However, they will now be able to seek legal redress at the WTO if they deem such measures unfair.

Even WTO Director-General Pascal Lamy acknowledged that the price of joining the WTO was increasing every year. He told Agence France Presse that this was "for the simple reason that the cost of not belonging to the club increases with each accession."

While Vietnamese government officials acknowledge the challenges that increased foreign competition will pose to the Vietnamese economy, both Vietnam and the WTO remain overwhelmingly positive about the prospects that membership creates for the Southeast Asian country.

Shortly after the General Council's decision, Mr. Lamy said that "Vietnam has shown how anchoring

domestic reforms in the WTO can yield dramatic results. Vietnam's economic growth topped 8 per cent last year, foreign direct investment rose steeply to over US\$6 billion, and exports surged by over 20 per cent. More must surely follow with the new laws, administrative measures, and commitments on goods and services that are in Vietnam's membership package."

Vietnamese Trade Minister Truong Dinh Tuyen said, "WTO accession poses major challenges to Vietnam's economy. However, we do believe that with cooperation extended by the Members, Vietnam will make the most of opportunities, successfully handling challenges, ensuring fast and sustainable growth, [and] pro-actively playing its part for the development of the multilateral trading system."

International firms are already looking to take advantage of Vietnam's more open markets. However, Vietnam will not be obliged to extend its new trade concessions to US businesses until Washington votes to normalize trade relations with Hanoi.

(*Bridges Weekly Trade News Digest*, Vol. 10, No. 37, 8 November 2006)

## Vietnam's Accession to WTO: Market Access Agreement with US on Services

WHEN Vietnam becomes a WTO Member, US services providers will benefit from enhanced market access and national treatment in Vietnam across a wide range of sectors, including insurance, banking and securities, telecommunications, energy services, express delivery services, engineering and construction services, and professional services. In addition, Vietnam agreed to consider providing more liberal access than that specified in its schedule.

### Banking and Securities

Vietnam currently limits foreign banks to a minority shareholding position of 49 per cent, but allows bank branches. Vietnam only allows foreign securities companies to open representative offices. The US WTO bilateral market access agreement with Vietnam includes the following improvements:

- As of 1 April 2007, US and other foreign banks will be able to establish 100 per cent foreign-invested subsidiaries. As Vietnamese legal entities, these subsidiaries will receive non-discriminatory (“national”) treatment upon accession. US banks will be able to establish a 100 per cent foreign-invested bank subsidiary, take unlimited local currency deposits from legal entities, and issue credit cards.
- As of the date of Vietnam’s accession, foreign securities firms will be able to open joint ventures with up to 49 per cent foreign ownership. After five years, foreigners will be able to own 100 per cent of securities firms and will be able to branch into Vietnam for some securities activities (asset management, advisory, and settlement and clearing services).
- Foreign-invested firms established in Vietnam will be afforded national treatment, across all other financial services sub-sectors.
- Cross-border market access commitments will be comparable, or superior, to those of OECD countries.

### Insurance

Foreign insurance companies currently are allowed to operate in Vietnam through joint ventures with a Vietnamese partner and are subject to a number of limitations on their scope of business. Direct branching is not allowed in the insurance sector. After its accession, Vietnam will permit foreign insurance companies to operate under the following terms:

- Vietnam will allow foreign insurance companies to operate through 100 per cent foreign-owned subsidiaries. Vietnam also will allow foreign insurance companies to open direct branches offering non-life insurance after five years from the date of its accession.
- Vietnam will allow foreign insurance companies to operate with minimal limitations on their scope of business. For example, for one year after the date of Vietnam’s accession, foreign insurance companies will not be permitted to sell certain lines of statutory

insurance; thereafter, there will be no limitations on access to the Vietnamese insurance market.

- Vietnam will provide foreign insurance companies with full national treatment.
- Furthermore, Vietnam will implement its commitment for branching in the non-life insurance sector in a manner consistent with the internationally recognized industry standards of the International Association of Insurance Supervisors (IAIS).

### Telecommunications

Vietnam will open its telecommunications market and permit majority owned foreign supply in four areas reflecting key US commercial priorities: basic public telecommunications services offered on a non-facilities basis (fixed and mobile services offered by leasing transmission capacity from a Vietnamese company); private data networks (primarily serving multinational investors, offering internet-based applications); satellite services; and submarine cable services. Vietnam also accepted the pro-competitive WTO Basic Telecommunications Reference Paper which establishes an independent regulator and obligations to prevent anti-competitive behaviour by the dominant supplier. The Reference Paper establishes transparency obligations and interconnection requirements.

### Energy Services

Vietnam has made a broad range of commitments that will result in the phased opening of its energy services market. Vietnam will allow US energy services firms to compete for energy services projects associated with oil and gas exploration and development, management consulting, technical testing and analysis, and repair and maintenance of equipment, among others.

Upon accession, Vietnam will permit foreign energy services companies to operate as joint ventures with a Vietnamese partner for a period of three to five years, depending on the type of service. Thereafter, foreign energy services companies will be able to operate as 100 per cent foreign-owned enterprises. Vietnam also has committed to provide foreign energy service companies with full national treatment.

### Express Delivery

Vietnam will allow foreign express delivery companies to operate as majority shareholders in joint ventures with Vietnamese partners upon accession and as 100 per cent foreign-owned enterprises after five years. Vietnam's membership in the WTO will ensure the unrestricted delivery of documents, parcels, packages, goods and other items through all relevant modes of supply, and guarantee that foreign express delivery operators will receive treatment no less favourable than that accorded to the Vietnam Post Office.

### Transportation Services

Vietnam will open its markets for maintenance and repair of aircraft, allowing foreign companies to form joint ventures with Vietnamese partners upon accession, and to operate as 100 per cent foreign-owned enterprises after five years from Vietnam's accession.

### Business Services

Vietnam will provide improved market access for professional and business service providers, including lawyers, accountants, architects, engineers, consultants, advertising and marketing executives and veterinarians. US service providers will be allowed to operate as 100 per cent foreign-owned enterprises in most of these sectors, either upon accession or after a brief phase-in period. Vietnam also improved access in the computer and related services sector, including allowing 100 per cent foreign equity investment in this rapidly growing sector, in which US companies are globally competitive.

### Distribution Services

Vietnam will liberalize the wholesale, retail and franchise sectors. Upon accession, US service providers will be allowed to establish joint-ventures with Vietnamese partners, and on 1 January 2009, US service suppliers will be allowed to operate as 100 per cent foreign-owned enterprises. Foreign-invested distributors will also be allowed to distribute both imported and domestically produced goods. In addition, Vietnam's commitments on retailing services provide for direct sales by individual commission agents.

### Environmental Services

Vietnam will liberalize its environmental services market. It will allow US service providers to provide a range of services, from sewage services to noise abatement services, through joint ventures with Vietnamese partners upon accession, or as 100 per cent foreign-owned enterprises after five years. Vietnam also has committed to provide foreign service suppliers with full national treatment.

### Hotels and Restaurants

Vietnam will open its market to increased US investment in the Vietnamese lodging industry, and create opportunities for US hotel management companies.

*(US Trade Representative, <http://vietnamese-law-consultancy.com>, 8 June 2006)*

## China Urges More Attention to Concerns of New WTO Members

SENIOR Chinese legislator Shi Guangsheng said that adequate attention should be paid to the special concerns of new members of the WTO at its ministerial meeting held in Cancun on 10-14 September 2003.

Mr. Shi, former trade minister and a senior legislator of the National People's Congress of China, made the remarks at the Parliamentary Conference during the WTO meeting. Mr. Shi said the new developing members of the WTO had made wide-ranging commitments when joining the WTO. As a result, they had little room to make more concessions in the new round of trade talks.

The main task for the new members was to implement what they had committed to rather than to make more pledges, he told the parliamentary conference. Mr. Shi stressed that the concerns of new members on agriculture should be addressed as well. Substantial progress must be made in the reduction of trade-distorting domestic subsidies and tariffs, as well as in the removal of export subsidies, he said. He also urged special and differential treatment for developing countries.

*(<http://www.china.org.cn>)*

## Trade Note 22

## WTO Accession: Lessons from Experience

### Introduction

SINCE its creation in 1995, twenty new Members have acceded to the World Trade Organization (WTO). On 13 October 2004, Cambodia became the WTO's 148th member, almost 10 years after it had first applied and just over a year after its membership package was approved at the Cancun Ministerial Conference. Cambodia is the second least-developed country (LDC) to join the WTO, following Nepal's accession on 23 April 2004.

Countries applying for WTO membership face a complex and, in most cases, long process. Some applications date back to the late 1980s (e.g., Algeria) or early 1990s (e.g., Russia, Ukraine, Belarus, and Saudi Arabia). Applicants often need to implement substantive reforms to align their domestic institutions and policies with WTO disciplines. Most developing countries lack the capacity to engage effectively in these negotiations due to the absence of trained personnel, not to mention institutional and financial constraints. It is worth noting that currently roughly one-third of the 30 governments in the process of accession represent LDCs (see Annex I for a list of current applicants).

As illustrated by the experiences of China, and more recently, Cambodia, WTO accession can be an effective lever to promote trade liberalization and substantive regulatory reform. There is a generalized perception, however, that the process is too cumbersome and onerous for acceding countries. Notwithstanding these concerns, the demand for WTO accession remains strong and the goal of WTO "universalization" is often referred

to by most Member countries as a worthwhile objective.

In this note, we discuss the experience of developing countries with the WTO accession process and highlight the implications for policymakers in applicant countries and in existing WTO members.

### Why do Nations Join the WTO?

Policymakers from countries seeking to join the WTO give a range of economic, legal and political reasons for doing so. For some, the rationale is to further integrate their country into the world economy. The expectation is that more predictable access to foreign markets, which WTO membership can bring, will result in higher exports. Another economic rationale is to attract more foreign direct investment and, more generally, to use WTO membership as a seal of approval recognized by the international business community. The legal advantages of accessing a rules-based system and of using the WTO dispute-settlement process are also often mentioned. It is also the case that many nations join the WTO for political reasons. Transition economies, for example, often see WTO membership as a means to signal their commitment to joining the international community of market based economies. In short, many see WTO accession as facilitating both political and economic reform processes within their countries.

There is some overlap between these stated rationales and the potential benefits of WTO accession identified in economic research, in particular as they relate to bolstering exports and foreign direct investment inflows. Economists would also point to the benefits that flow from better foreign access to the acceding nation's markets, specifically in terms of lower prices for and a greater variety of imports. By binding national tariffs, committing to eliminate quotas on imports, and reforming other state measures, the credibility of an acceding nation's policies can be enhanced and hence the private sector faces less uncertainty. In principle, WTO accession can improve important components of the national business environment which, in turn, has sizeable domestic payoffs.

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## The Reality of the WTO Accession Process

The experience of 20 countries that have joined the WTO since 1995, plus that of the 30 countries/custom territories that are currently seeking to join, form the basis of much of what is known about the WTO accession process. Not every aspect of WTO accession is publicly documented. In particular, little is known about the numerous bilateral negotiations between an applicant and existing WTO members. Perhaps unsurprisingly, then, a certain amount of folklore has arisen concerning the WTO accession process. Recently, studies have been able to shed some light on the validity of the folklore. The main findings in this regard are described below.<sup>3</sup> However, readers, and in particular stakeholders in applicant countries, should bear in mind that important steps in the WTO accession process remain confidential. It is also important to keep in mind that non-economic considerations can play a role in shaping the process.<sup>4</sup>

The procedures that an applicant must follow in order to become a WTO member are well established. At least twenty distinct steps can be readily identified.<sup>5</sup> The most important steps are the creation of a Working Party<sup>6</sup> to consider the application for WTO membership<sup>6</sup>, the drafting of a Memorandum on the applicant's foreign trade regime, the applicant satisfactorily answering the questions of existing WTO members about this Memorandum, the applicant successfully concluding bilateral negotiations with each of the Working Party members, and the adoption of the Protocol of Accession by the Working Party and then by the WTO's General Council or Ministerial Conference.

Throughout this process the onus is on the applicant to satisfy the demands of existing WTO members. This apparently one-sided procedure has given rise to the following perceptions about the accession process:

- The WTO accession process is costly and complex.
- The WTO accession process is taking longer and longer to complete.
- The price of joining the WTO now includes commitments that go beyond the GATT/WTO agreements.
- The price of joining the WTO is steadily rising.

- The WTO accession process takes little account of the specific circumstances of applicant countries or their needs for special and differential treatment.

The underlying reason for the emergence of these perceptions is that the terms, rather than the procedures, of WTO accession are not well defined in legal terms. Paradoxically for a rules based organization, the WTO has no clear rules for the "price" of membership. Article XII of the Marrakesh Agreement, the legal instrument covering the WTO accession process, merely states that new members may join the WTO "on terms to be agreed." This sparse guidance leaves the door wide open to encompass both an expedited hassle-free accession process and a drawn-out, decade-long, and burdensome accession experience. The prevailing "folklore" points to the latter being closer to the mark. Indeed, time taken to complete the WTO accession process has steadily grown over the past decade. Even without the accession of China, the trend is clearly upwards; recently acceded countries have taken approximately a decade to negotiate their WTO entry.

Turning to the "price" of accession, it is important to distinguish between the two broad types of commitments made by acceding countries: those relating directly to market access (on goods and services) and other commitments on rules. Acceding countries may benefit from transition periods or exceptions to existing WTO rules, but these are rarely granted by existing WTO members.

With respect to market access commitments, in the areas of agricultural and non-agricultural (typically manufacturing) products there is clear evidence that the price of accession—expressed in terms of the extent of market access concessions made by acceding countries—is growing over time. Separating out the accession of least developed countries (who happen to be the last two countries to join the WTO) from the other acceding developing countries (DCs), a clear pattern emerges. For both agricultural and non-agricultural goods the average tariff binding that acceding countries were allowed is falling over time and is now at levels well below those agreed by developing countries in the Uruguay Round.<sup>8</sup> In short, from a "mercantilistic" perspective, the relative price of WTO accession is high (in

comparison to Uruguay Round commitments made by peer nations) and growing over time.

The picture that emerges concerning services commitments under the GATS tells a similar story. Taking the number of services sub-sectors (of the 160 identified in the WTO's classification list) committed by countries as a proxy for the "price" to be a WTO Member, one observes that LDCs that were founding members of the WTO committed on average 20 sub-sectors. The averages for founding Members in the developing and developed categories, in turn, were respectively 44 and 108. Countries that have acceded since 1995, in turn, have on average committed around 104 sub-sectors.<sup>9</sup> Needless to say, this is a crude measure of the "services related" price of accession as this figure does not capture the depth (e.g., the scheduling of explicit limitations) or the breadth (e.g., the modes of delivery covered) of the commitment. Still, it is illustrative that countries that went through the WTO accession process typically committed a much higher number of sub-sectors than GATT contracting parties at a similar level of development did in the context of the Uruguay Round (1986-94) negotiations.<sup>10</sup>

Turning to rules (or non-market access) commitments that countries have adopted when joining the WTO, the picture is more mixed. With the exceptions of China and Taiwan, China, accession countries signed around 25 such commitments. These commitments typically concern a wide range of state measures, some of which are not obviously trade-related. Bulgaria, for example, made commitments with respect to domestic price controls, the privatization of state-owned enterprises, and excise taxes on alcohol, as well as many other traditional trade policy-related measures.

A controversial question is whether these commitments go beyond the commitments agreed during the Uruguay Round (constituting WTO+ commitments) or involve an accession country agreeing to forgo the rights available to other WTO members (the so-called WTO- commitments). Whether an accession commitment goes beyond an existing WTO agreement depends in large part on how the latter is interpreted, and so it should not be surprising that disagreement is rife on the extent of WTO+ commitments. Moreover, some WTO+

obligations may only involve consultation with, or reporting to, existing WTO members, and thus are of limited developmental significance. Others may be more fundamental, such as Jordan's commitment that if any of its laws or state acts are subsequently found to contradict international treaties (not just WTO agreements), then the latter would have precedence. WTO- commitments are easier to identify, such as Ecuador's commitment to eliminate all subsidies before the date of accession and its commitment never to introduce them afterwards. China's acceptance of product specific transitional safeguard provisions, which can be more easily triggered than regular WTO safeguards, provides another example. WTO+ and WTO- commitments differentiate WTO members and they could be interpreted as contributing to a multi-tier multilateral trade system. This systemic concern is in addition to any of the adverse developmental effects that may result from these specific commitments.<sup>11</sup>

In sum, there is evidence that the accession process is becoming more demanding in terms of market access commitments. Actually, the "July package" (WTO, 2004c) explicitly recognizes this by mentioning that newly acceded Members should be granted more flexibility in the agriculture and non-agricultural market access negotiations under the Doha Development Agenda in view of their extensive market access commitments. Whether there is a trend increase in WTO+ or WTO- commitments is unclear, but the very fact that existing WTO rules allow for them is a source of concern. Any such evidence, however, should be interpreted with care in view of the possibility of an adverse-selection bias in the sample of recently acceded countries. After all, most of these countries were transition economies with highly distorted trading regimes to start with. Accordingly, it could be argued that the higher demands of WTO members simply reflect this reality rather than a systemic trend.

### Tough Love or Power Plays?

The critical question, however, is not whether the price of WTO accession is rising, but whether the price is worth paying in terms of its developmental impact. If it is, then the demands made by existing WTO members of acceding

countries might be characterized as “tough love.” Otherwise, the WTO accession process may be seen as a one-sided power play whereby current WTO members wring commercial advantage out of weaker economic partners.

When considering the developmental impact of WTO accession, two important points should be borne in mind. The *first* is that a comprehensive evaluation of WTO accession should examine post-accession performance on many metrics, and should consider the state measures taken before and after the date of WTO accession. At present, few accession countries have five or more years of post-accession data to begin identifying the effect of WTO accession, so the available evidence here is necessarily limited. *Secondly*, most of the country-specific studies on WTO accession relate to China and involve predictions of likely effects of its accession, rather than evaluations of actual impact.

In fact, much of the available evidence concerns the impact of WTO accession on national exports and imports. This evidence is useful for assessing whether accession really does help integrate developing countries into the world trading system. There are two main strands of recent literature analyzing aggregate studies of trade flows and the role of the WTO/GATT in influencing them. In a series of papers, of which Rose (2003) is a prominent example, Andrew Rose has called into question whether membership of the GATT/WTO has actually increased trade above the levels expected from the “standard gravity” determinants of bilateral trade.<sup>12</sup> In contrast, analyzing the same data in a different way, Subramanian and Wei (2003) find that GATT/WTO membership has been associated with a significant increase in imports of industrialized countries, although the same cannot be said in the case of developing country members.

There is little reason, however, to expect that exporters in acceding countries respond similarly to the different opportunities created by their nation’s WTO accession, which is an implicit assumption made in the above two analyses. Recent country-by-country estimates of the impact of WTO accession on imports and exports vary a lot, probably because national experience varies a lot.<sup>15</sup> For example, after stripping out the effects of non-trade policy determinants of its trade, Ecuador’s manufacturing imports fell after its WTO accession

in 1996. This apparently surprising finding is easy to understand when one notes that Ecuador raised its applied tariffs across the board in the years after WTO accession, something that was possible in view of the binding overhang of its WTO tariff commitments. Another problem with these aggregate studies is that they do not shed light on the mechanisms by which WTO accession influence national trade flows. For example, did accession bolster sales of traditional exports to existing markets or did it encourage the entry into new markets?

Disaggregated product-line studies of Ecuador’s and Bulgaria’s exports to the industrialized Quad countries shed some light on whether the incentives created by WTO accession are working or not.<sup>14</sup> Kennett, Evenett, and Gage (2005) found that, once other determinants of market entry were controlled for, sales of long-standing exports to new markets were not helped by WTO accession. In contrast, sales of long-standing products to existing foreign markets were found to rise after WTO accession – suggesting that Bulgarian and Ecuadorian exporters responded positively to the incentives created by WTO accession.

Modest supply side responses to WTO accession may be due to two potential factors. *First*, foreign barriers faced by some exporters in countries that joined the WTO may have in fact changed little after accession. *Secondly*, exporters were either unaware or unable to take advantage of improved market access abroad. This could be due to a lack of information, to expensive and inefficient infrastructure in the acceding country, or a lack of experience in successfully shipping goods abroad. In short, whether joining the WTO bolsters a nation’s exports depends not only on the changes in market access that are supposed to follow from accession (in terms of greater predictability), but also on the steps taken by the government and firms in the applicant country.

To summarize, when comparing the grand objectives of nations that seek to join the WTO with the available empirical evidence on what happened to countries after they joined the WTO, there is an evident mismatch. This may seem disturbing at first sight, but perhaps is not surprising given how recent WTO accession has evolved and it certainly has not

stopped many countries from applying for WTO membership. In addition, it is important to keep in mind that WTO accession can induce reforms that promote transparency and that strengthen domestic policies to cope with balance-of-payments crises and the like, which are important additional benefits for developing countries.<sup>15</sup> Over the past twelve months more information has come to light as to how nations can successfully make the most of WTO accession, a subject to which we now turn.

### **Making the Most of the WTO Accession**

Developing countries need not see themselves as merely at the mercy of existing WTO members during the accession process. Concrete steps have been taken by governments in developing countries before, during, and after the WTO accession process in order to push the ratio of costs to benefits in a pro-development direction. Moreover, many donor agencies and international development institutions offer programmes to build capacity and expertise. The overriding goal is to choose the mix of national and international initiatives that best meet the applicant's development objectives. The following remarks, based on developing country experiences, are offered with this goal in mind.<sup>16</sup>

As early as possible in the WTO accession process, it is desirable to identify precisely how signing binding commitments at the WTO can further reform and help attain national priorities. Cambodia, for example, identified textiles, clothing, and tourism as sectors which could benefit from reform and developed negotiating priorities in its WTO accession process accordingly. Identification of goals, analysis of economic options, and formulation of negotiating priorities and fall back positions are required at this point. Binding commitments can influence the behaviour of importers, foreign investors, and regulators, and knowing the likely economic and social impact of different legal commitments will help an acceding country to determine which legal commitments are priorities for it in the first place. Such reasoning will involve matters far beyond the typical reach of the Ministry of Trade, and ideally the national government should come to a collective view as to what the strategy with respect to WTO accession is. This subject should therefore not be treated as a technocratic

negotiating exercise controlled by a small number of officials in the Trade Ministry.

Another important step is for applicant countries to form realistic expectations of what the WTO accession process involves. Applicants should expect this process to take at least five years and often even longer. Given ministerial and staff turnover, a broad base of government, civil society, and private sector support for the accession initiative is required. This is only possible with broad consultation and a clear sense of the costs, benefits, and priorities of WTO accession. On the basis of recent accession experience, current and future developing country applicants can expect to have their agricultural tariffs bound at an average rate well below 20 per cent and below 10 per cent for non-agricultural goods. The employment and other implications of these market access commitments for adjustment in import-competing sectors should be considered.

Applicants can also expect to sign around 25 rules-related commitments, some which will have implications for sensitive policies such as intellectual property rights. With respect to this class of commitments, applicants ought to develop the capacity to document and demonstrate why a proposal from an existing WTO member is against the applicant's development goals. Identifying own national priorities is simply not enough. Being able to effectively respond to the negotiating proposals of other nations is important if flexibility is to be obtained. If pressed to accept expensive rules-related commitments, applicants should at a minimum insist on technical assistance to mitigate the implementation costs.<sup>17</sup>

Given the duration, complexity, and wide reaching scope of the WTO accession process, accession countries should develop a "road map" that identifies the different types of assistance needs required at each stage of the WTO accession process in partnership with the financiers and providers of technical assistance. The diagnostic tools associated with the Integrated Framework, which have been successfully applied in Cambodia, for example, and that are currently being used in the context of Ethiopia's accession, provide a comprehensive assessment of national needs. In this regard it is also important to avoid overlooking post-accession implementation needs as this will typically

undermine the ability of the private sector to capitalize on any export opportunities created by joining the WTO.

Officials in developing countries have benefited from the experience of experts in other developing countries that have recently acceded to the WTO. Such so-called South-South learning can be very valuable. Jordan, for example, offers such expertise to fellow Middle-Eastern and North African countries that are seeking to join the WTO.

Shrewd officials from applicant countries have also sought to optimize the value of any technical assistance received. Playing a full role in drafting the terms of reference for international consultants is important and so is participating in the selection process for such consultants. Ensuring the workshops and consultant visits are tailored to country-specific circumstances and involve follow-up is also important. Picking the right officials to attend workshops and promoting the learning of official WTO languages contributes positively as well. In short, making the most of WTO accession requires making the most of technical assistance offered to applicants.

### Concluding Remarks

The first 20 completed WTO accessions have raised systemic concerns that ought to be of interest to existing WTO members as well as to applicants. The first concern is that the growing price of WTO accession, including forcing applicants to agree to WTO+ and WTO- commitments, is creating a multi-tiered world trading system in which recently-acceded countries have higher obligations and more limited "rights." This, in turn, is currently manifesting itself in demands of some of the recent applicants to be treated differently in the context of the Doha Development Agenda liberalization efforts. Some observers have called for applicants to pay a price for accession that is both commensurate with their level of development and with the obligations of existing WTO members at the same level of development.<sup>18</sup> The former has been partially cognized by the WTO membership

and manifested itself with the WTO General Council's adoption of guidelines for the accession of least-developed countries in December 2002.<sup>19</sup> To date, the latter – a call for parity – has been rejected by WTO members.

At a time when the world trading system is supposed to be taking the interests of developing countries more seriously, the lengthening time to negotiate accession and the uncertainty created by the inadequate legal definition of the price of WTO accession are issues that merit attention. If the goal is to ensure that a WTO accession contributes to national development goals, one has to ask whether expecting a developing country's officials and civil society to sustain interest in a process that could take a decade and involves considerable complexity in return for uncertain and deferred rewards is the best way to organize the WTO accession process. Uncertainty over the price of WTO accession gives opponents of trade and investment reforms a golden opportunity to exaggerate the negative and undermine support for the accession process. Leaders with anything but the longest time horizons are unlikely to support seriously an accession effort which pays off up to a decade in the future. It is also worth noting that the WTO is probably the only international economic organization that asks nations to stick to a programme of such length. Developmental needs and the necessity of sustaining initial support for joining the WTO should drive the design and operation of the WTO accession process and associated technical assistance. Failure to do so risks creating a growing group of disgruntled participants in the world trading system whose support for further trade reform will likely be tepid at best.

Finally, it is important to recognize that the WTO accession process can play a useful role in the political economy of trade reform. Governments which are able to clearly identify their reform objectives *ex ante* are in a much better position to use the process to their own advantage, leveraging the multilateral process to advance domestic reform.

## ANNEX I

## LIST OF COUNTRIES CURRENTLY SEEKING ACCESSION TO THE WTO

WTO Acceding Countries (and their application date)					
<i>Europe and Central Asia</i>	<i>Middle-East and North Africa</i>	<i>East Asia and Pacific</i>	<i>Sub Saharan Africa</i>	<i>South Asia</i>	<i>Latin America and the Caribbean</i>
Russia (June 1993)	Algeria (June 1987)	Viet Nam (Jan. 1995)	Sudan* (Oct. 1994)	Bhutan* Sept. (1999)	Bahamas (May 2001)
Belarus (Sept. 1993)	Saudi Arabia (June 1993)	Tonga (June 1995)	Seychelles (May 1995)	Afghanistan* (Dec. 2004)	
Ukraine (Nov. 1993)	Lebanon (Jan. 1999)	Vanuatu*(1) (July 1995)	Cape Verde* (Nov. 1999)		
Uzbekistan (Dec. 1994)	Yemen* (April 2000)	Lao PDR* (July 1997)	Ethiopia* (Jan. 2003)		
Kazakhstan (Jan. 1996)	Libya (June 2004)	Samoa* (April 1998)	Sao Tome and Principe* (May 2005)		
Azerbaijan (June 1997)	Iraq (Dec. 2004)				
Bosnia & Herz. (May 1999)	Iran (May 2005)				
Andorra (July 1999)					
Tajikistan (May 2001)					
Serbia (2) (Feb. 2005)					
Montenegro (Feb. 2005)					

\*Identifies a least-developed country.

**Notes:**1. The Working Party on the Accession of Vanuatu concluded its work on 29 October 2001. Vanuatu has not, however, followed up on its accession.

2. Serbia and Montenegro had originally made a joint application on January 2001, but in February 2005 this application was withdrawn and replaced by individual applications for each one of them as independent customs territories.

## ANNEX II

## CHRONOLOGICAL LIST OF COUNTRIES THAT HAVE ACCEDED TO THE WTO

<i>No.</i>	<i>New Member</i>	<i>Date of Membership</i>	<i>No.</i>	<i>New Member</i>	<i>Date of Membership</i>
1.	Ecuador	21 Jan. 1996	11.	Oman	09 Nov. 2000
2.	Bulgaria	01 Dec. 1996	12.	Croatia	30 Nov. 2000
3.	Mongolia	29 Jan. 1997	13.	Lithuania	31 May 2001
4.	Panama	06 Sept. 1997	14.	Moldova	26 July 2001
5.	Kyrgyz Republic	20 Dec. 1998	15.	China	11 Dec. 2001
6.	Latvia	10 Feb. 1999	16.	Taiwan, China	01 Jan. 2002
7.	Estonia	13 Nov. 1999	17.	Armenia	05 Feb. 2003
8.	Jordan	11 April 1900	18.	FYR Macedonia	04 Apr. 2003
9.	Georgia	14 June 2000	19.	Nepal	23 Apr. 2004
10.	Albania	08 Sept. 2000	20.	Cambodia	13 Oct. 2004

## NOTES

- <sup>1</sup> Throughout this paper we define developing countries as encompassing low and middle-income economies, according to World Bank definitions. Developing country status in the WTO, in turn, is determined by self-selection. Another country grouping utilized in the paper – and recognized as such by the WTO – is the UN classification of least-developed countries (LDCs).
- <sup>2</sup> See list of suggested readings and the references provided in this note.
- <sup>3</sup> These studies are part of a project titled Preparing For and Evaluating WTO Accessions that was funded by the International Development Research Centre (IDRC) of Canada.
- <sup>4</sup> Iran's request to initiate accession procedures, first presented in 1996, was blocked 21 times by the US due to non-trade related considerations. It was finally accepted by the WTO General Council on 26 May 2005.
- <sup>5</sup> See WTO (1995, 2004a and 2004b) for details about the accession process.
- <sup>6</sup> Any current member of the WTO can join the Working Party established to consider the accession of a new member.
- <sup>7</sup> If one considers only the time taken from the submission of the Trade Memorandum until the completion of the process in the case of new WTO members, the time required falls to roughly 5 years.
- <sup>8</sup> The following figures provide useful comparators. According to Finger *et al.* (1996) the average bound MFN tariff rate on the imports of all merchandise goods by a group of 26 lower and middle income countries imports was 25.2 per cent. For industrial goods the comparable average bound MFN tariff rate was 20 per cent. Anderson and Martin (2005) point out that by 2001, the average weighted agricultural import tariffs were 48 per cent for developing countries (WTO taxonomy) and 78 for LDCs.
- <sup>9</sup> It is also worth noting that Nepal and Cambodia, the two LDCs that joined the WTO since 1995, committed to 76 and 93 sub-sectors, respectively, in contrast to the 20 sub-sectors that in average LDCs had committed during the Uruguay Round. For further details about services commitments in the GATS see Marchetti (2004).
- <sup>10</sup> Grynberg, Ognivtsev, and Razzaque (2002) came to a similar conclusion. They summarize their findings as follows: "At the most aggregate level, while WTO members have on average taken up some kind of commitment in six sectors out of a maximum of 12, the comparable figures for acceding countries is ten. At the 2-digit level, acceded countries took commitments in 36 sectors compared to only 17 taken by WTO members. Finally, at the most disaggregated level, acceding countries have commitments almost two and a half times bigger – 103 as against 42. The accession negotiations have resulted in countries undertaking commitments that apparently bear no relationship to their level of economic development as reflected in per capita income" (p. vii).
- <sup>11</sup> Another example of systemic change in the accession process from the GATT-era to the WTO years concerns the non-application provision (that allows a Member not to apply the GATT as a whole or its schedule of concessions to an acceding Member). In the GATT years, a contracting party could not invoke this provision after it had entered into bilateral negotiations with the acceding party. Under WTO rules, however, this provision can be invoked even after bilateral negotiations have started.
- <sup>12</sup> These determinants are the national incomes of the two trading partners and the geographical distance between them. Other determinants that are usually included in such analyses include proxy variables to pick up the effect of two nations sharing a common language and a common border and their respective memberships of regional trading agreements.
- <sup>13</sup> See, for example, Kennett, Evenett, and Gage (2005).
- <sup>14</sup> That is, to Canada, the members of the European Union, Japan, and the United States. Given the delays in the availability of international trade data, in 2004 Bulgaria and Ecuador were the only medium-sized non-landlocked countries to join the WTO for which there was five years of post-accession trade data available. The choice of these countries was, therefore, not arbitrary.
- <sup>15</sup> See, for example, Bacchetta and Drabek (2002).
- <sup>16</sup> The experiences of six developing countries in organizing for WTO accession can be found in Evenett (2005a). Evenett (2005b) summarizes the interventions of a number of developing country participants on this subject at a joint World Bank-GTZ workshop that was held in November 2004.
- <sup>17</sup> It is said that certain developing countries have successfully used this approach in their WTO accession negotiations.
- <sup>18</sup> See, for example, Michalopoulos (2002) and Kennett, Evenett, and Gage (2005).
- <sup>19</sup> These Guidelines call on existing members to exercise restraint in seeking concessions on trade in goods and services from acceding LDCs. See WTO (2002).

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## Chinese Experience Gains, Pressure from WTO Membership

PEOPLE in China are experiencing both gains and pressure arising from the nation's accession to the WTO last October, something they have been talking about for years.

Among topics lawmakers talk much about at the ongoing annual session of China's top legislature are falling car prices, cheaper personal computers, sluggish demand for domestic farming produce, and opening of hospitals partly funded by overseas capital, all in response to the WTO entry.

Zhao Xueli, a deputy to the Fifth Session of the Ninth National People's Congress (NPC), said "the negative impact is already there" on the soybean-producing Heilongjiang, Jilin and Liaoning provinces in northeast China, the country's major source of soybeans.

The lawmaker from Heilongjiang said China's indigenous soybeans face a difficult situation: a shrinking share of the world market, large soybean imports, and domestic edible oil plants turning to imported soybeans for their lower prices and higher oil output.

Cheng Yangzhen, a farmer deputy from Zhejiang Province, east China, said she is adapting to the changes after China's WTO accession. Ms. Cheng, a vegetable and fruit grower and exporter, said demand for her products in the Japanese market is rising, but Japanese importers are also imposing stricter standards on quality and packaging.

In his government work report to the legislature, Chinese Premier Zhu Rongji mentioned more than 10 times the phrase "WTO", noting enterprises in some less competitive sectors will sustain greater pressure from outside competitors after WTO accession.

Gu Shengzu, member of the country's national top advisory body, the National Committee of the Chinese People's Political Consultative Conference (CPPCC), said auto prices have been falling time and again during the past three months due to the impact of WTO entry.

Gu, vice-mayor of Wuhan, capital of Hubei Province in central China, said he is very much

concerned that the prospect of the auto and steel industries in the city, the two pillars of the local economy, would encounter difficulties.

Another lawmaker, Jiang Hongbin, said a 100-million-yuan oil plant he set up with others was shut down, because the per ton price of similar imports from the United States is 100 yuan lower than his products.

Zhong Shan, the top foreign trade official in Zhejiang, said he is happy with China's WTO entry as the province recorded a 45.5 per cent increase in exports during the first two months of this year, the highest growth rate in China.

Early this week, an overseas-funded hospital was set up in Shanghai, the first of its kind in this biggest industrial and business centre in China. Liu Yinglong, a local medical expert, said this would exert pressure on state-owned hospitals in the country.

Economist Hu Hongmin has been following closely the unemployment issue in the country. He noted that the manufacturing, commerce, building and mining sectors account for 86.5 per cent of the country's layoffs. The sectors are expected to lay off more workers, said the economist, adding private and overseas-funded firms are to create more jobs now that China has become a WTO member.

He Jingzhi, an NPC deputy and general manager of the Shanghai branch of China Life Insurance Co., said the insurance sector is entering an era of neck-breaking competition. There are 26 insurance companies operating in Shanghai, with a majority of them being overseas-funded ones.

Zhang Qie, a noted writer, said he has seen a growing flow of overseas cultural products into the Chinese market, impacting the thinking of the Chinese people. "But I believe in the vitality of traditional Chinese culture, philosophy in particular," he said.

Trade expert Bian Changtai said it is an urgent task for China to get familiar with the WTO rules and international norms. "The pressure arising from the WTO entry is due to inadequate knowledge about WTO rules, and the impact of WTO entry comes from poor preparedness," he said.

Economist Song Hai said the biggest gain from WTO accession is it inspires all sectors and industries of China to improve their international competitiveness, which is conducive to making the country richer and stronger. "The WTO accession urges us to march forward in big strides. We have no alternative but marching on," said the economist.

(<http://www1.china.org.cn>, People's Daily, 8 March 2002)

## Moldova Concludes Negotiations for Accession to the WTO

THE Republic of Moldova concluded its negotiations for accession to the WTO. The Working Party which considered the terms of Moldova's accession held its final formal meeting and adopted Moldova's package of accession documents constituting Moldova's terms of entry into the WTO.

Commenting on the news, WTO Director General, Mike Moore, congratulated Moldova for the rapid pace of the negotiations for accession and the "impressive hard work" done by the Republic of Moldova to secure membership of the Organization. "28 countries are queuing up to join the WTO and there is a good reason for this," said Mr. Moore. "Membership of the WTO promotes growth and development, peace and prosperity". Since the last Ministerial Conference in Seattle in late 1999, five countries have become members representing 21 million people.

The Deputy Minister of Economy and Reform of Moldova Mr. Gheorghe Gaberi stated that with the aim of achieving economic development and increasing foreign investment and employment Moldova had adapted the foreign trade legislation to the WTO Agreements and accepted important trade liberalization concessions and commitments in goods and services.

Members of the Working Party said that Moldova's participation would contribute to strengthen the multilateral trading system and welcomed the commitments undertaken by Moldova.

(<http://www.wto.org>, 19 February 2001)

## China's WTO Accession Would Herald "New Era" for Hong Kong

HONG KONG companies can look forward to a new era of business opportunity once China becomes a member of the WTO, according to Michael Sze, Executive Director, Trade Development Council.

"As the world looks to enter the vast Chinese market and as mainland enterprises reach out to the world's markets, Hong Kong's role as intermediary is set to increase," he said. His remarks accompanied the release of a TDC research report on the impact on Hong Kong of China's accession to the WTO, which appears likely to happen soon.

"Having China in the WTO would open up more business opportunities across the board, especially in the mainland's tertiary and services sectors, which have been largely off limits to international participation until now," said the TDC Executive Director.

"By joining the WTO, with its rules-based system, China is also signalling a wish for a more stable environment for its international business partners. This will be of particular benefit to Hong Kong companies, many of whom are keen to think and plan longer term in the mainland."

In explaining findings of the report at a press briefing, TDC's Chief Economist Edward Leung said that Hong Kong companies had been the mainland's number one business partners since China's economic opening began 20 years ago, thus placing them in a strong position to tap these unfolding opportunities. "But this is a market the whole world has been waiting for. Hong Kong companies should better be prepared. There is going to be competition on a global scale," Mr. Leung said. "Hong Kong companies must act fast to leverage their head start and turn it into competitive advantage which is sustainable over the long term."

Mr. Leung said that Hong Kong companies with production facilities on the mainland would benefit from the lowering of tariff rates, which would help reduce operating costs.

Moreover, as restrictions lifted on foreign-invested manufacturing enterprises selling to the

domestic market, Hong Kong traders and exporters would be able to penetrate deeper into the mainland market.

The mainland services sector is another area where Hong Kong could make strong inroads as China opens this market further to international participation. "China already has a huge appetite for the sorts of services that will accelerate its full integration into world trade. "As the pre-eminent services centre in the region and the most services-oriented economy in the world, Hong Kong is well placed to meet this demand," said Mr Leung. "Involvement in the mainland services market could well turn into the next wave of Hong Kong investment into the mainland," he added.

The TDC's study on the impact of China's WTO accession is summarized in its latest research report on the current status of accession and its implications for Hong Kong. According to the report:

1. Hong Kong's status as a trading hub for China would be strengthened.

Hong Kong's traditional gateway role would increase. With an advanced business infrastructure, professional expertise, wide commercial connections, and an ability to package complex and sophisticated deals, Hong Kong would play a key role in the rapid expansion of mainland trade and investment activities.

With an expanding China market, it is expected that more overseas companies would set up offices in Hong Kong to manage sales and distribution on the mainland.

Hong Kong's role as a world-class sourcing centre for the region would be enhanced, for - as with falling trade barriers - more mainland products would reach the world markets through Hong Kong.

2. There would be a more stable trade and investment environment for Hong Kong manufacturers.

WTO accession for China would help to remove uncertainty over the granting by the US of normal trade relations status (formerly Most Favoured Nation treatment). It would also make available a multilateral framework to discuss and settle trade disputes between China and overseas partners.

China's WTO accession is expected to increase the transparency and consistency of its foreign investment policies.

3. There would be an upsurge of Hong Kong activity in the mainland market with restrictions lifted on selling Hong Kong and other products directly to the domestic market.
4. Costs for manufacturing and selling domestically would be reduced as China has promised to substantially lower import tariffs.
5. There would be more opportunities for Hong Kong service providers.

The elimination of restrictions on trading and distribution rights would mean better business opportunities for Hong Kong's transport and logistics companies.

*Telecommunications services:* opening up of the value added, paging, mobile and wireline sectors would present enormous market opportunities in an area where Hong Kong is already strong domestically.

*Financial services:* Hong Kong banks would gain new business if WTO accession involved a further relaxation of rules for foreign banks conducting local currency business and if they were allowed to serve local clients.

6. International competition would increase in China's domestic market for foreign-invested firms, including Hong Kong companies.

(<http://www.hktdc.com/info/mi/a/tdcnews> 30 April 1999)

## Ethiopia to Tie up Loose Ends on WTO Accession Process

THE WTO Affairs Department of the Ministry of Trade and Industry (MoTI) is preparing to bring the prepared draft documents, as part of its accession process, for public discussion. These drafts took three months to prepare and were completed in September 2009. The drafts were based on checklists of WTO agreements, according to Demelew Mekonen Acting Head WTO Affairs Department (MoTI). The checklists covered Sanitary and Phyto-Sanitary (SPS), Technical Barriers to Trade (TBT) and Trade Related Intellectual Property Rights (TRIPS) Agreement.

To date, Ethiopia has submitted two finalized documents to the WTO: the Legislative Action Plan, which shows the country's commitment to issue rules and regulations according to WTO agreements; and the ACC4, which is an agricultural document regarding subsidy and support, prepared on the basis of a WTO checklist. As part of the legislative action plan, Ethiopia has submitted 23 legislations, decrees, regulations, proclamations and directives to the WTO headquarters in Geneva.

The WTO prepared the checklists in the standard format after consulting its members and accession working parties. The checklist assists governments by providing information on accession.

The SPS checklist includes the introduction of new standards, animal health regulations and food safety regulations to conform to SPS agreement, principles and measures. The TBT checklist advocates indiscriminate treatment of a supplier with respect to the products and cost. This checklist promotes the consideration of equivalent technical regulations to all members as well as the prohibition of unnecessary obstacles to international trade. TRIPs checklists include protection of industrial designs, trademarks, service marks, trade names according to TRIPs agreement and repression of unfair competition.

Ethiopia's first accession working party was established on 10 February 2003, one month after it had submitted its application. In December 2006, Ethiopia submitted a Memorandum of Foreign Trade regime, which had raised 250 questions from the United States and Canada to which MoTI responded a year later in January 2008. Since then the country has provided information on the agriculture and services sectors as it also had to provide clarifications. Ethiopia is being assisted in the process by Accession Plus Project of United States Agency for International Development (USAID).

Ethiopia is expected to send two more documents, Offer on Tariff for Agriculture and Offer on Tariff for Non-Agriculture Manufactured Goods. More documents will follow after that. Currently, WTO expects Ethiopia to become a full member by 2013.

(<http://www.addisfortune.com>)

## Russia's WTO Accession: A Never-ending Story

IN June 1997, Belarus, Kazakhstan and Russia agreed to conduct separate WTO accession processes. Twelve years later, the leaders of the three countries announced a complete reversal of this approach. What are the likely pitfalls of this extraordinary new development?

There is no doubt that Prime Minister Putin's 9 June announcement that Russia, Belarus and Kazakhstan would seek a new approach to their WTO accession negotiations as a single customs union will be highlighted in textbooks on the history of the international trade relations of the three countries. However, it is unlikely that these records will adequately reflect the shock and misunderstanding that the unprecedented joint accession bid has created among the trading partners of the three countries, as well as experts on WTO issues. The question is not only how far have the legal and technical aspects of such a step been considered, but also what will be the impact on the future trade policy relations of the three countries with WTO Members.

The task set by the leaders of Belarus, Kazakhstan and Russia for their trade negotiators is not an easy one. If the first step - informing the WTO secretariat and Members about 'the intention to start negotiations on accession of the customs union' - went without significant difficulties, the second part - the real beginning of negotiations - will require intensive consultations and challenging, unprecedented decisions by WTO Members. This is a complex enterprise.

### Many Open Questions Remain

First of all, there are some fundamental questions with regard to how the proposed customs union would operate and how far the integration process would go. The EurAsEC Interstate Council is expected to approve the future customs union's draft common external tariff soon. It will be applied on imports of goods from third countries into Belarus, Kazakhstan and Russia as of 1 January 2010. The final formation of a single customs territory is to be completed by 1 July 2011. Will the accession process of the customs union to the WTO, which is evidently a priority, therefore not begin until 2011?

At some point, issues relating to supranational bodies should probably be addressed, as well as the nature of political and economic relationships of the customs union with third countries and international organizations. In particular, the latter is mentioned as the second stage of implementing of the customs union in Article 2.4 of the Agreement on Customs Union between the Russian Federation and the Republic of Belarus of 1995.

Importantly, a question also arises as to whether the proposed customs union can join the global trade body under Article XII.1 of the Agreement Establishing the WTO. This clause sets out clearly who may apply for membership. It states that “[a]ny State or separate customs territory possessing full autonomy in the conduct of its external commercial relations and of the other matters provided for in this Agreement and the Multilateral Trade Agreements may accede” to the institution. In the history of GATT/WTO accessions, several “separate customs territories” have acceded to the WTO, including that of Taiwan, Penghu, Kinmen and Matsu. However, there is no precedent for accession of a customs union, and it is unlikely that WTO Members will wish to amend Article XII.1 in order to satisfy a demand by Belarus, Kazakhstan and Russia.

If the coalition wishes to be considered as a “separate customs territory” for the purpose of WTO accession, there remains the question of the requirement under Article XII.1 that the proposed customs territory establishes full autonomy in managing the whole range of issues covered by the WTO (i.e. trade in goods, services, intellectual property rights as well as systemic issues). According to the text of 1995 agreements on the formation of a customs union between Belarus, Kazakhstan and Russia, the aims and principles of its operation focus on trade in goods, in particular the removal of tariff and non-tariff measures within the three parties. However, the agreements do not cover trade in services, intellectual property or systemic issues. It therefore appears that the proposed customs union will not fulfill requirements of Article XII.1.

Second, the decision to change the negotiating format raises a number of procedural issues. In particular, it is not clear what is going to happen with regard to the initial, individual applications

of the three countries and with the working parties currently negotiating their accession. Do Belarus, Kazakhstan and Russia intend to withdraw their initial applications and submit to the WTO a formal membership application either as a customs union or as a “separate customs territory”?

Another problem relates to the fact that the countries of the future customs union are at different stages of their accession to the WTO. Russia has completed individual bilateral negotiations on market access for goods and services. Kazakhstan has completed talks with some WTO Members and is continuing negotiations with several others. Belarus has considerably more modest results in comparison with its partners.

Bilateral protocols on the completion of negotiations are important because they are the basis for the preparation of consolidated goods and services schedules, i.e. the binding commitments that become an integral part of the protocol of accession to the WTO. It should be kept in mind that the most liberal market access conditions to which an acceding country has agreed in its bilateral negotiations with individual WTO Members will become the commitment applying to all countries incorporated into the consolidated schedules. It would be interesting to know which of the three countries’ negotiated commitments in goods and services are the most liberal.

Based on the order of Prime Minister Putin to the Minister of Economic Development of Russia (Elvira Nabiullina) about safeguarding the agreements reached so far by Russia with its trading partners in the course of its WTO accession negotiations, it seems that leaders consider that commitments of the proposed customs union will be based on Russia’s bilateral protocols.

On one hand, that seems logical - Russia is the most advanced in its bilateral talks, but, on the other, the commitments of Kazakhstan and Belarus may provide for more liberal terms in many cases. Will Russia agree to further liberalization of its market access commitments? If not, what compensation will WTO Members require?

Third, technical complexities associated with potential negotiations on behalf of the proposed customs union should be soberly assessed. The process of accession of one country requires well-

functioning and coordinated work by several bodies of executive power in order to prepare a mandate and to promptly take the necessary decisions during negotiations. Accession of three countries in a single process will mean a significant increase in the volume of work at internal levels, as well as externally with the trading partners of the customs union.

### Possible Ways Forward

These are just a few of the potential problems to consider when pursuing the academic search for an answer to the question of how to achieve both goals of regional integration and obtaining membership in the WTO. Perhaps, instead of putting the accessions of the three countries on hold until 2011 or even later, it may be prudent to consider continuing them while, at the same time, seeking to synchronize the commitment levels of the three applicants.

The WTO is a Member-driven organization and ultimately it will be up to the membership to decide how to proceed in the case of this customs union. Is there anyone - either among the applicants or the WTO membership - who wants to start all over again after 16 years of hard work on the accessions of Belarus, Kazakhstan and Russia?

(<http://ictsd.net/i/news/bridges>)

### China's Accession to the WTO

LONG YONGTU is well known in China for his work as the chief negotiator on China's entry into the WTO, helping to finally ensure its success in 2001, after 15 years of negotiations. Officially it became the 143rd member of the WTO in December 2001.

It was not an urgent task for China to enter into WTO until the policies of reform and opening-up were carried out. China's foreign trade volume rapidly increased from US\$20.6 billion in 1978 to US\$73.85 billion in 1986, 85 per cent of which were made with the contracting parties of General Agreement on Tariffs and Trade (GATT). Therefore, China was in need for an unconditional most favoured nation treatment as well as an equitable trading environment. In July 1986, China notified the GATT of its wish to resume its status

as a GATT contracting party (China was one of the 23 original signatories of GATT in 1948).

However, China was reluctant to acknowledge the market economy that was taking hold in the country when the WTO audited its economic system. The negotiations didn't resume until Deng Xiaoping proposed the idea of a socialist market economy system, which helped to finalize the audit by the end of 1992.

The path did not smooth out immediately. It took another seven years to reach an agreement between China and the US, due to the tough stance that the United States took and precarious Sino-US diplomatic relations.

Long Yongtu believes that China has developed a better understanding of common international practices; these can be seen in the many positive profound changes that have taken place in its trade relations.

Entering into the WTO is a win-win situation for China and the world. The process of WTO entry negotiations helped to accelerate China's opening-up process. China's development is vital to the world, offering a vast market with infinite opportunities.

(<http://www.chinatoday.com.cn>)

### Vietnam after the Accession into WTO – An Ambitious Country between Hope and Challenge

VIETNAM, a young and ambitious country with its geographical and demographical data – area 329.560 km<sup>2</sup>; population 86.1 mn – is approximately comparable with Germany. In spite of Doi Moi – the economical renewal in 1986 – Vietnam still belongs to those poor and slow in development countries in the world and it hasn't been changed to a country with a healthy economy.

However, Doi Moi was the first essential act to achieve the ambitious aims, which Vietnam has taken. Thereby the accession of Vietnam into WTO on 11 January 2007 marks the next step on a longsome way to the integration into the global economy. It is also probative that Vietnam is on the right way with its opening policy.

## Advantages and Disadvantages of the Accession into WTO

In spite of that Vietnam already became a member of ASEAN in 1995 (Association of Southeast Asian Nations). ASEAN is only one of several platforms, where cooperation in economy and liberalization in trade can be regionally realized. ASEAN is – beside its favourite example European Union – one of the oldest International Economy Associations. But because of an absent institutionalization, an absent transfer of authority and an equivalent institution of control however, ASEAN is inflexible in its acting possibility. Therefore, the accession into WTO is an economical farsighted step for Vietnam. It will be integrated into an intergovernmental, already existed structure of economy, to which it didn't have such a global access in the past.

The most important aim of WTO is to guarantee a worldwide transparent trade system. The commerce on other markets abroad should happen with calculable conditions and as free of discrimination as possible. The liberalization of the world trade should be allowed: most-favoured-nation treatment, fixation of taxes, prohibition of quantity limitations and special agreements about non-tariff trade barrier as well are the elementary documents for the statement of transparency and equal tax treatment.

From the accession into WTO Vietnam firstly expects that it could get the necessary funds into the country, in order to raise its own competitiveness. Furthermore new employments can be recreated with these funds. So it could contribute to the property of people and establish new possibilities. With calculable, transparent and free of discrimination trade conditions the exports overseas will be simplified. Vietnam can expand into new markets and it implies higher selling ability. Vietnam also will advance its position in international relationships. Last but not the least, Vietnam has got a better access to raw materials, new technologies and bigger offering of high-quality and low priced products. At the end the accession into WTO signifies the springboard to a prospering economy.

### Challenges

But where advantages are, there also are undesirable knocking-effects. To be in accordance

with the WTO-guidelines Vietnam has to change about 52 laws, as per Hoang Phuoc Hiep, head of Ministry of Justice, Vietnam. The most laws, which have to be changed, apply the trade and laws of taxes, economical actuality in sectors of services and questions about intellectual property. Now Vietnamese entrepreneurs have to compete with low-priced and high-quality products from abroad.

It is to be supposed that the competition would disable the internal sector of agriculture. Because the native agriculture in Vietnam is mostly characterized by little, geared to household farms. The method of production of the Vietnamese farmers is unintended, offhanded and unorganized. Each family works for itself and the method of production normally doesn't gear to the principle of supply and demand. As far as the experience of Nguyen Duc Trieu goes – chairman of the incorporation of Vietnamese farmers – this is due to the fact that the farmers haven't got an access to the market information. That's why it is very difficult to arrange the market logistics and to organize the cultivation efficiently. According to the information of Vietnamese Chamber of Industry and Trade, before the accession into WTO there are 31 per cent of the companies, which still didn't know that Vietnam actually was intending this step and 45 per cent didn't have any information or ideas, how to cope with the consequences which result from the accession. Furthermore, 90 per cent of the companies haven't got any experiences about export business.

### Opacity because of Bilateral and Regional Agreements

Another problem is the intransparent scrub of bilateral treaties and regional agreements with other WTO members. Because with the accession into WTO these agreements will be subordinated under the rule and standards of WTO. It makes arrangements about a complete prohibition of discrimination which results from several accords. The WTO rules and standards demand, that the existing bilateral agreements should be adapted to the assignments of the conference about world trade. But Vietnam hasn't got any experiences with this chaos, so the implementation of rules could get trouble.

([http://www.kas.de/wf/doc/kas\\_14534-544](http://www.kas.de/wf/doc/kas_14534-544))

## Four Countries yet to Agree on Russia's WTO Accession

RUSSIA has yet to reach agreements with four countries on its bid to join the WTO. The United States, Costa Rica, Georgia, and Moldova could block Russia's bid to join the WTO if bilateral agreements are not reached, Maxim Medvedkov, who heads the trade talks department at the Ministry of Economic Development and Trade, said.

"We are working closely with the United States," Mr. Medvedkov said, adding that the main obstacle was Russia's use of veterinary measures to prevent the contamination of pork. He said veterinary control measures applied by Russia are different from those used in the US, and that Russian experts planned to study the American system and decide whether it is appropriate for Russia.

He also said Georgia had recently withdrawn its signature from a protocol on Russia's WTO bid, until Russia lifted its "discriminatory" customs regime on Georgian exports.

"Our Georgian colleagues are concerned about three things: *first* - the existing ban on exports of

wine produce to Russia; *secondly*, the protection of its trademarks; and *thirdly*, the closure of Russian customs offices on the border with Abkhazia and South Ossetia [two breakaway regions in Georgia]," Mr. Medvedkov said.

Costa Rica and Moldova could also block Russia's WTO bid. The Central American country is insisting on a sharp reduction in Russian duties on raw sugar imports, and the former Soviet republic is concerned about its exports of wine and crops to Russia, as well as the VAT it pays on Russian natural gas.

"That's about it. This list would be closed if Ukraine does not join the WTO by that time," the official said. "We are not planning to compete with Ukraine. The quicker it joins the WTO, the better, because we are not satisfied with its trade regime." But he said Ukraine was eager to join the Organization before Russia to solve a number of trade issues with its neighbour, in particular the price of natural gas, an issue that provoked a bitter price row between the countries last winter.

(<http://apostille.us/news>)

### Focus WTO

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## BOOKS/ARTICLES NOTES

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### ARTICLES

**Regional Impacts of Russia's Accession to the World Trade Organization** by Thomas Rutherford and David Tarr, 23 June 2006,  
Source: <http://siteresources.worldbank.org>

THIS paper develops a computable general equilibrium model of the ten regions of Russia to assess the impact of accession to the World Trade Organization (WTO) on the regions of Russia. The paper is divided into five parts. Mentioning about the vast geographical regions of Russia, the introductory part of the paper points out about the geographical vastness of the Russia and says that parts of European Russia are close to markets of Western Europe and parts of Far Eastern Russia are close to the markets of China and Japan, while large portions of Siberia are relatively isolated. It points out about the need for a model of Russia that distinguishes its regions and expects that impact of the model across the regions can be very diverse, even for the same industry. It also identifies the sectors likely to expand and contract and the reasons for the gains to Russia from the WTO accession. The ten region model which is being developed in the paper assesses the impacts across all these ten regions and follows the general structure of the national model of Jensen, Rutherford and Tarr. The paper also mentions about the foreign direct investment in the business services sectors in each region and argues that the gains to Russia from the WTO accession will derive from three principal effects like liberalization of barriers to foreign direct investment in services, tariff reduction and improved access to the markets of non-CIS countries in selected products.

The second part of the paper named "overview of the model and key data" presents different data set of mainly three types of sectors: perfectly

competitive goods and services, imperfectly competitive goods sectors and imperfectly competitive business services sectors. The paper takes data from all 88 geographic areas and terms these areas as oblast. It groups several contiguous oblasts into regional market and analyzes the effects of the model at the level of Regional Market. The paper presents data of value-added exports and imports by sector for ten regions of Russia and assumes that firms and sectors operate at the Regional Market level and primary factors of production are not able to move between Regional Markets. The paper points out that in determining the prices for competitive goods and services sectors firms in each Regional Market have three choices for sales: sell in their own Regional Market; sell to other parts of Russia; or export to the rest of the world. It says that all firms within the same Regional Market, the product they export to other parts of Russia is homogeneous, while consumers and firms in a representative Regional Market first optimize their choice of expenditures on foreign goods versus goods from Russia and they optimally allocate their expenditures between goods from the other Russian Regional Markets. This part also discusses about goods produced subject to increasing returns to scale through existing literature and available data sources. In describing factors of production the paper points out that primary factor of production that includes skilled and unskilled labour and three types of capital: (i) mobile capital (within regions); (ii) sector-specific capital in the energy sectors reflecting the exhaustible resource; and (iii) sector specific capital in imperfectly competitive sectors and primary inputs imported by multinational service providers, reflecting specialized management expertise or technology of the firm. It says that for all three types of the capital fifty per cent of the capital used in the region is owned by this mutual fund and the balance is owned by the representative agent in the region. The national

mutual fund invests in all regions and obtains an overall return while the representative agent in the region also holds shares in the national mutual fund. In the key data section the paper extensively discusses the tariff and export tax data, input output tables, regional input output tables and FDI shares of the workers working in multinational service sectors in each sector and in each region.

The third section of the paper discusses the policy results for the ten regional markets. The paper mentions about the overall welfare effects from the WTO accession and says that the reduction in barriers to FDI results in an improvement in Russian welfare on average across regions of 6.7 per cent of consumption while improved market access and tariff reduction contribute an improvement in Russian welfare by 0.3 and 0.7 per cent, respectively. It also points out that Russian commitment to reduce barriers against multinational service providers will allow multinationals to obtain greater after-tax returns on their investments in Russia, which will encourage them to increase foreign direct investment to supply the Russian market. It says that after WTO accession some decline in the number of purely Russian owned businesses serving the services markets is expected, but the balance will be achieved by additional service providers. Therefore, the Russian users of business services will then have improved access to the providers of services in areas like telecommunication, banking, insurance, transportation and other business services. The paper also mentions that the most important effect derives from the reduction in barriers to FDI. In business services only fifty per cent of the cuts in WTO scenario reduces the gains in Russian welfare substantially which shows the importance of reducing barriers to FDI in order to increase Russian productivity and welfare. It also discusses the estimates of the impact at the level of productive sectors of the economy and presents result for output, exports, imports and employment of skilled and unskilled labour by sector. In order to obtain an assessment of the adjustment costs, the paper estimates the percentage of mobile labour and capital that must change industries. The paper also mentions the sensitivity analysis with respect to some key parameters and points out that the results differ according to the ability of different regions

to attract FDI based on the ranking of their investment potential. The paper also states that as per the model the manufacturing sectors that are likely to expand their output the most are ferrous metals, chemicals and non-ferrous metals and they will gain an exogenous increase in the price of exports upon WTO accession and will also export the highest share of their output on a national basis. The paper also mentions about the declining manufacturing sector and says that the sectors that contract the most are the sectors that are the most protected prior to tariff reduction and which have a relatively small share of exports, e.g. food, machinery & equipment and construction materials. The paper also estimates for different business service sectors and varying results on employment opportunities of the labours in different sectors after reduction in the barriers to foreign direct investment in the sectors.

Fourth part of the paper presents detailed combinations of the sensitivity analysis where it points out the sensitivity to investment potential of the regions and says that regions may adapt and attract more FDI based on the ranking of their investment potential. The analysis of the results suggests that the gains for a region could vary considerably depending on whether it succeeds in creating an atmosphere conducive to investment. This part also analyzes the sensitivity to results to a 50 per cent cut in the barriers to foreign direct investment and mentions that the gains to the economy are reduced to about 4.2 per cent of consumption or 2.4 per cent of GDP with respect to the extent of liberalization of barriers to foreign direct investment. It also points out that the regions like St. Petersburg and the Northwest still gain the most even after 50 per cent cut in the barriers to FDI, but the ranking of gains among other regions changes slightly, reflecting different relative gains from FDI, versus tariff reduction or improved market access. In the subsection named as piecemeal sensitivity analysis, the paper through multiple data sets points out that the gains to the economy (welfare gains) increase with an increase in elasticities, since higher elasticities imply that the economy is able to more easily shift to sectors or products that are cheaper after trade and FDI liberalization. It also suggests that liberalization of the barriers to FDI will result in a reduction in the cost of business services, both from the direct effect

of lowering the costs of doing business for multinational service providers and from the indirect effect that additional varieties of business services allow users to purchase a quality adjusted unit of services at less cost. It also mentions that the share of the services market captured by multinationals has a strong effect, since liberalization results in a larger number of new varieties introduced.

In the concluding section, the paper points out the results that are consistent with the themes of empirical work on multilateral trade liberalization and suggests that a country will generally gain more from its own liberalization than the gains from improved access to the markets of its trading partners. It mentions that improved market access is a gain to Russia but is quantitatively less important than its own tariff and FDI liberalization in terms of increases in Russian welfare from the WTO accession and in the Russian context, liberalization of barriers to FDI is quantitatively more important than tariff liberalization. The paper suggests that a better investment potential of a region will lead to larger gains of a region. Therefore, creation of a good investment climate can help a region gain more from the WTO accession.

### **Effects for the Kyrgyz Republic after Joining**

**the WTO** by Simon Lacey, October 2002,  
Source: [http://www.eu-ldc.org/downloads/  
conference%202002/2.2%20-%20Lacey.doc](http://www.eu-ldc.org/downloads/conference%202002/2.2%20-%20Lacey.doc)

THE paper shares some of the author's thoughts on the WTO's accession process. The first part of the paper puts the Kyrgyz accession into perspective in the light of what other countries have agreed upon when they joined the WTO and attempt to answer the question as to whether the Kyrgyz Republic had a bad accession relative to other countries. The paper points out that Kyrgyzstan's schedule of commitments on goods contains bound tariff rates that never exceeded 20 per cent and on agricultural products the Kyrgyz could not avail the possibility of a special safeguard measure on a single tariff line. Comparing the Estonian accession to the WTO the paper states that it managed to negotiate bound maximum tariff rates of up to 69 per cent on a few products in the important sector of agriculture but they could not get special

safeguard measures on their most important products.

The second part of the paper discusses about the Kyrgyz economy before and after its accession to the WTO, where it mentions that before joining the WTO the annual GDP growth rate of Kyrgyzstan was up to 9.9 per cent. The paper points out the reasons for the decrement in the economic growth of Kyrgyzstan and says that probably factors like Asian financial crisis and joining the WTO might have played a role in the Kyrgyz economic downturn as after joining the WTO, the Kyrgyz Republic suffered numerous disadvantages in its traditional export markets such as Russia, Kazakhstan, and other Central Asian Republics. The disruptions suffered to its traditional trade flows, was not compensated by new export markets which had opened up as a result of Kyrgyzstan's accession to the WTO. It further mentions that the reasons for the Kyrgyz Republic suffering difficulties with its traditional export markets were political in nature rather than the economic result of joining the WTO, as by being the first former Soviet Republic to join the WTO. The Kyrgyz Republic inspired a large amount of ill-will and discomfort on the part of other regional players like Russia and Kazakhstan. It also states that the Kyrgyz Republic has been forced to undergo many of the structural reforms in order to implement its WTO commitments, as well as its commitments under various international aid and development programmes initiated by such institutions such as ADB, the World Bank, the IMF, the UNDP, etc. in achieving the improved economic growth.

The third section named "problems to be tackled in the immediate future" presents the synthesis of the author's discussion with different stakeholders including the government officials, academics, parliamentarians, men and women working in the international agencies and expatriate business people living and working in the Kyrgyz Republic on the issue of the Kyrgyzstan's accession to the WTO. The paper suggests that Kyrgyz Republic should establish functional and harmonious trading relations with its regional trading partners as quickly as possible as most of the Kyrgyzstan's trade is regional. It also points out that on the issue of Agreement on Government Procurement (GPA), the government agency for public procurement

finds it difficult to implement many of the obligations that the Kyrgyz Republic might incur under the GPA. On the issue of attracting greater foreign investment, the paper points out that the Kyrgyz Republic needed assistance in negotiating agreements with large multinationals. It also states about the common suspicions that Kyrgyzstan is being used as a transit country for cheap Chinese goods to other countries in Central Asia as China has also become the member of the WTO. The paper also mentions about the obstacle with regard to trade between the Kyrgyz Republic and Uzbekistan due to the fact that the latter does not possess a fully convertible currency.

The concluding section of the paper mentions that the claims of trade liberalization and accession to the WTO in acting as a stimulant for economic growth, reducing poverty, creating jobs and paving the way for economic prosperity has not been supported by an abundance of well-founded evidence as very little attention has been given to the issue by the researchers and academicians, except in the case of Chinese accession to the WTO. Mentioning about the Korean model the paper cites that the "free trade" model followed by Korea is completely different from the free trade model WTO accession countries are being forced to accept now. It further mentions that the membership of the WTO must be a goal worth pursuing otherwise countries, such as the Kyrgyz Republic would not go to all the trouble. It also suggests that each country should make sure that it gets the maximum benefit and utility out of being part of the multilateral trading system and there should be no misconception about the fact that the price of failure can be very high as accession of the WTO is not like a free lunch or a free ride at the WTO.

### **Ethiopia's Accession to the WTO: Implications for the Agricultural Sector** by Gashahun

Lemessa Fura, May 2007, Source: [http://etd.uwc.ac.za/usrfiles/modules/etd/docs/etd\\_gen8Srv25Nme4\\_1331.pdf](http://etd.uwc.ac.za/usrfiles/modules/etd/docs/etd_gen8Srv25Nme4_1331.pdf)

THE present paper is a research work and assesses the implications of the accession for the sectors in the light of the experience of other countries. It is divided into five parts. The first part of the paper deals with the general background mentioning about the objective, significance and scope of the

research in the Ethiopian accession of the WTO and its implication on the agricultural sector.

The second part of the paper briefly describes the WTO and its basic rules and says that since its establishment, the WTO has been the only organization dealing with rules of global trade and number of countries including a few LDCs, have acceded to it either because of the real benefit of the multilateral trading system or due to lack of a better alternative. It also points out the general arguments for and against the WTO accession and gives a brief account of the accession process. It further says that in spite of the more favourable terms of accession pledged to LDCs under the Doha Mandate, there is little evidence that such newly acceding countries are granted significant differential terms and the accession process is still lengthy and complex. Although it is widely agreed that the WTO accession is a step for integration into a global trading system, the accession process has increasingly become cumbersome as the acceding country has to meet the demands from all incumbent members. The paper also points out that the global trade under the auspices of the WTO is generally considered as beneficial and a step towards integration into the global market, there is a general shift in the GATT/WTO's role from mere trade liberalization to harmonization of rules and is intruding into those areas that used to be under the exclusive sovereignty of a member.

The third part of the paper assesses the agricultural trade liberalization in the pre-WTO (the GATT 1947 era) and post WTO. The paper also states that agricultural trade liberalization has remained controversial, as the GATT 1947 could not liberalize agricultural trade through tariff reduction as it did in other sectors. Therefore, the WTO members have taken a concrete step in disciplining agricultural trade through the negotiation of the agreement on agriculture (AoA) during the Uruguay round trade negotiations. It is considered a useful move in disciplining agriculture by addressing the issues of market access, domestic support and export subsidy. It states that under the current Doha round of trade negotiations, members have further expressed their willingness for a strengthened discipline on agricultural trade in the July 2004 Negotiations Framework and the Hong Kong Ministerial Declarations, while no concrete deal has

so far been reached neither in agricultural nor non-agricultural trade. It further mentions that though no significant progress has been made in the Doha negotiations, the ambitious reduction of domestic support by rich countries and elimination of all forms of export subsidies as provided by the framework agreement and the Hong Kong Ministerial are generally deemed to benefit particularly developing countries. Elimination of export subsidy may negatively affect net food importing countries which are presumed to benefit from lower price of subsidized food products.

The fourth part of the paper, which is the main theme of this study, aims at assessing the possible implications of Ethiopia's accession to the WTO for the agricultural sector in the light of the preceding parts of the paper. The paper points out the importance of agriculture in the Ethiopian economy, which is also recognized by adopting a policy that attaches priority to the sector. It says that most of the existing agricultural policies on agriculture are compatible with the agreement on agriculture (AoA) provisions as they relate to LDCs. The paper explores the importance of the three pillars of the agreement on agriculture (AoA): market access, domestic subsidy and export subsidy for Ethiopia. Mentioning about the market access, the paper points out that the country has significantly and perhaps unilaterally reduced its import tariffs and in principle does not administer non-tariff measures. The paper also suggests that virtually all the agricultural domestic support policies currently in place fall under either the "Green Box" or "Development Box" measures of the AoA, which are generally exempted from reduction commitments. The paper also takes the July 2004 Framework and subsequent developments into consideration. It further mentions that as export subsidy presupposes strong financial resource, as it is not surprising to observe the fact that Ethiopia does not subsidize agricultural exports. It also points out that if Ethiopia boosts the quality and quantity of its exports, the reduction of export subsidies in the developed countries can be translated into its benefit.

The paper in the conclusion and recommendation section mentions that Ethiopian WTO accession should not be seen as a sufficient condition for integration into the global market. It

further says that under the current Doha round of trade negotiations and preferential accession process for LDCs, Ethiopia should adhere to more favourable treatment in the negotiations of all the three pillars of the AoA. It also mentions that the WTO accession does not have a significant effect on Ethiopia's agriculture in terms of domestic support and export subsidies. Although WTO accession of itself may not strengthen market access, quite in line with the intended role of the Ethiopia's agriculture, it can offer more predictable market access although non-tariff barriers (especially technical and sanitary & phytosanitary measures) remain notable market entry challenges. Therefore, the paper mentions that the country should work towards boosting the quality and quantity of its agricultural production and exports, which in turn depends on curbing the supply side constraints such as poor infrastructure and backward technology. It finally says that the accession itself can contribute to the government's efforts in curbing some of the supply side constraints through foreign direct investment.

**Nepal's WTO Membership: Benefits and Challenges** by Shiv Raj Bhatt, *South Asian Journal*, January-March 2006.

THE present paper in its introductory part mentions about the arguments that the economic globalization boosts the world economy and that global integration of small and landlocked countries like Nepal through WTO membership can be instrumental for rapid economic growth, poverty reduction and promotion of human development. By taking the reference of various studies the paper points out that the trade contributes to growth, better income and employment opportunities, therefore it positively promotes human development and reduces poverty. It speaks of the wide range of concerns that have arisen throughout the world for implications of the various WTO agreements on various development-related issues, particularly related to poverty, inequality and promotion of human development. Least developed country (LDC) like Nepal needs proper policy interventions, institutions, infrastructure and the removal of supply side constraints to seize the benefits of globalization not only at a macro level but also at the grassroots level.

The second part of the paper presents a brief historical background of world trading system, where it mentions about the emergence of the international organizations like International Monetary Fund (IMF), World Bank and the General Agreement on Tariffs and Trade (GATT) and their role in the international economic system. While mentioning about the GATT, the paper mentions that reduction of tariffs and trade barriers, promotion of the liberalization of world trade, elimination of discriminatory treatment and an increase in competition were some of the GATT objectives. It points out that in the 8th and final round of GATT negotiations, the Uruguay Round (1986-1994), which led to the signing of the Marrakesh Agreement and the creation of the WTO. It also mentions about the issues covered in the Marrakesh Agreement, that include trade in services, trade-related aspects of intellectual property (TRIPS), and technical barriers to trade, among others. It also defines the functions and structure of the WTO and establishes a legal and more efficient dispute settlement process. The paper also points out the foundation principles of the multilateral trading system, where it explains the terminologies like most-favoured nation (MFN), special and differential treatment, freer trade, predictability, fair competition and development and economic reform.

The third section discusses Nepal's expectations from WTO membership, where it says that in order to capitalize the benefits of globalization, Nepal initiated economic reforms in the mid-1980s, which was boosted after restoration of multiparty democratic system in the 1990s. The paper also mentions that the Ninth Plan sets a long-term goal of integrating the trade sector with the globalization process by making it fully competitive and market oriented, and aims to achieve one per cent share in the global trade by 2015. The paper also states that Nepal acceded to the WTO with the firm belief that membership in the rule-based trading regime is essential for expanding trade opportunities, facilitating competition and absorbing knowledge, thereby creating opportunities for growth and pursuing overall development goals. It further says that on the basis of past experience it can be claimed that the WTO membership may help to expand trade by providing predictability, security, transparency of market access, but it does not

necessarily guarantee immediate or longer-term economic and human development.

The fourth part of paper points out the implications of Nepal's membership, where it states that the implications of WTO membership depend on various factors such as internal and external institutions and social and economic policy preconditions that is largely determined by the extent the country and the people benefit from the WTO membership. Nepal cannot resist the negative spillover effect without getting into WTO in the context when India and China both are members of WTO and therefore it needs cautious economic policies, removal of supply side constraints, increased institutional capacity and infrastructure development to maximize the benefits while mitigating the adverse effects. While discussing the benefits of the WTO membership the paper points out that market access opportunities provided by the WTO system can lead to further investment, economic production of goods and services and industrialization process. The paper also points out that apart from policy stability, foreign investors need some more preconditions; most importantly, the size of market, infrastructure, security of private property, peace and condition of law & order in the country, and in the absence of some preconditions, Nepal is less attractive destination for FDI even after the membership. Another benefit of the WTO accession reflects from the national commitment in gearing up domestic institutional capability in order to deliver the services related to trade and economic transactions. Being a least developed country (LDC), Nepal can also get benefits from WTO mechanism of positive discrimination. The next subsection mentions that the establishment of trade and transit rights of the WTO members saves them from the consequences of unilateral decisions between trading partners and Nepal, as a landlocked country, has to get institutionalized recognition for access and freedom of transit through the territory of each contracting party via the routes most convenient for international transit. The paper points out that the removal of supply side constraints will provide Nepal the alternative trading partners among the members, without discrimination in terms of trade and extend additional assurance of supply consistency required both for industrial input and domestic consumption.

The paper also mentions that the goal of the rule based multilateral organization like the WTO is to help enterprises, including SMEs in order to conduct their business in a rule-based trading environment. However, various WTO rules and decisions involving obligations relating to reduction of tariffs, cutting of major subsidies incompatible with the WTO rules, trade related intellectual property rights, technical standards and large-scale liberalization of services/infrastructure can affect SMEs. In the subsection named "benefits of service trade liberalization" the paper points out that the competitiveness of producers in an economy largely depends on access to efficient banking, insurance, accountancy, legal, telecommunications, transport systems and other services and it is found that developing countries stand to gain relatively more than industrial countries for liberalizing their services trade. The next section of the paper discusses the costs and challenges ahead for Nepal after its accession to the WTO. The paper mentions that main challenges before Nepal are to fulfill the WTO commitments that need establishment of new institutional/legal mechanism; removal of supply side constraints; restructuring of industrial sector; and averting marginalization of the country as well as weaker sections of the society. Finally, it says that the benefits of membership depend on Nepal's ability to identify and take advantage of trading opportunities; fulfill multilateral trade obligations; formulate and pursue development strategies within the framework of those obligations; and defend the economic, finance and trade needs.

The concluding section points out that the membership has opened several economic opportunities and established global recognition of Nepal as an independent economic entity competent to trade under the global framework of rules. The paper also mentions about the challenges that are posed before Nepal. It also states that in order to realize intended benefit from the WTO membership, Nepal needs strategic alliance among the domestic stakeholders as well as with external trading partners to enhance competitive capability of business community and service delivery capability of public agencies related to investment, production and trade.

**Ukraine's WTO Accession: Forgotten Challenge and Benefits** by Ihor Burakovsky, 2002, Source: [http://ierpc.org/ierpc/papers/s14\\_en.pdf](http://ierpc.org/ierpc/papers/s14_en.pdf)

THE paper describes the processes of WTO accession and its impact on the national policy-making. It argues that the implementation of the commitments related to the membership in the WTO must become part of wider reform efforts as it impacts the process of the national policy-making. Concerns of the politicians, policy-makers and representatives of the business community about the ability of Ukraine's economy to enjoy and access the WTO membership have been raised. It is divided into five parts and was written before Ukraine got the membership. The paper mentions that the process of the Ukraine's WTO accession has been viewed in Ukraine as bringing Ukrainian trade and trade-related regulatory policies in line with the WTO rules and norms and radical liberalization of foreign companies' access to the Ukraine's domestic market.

The second section basically discusses the issues related to the benefits of accession for the policy-making and points out that the effects of the accession depend on the outcome of the negotiations and also on the country's ability to negotiate with the WTO members. It says that the foremost benefits of the WTO countries are the improved access to markets and the international dispute settlement mechanism to defend national interests in case of conflicts with trading partners. The membership of the WTO is beneficial in a way that it increases the credibility of the government policies of that particular member country. It is argued that increased credibility makes country more attractive for foreign investors and improves its standing compared to other countries. Due to the improved market access competition and better resource allocation, the Ukrainian economy will be in a position to substantially gain efficiency through implementation of WTO disciplines.

The third section discusses challenges for the national policy-making after Ukraine's accession to the WTO. It says that Ukraine would have to carry out significant changes in its policies and institutions to ensure full compatibility of the domestic legislation with the WTO disciplines and to ensure

the existence of all institutions necessary for the implementation of the commitments. It also talks about the concerns of the Ukraine government that it should include content of changes to be implemented and investment necessary for the implementation. Accession imposes not only certain disciplines and rules but requires also the establishment of those institutions and policies that are central to the enforcement of these disciplines. It mentions about different obligations which the WTO membership has to impose on the national policy making in the form of economic regulation and WTO countries have to notify all legislation, trade policies and practices that would automatically be transmitted to the other members. So that all know about changes in regulation in a particular country. It is necessary to implement policy-making procedures preventing appearance of legislative and regulatory acts contradicting WTO disciplines.

The fourth section named "Investing into modernization of policy-making" mentions about the requirement of certain investments in order to implement the WTO commitments. The budgetary implications of the WTO agreements should not be underestimated and therefore the state needs to identify priorities of financing state administration reform taking into account WTO membership commitments. The paper points out that without budgetary and private investments the stable economic growth in the long run is unattainable and these investments will benefit Ukraine's economic performance. Accession to the WTO is an important vehicle for economic modernization.

The fifth and final part of the paper provides conclusion and policy recommendations, where it mentions that Ukrainian government must try to complete negotiations on the WTO accession as it would lose a number of potential benefits if it remains outside the WTO. The paper also mentions that the parliament should also involve into the negotiation process and the government should persuade the parliament to stage special parliamentary hearings on Ukraine's WTO accession before considering whether to ratify or not the Protocol of Accession itself. In order to avoid the biased approach towards policy-making, government must make clear to

Ukrainian companies that it is their responsibility to elaborate global strategies based on realistic assessments in the fields of their operation. The paper also points out about the measures need to be taken after Ukraine's accession in the field of liberalizing access to domestic markets. It says that Ukraine's existing concept of industrial policy must be reconsidered and attempts of reforming the state administration and their implementation should be geared towards meeting the obligations of the membership in the WTO. Certain recommendations like establishment of effective system of notification of WTO on Ukraine's legislation, trade policies and practices and creation of a framework for regular consultations with the business community, are necessary, suggests the paper.

In order to prepare different governmental agencies as well as the business community to the changes accompanied with Ukraine's WTO accession, the paper mentions that the government should publish White and Green Books to state Ukraine's international competitiveness. Regular deliberations based on these documents will enable the government to elaborate a more weighted approach at how to deal with certain specific requirements.

**China's WTO Accession: Economic, Legal, and Political Implications** by Karen Halverson Cross, *International and Comparative Law Review*, Vol. 27, No. 2, 2004.

THE article in the introductory section mentions about the uniqueness of China as a new member of the World Trade Organization (WTO) by stating that China is both a developing country and an economic powerhouse. It says that on the one hand China has become world's seventh largest goods exporter and on the other it has attracted second highest FDI in the world. China stands at crossroads both in terms of the transfer of power within the Chinese Communist Party (CCP) and its new status as a WTO member. This article analyzes the relationship between these two processes and mentions that the WTO accession has a profound impact on economic, legal, and political change in China. It focuses on the relationship between China's unique accession process and its reforms over the past two decades. It mentions about the

historical background of China's long road to accession and the way in which this process worked.

The first section describes accession process, highlights the role the WTO has played in propelling forward China's economic reform programme. The article also points out that China's WTO obligations are spanning over several areas and will take enormous time and energy to get implemented. It states that though the commitments that China has undertaken in its protocol of accession are far-reaching and potentially onerous, they will open the Chinese market to competition. The pressure of opening up will energize the government to end its practice of protecting inefficient state-owned enterprises. The external pressure of WTO obligations may accelerate China's process of legal reform and suggests that WTO accession has acted as a lever for economic and legal reform by locking in reform. The article also contrasts China's experience with that of other Communist countries that joined the General Agreement on Tariffs and Trade (GATT) during the 1960-70s by mentioning that the current crisis that China faces with its debt burden and "soft budget constraints" on the enterprises mirrors the economic problems that Poland, Hungary, and Yugoslavia faced in the 1980s. It says that the debt and soft budget constraints are problems that result from partial liberalization of the state-owned sector.

The second section analyzes China's WTO obligations relating to transparency and considers the degree to which accession has and will contribute to legal change in China. It says that in

addition to trade liberalization commitments, the WTO agreements include a special set of obligations that aim to promote transparency, predictability, and fairness in the implementation of China's WTO obligations. The article also points out that China's WTO obligations include obligations relating to public availability of trade-related laws, uniform administration of the laws, and the existence of an independent and impartial system for the review of administrative decisions. The transparency-related obligations contained in the WTO agreements encompass not only the publication of trade-related laws, but also their accessibility as well as fair and effective implementation. In addition to these obligations, China's protocol of accession includes a number of specific commitments that confirm as well as supplement the obligations contained in the WTO agreements. This section also describes these rules, points out certain obstacles to their effective implementation, and notes the extent to which the Chinese government has achieved progress in implementation.

The third section points out different areas, where market liberalization has weakened the CCP's ability to control livelihood issues of people.

CCP is making efforts to improve living conditions of its people by creating welfare measures like providing employment and food security to its people. The government is sending out message about the positive effects of adhering to WTO-related obligations. The country in the long run will benefit by integrating with the world economy.





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