

**THE WTO
ACCESSION PROCESS:
WHAT IS THIS?
HOW IT WORKS.**

I Part. Introduction

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INTRODUCTION

This seminar on the WTO accession process is composed of 3 parts:

I. General introduction

II. Technical Aspects

III. Legal issues

- In this séance we will discuss the **1st part**.
- Please don't hesitate ask any question during the presentation.
- We will have a coffee pause after 50 min.
- The present text with modifications has been presented in other acceding countries, Cap Verde, Moldova, Montenegro, Russia, Ukraine and Yemen

2. WHAT IS WTO ACCESSION ?

- * Is a **political and legal commitment** taken by the government of the acceding country **to adopt the trade rules** and agreements signed by the WTO members
- * This corresponds to **29 individual legal texts**
- * WTO Accession is also a long and complex economic and legal negotiation process. Accession takes in average **4-6 years**. 3-5 countries accede/year
- * However, for some countries it took and will take, **10-15 years or even more**

3. WHY ACCESSION TO WTO?

1. **Adoption of trade rules** existing in most of the countries of the world. 139 countries currently and more than 25 are expecting to become WTO members
2. Increasing international trade possibilities under more **stable and predictable trade conditions**
3. Improve **image and credibility** of the country
4. Use of **neutral mechanism** for trade disputes

4. WHAT THIS PERMITS ?

1. Dispose of markets with **lower custom tariffs**, thus increasing exports
2. Facilitate the imports at **cheaper prices** and of better quality
3. Allow consumers' **large choices of products** that can be bought according to their income

5. WHAT ACCESSION ALSO GENERATES? TROUBLE OR CHALLENGES?

- For non-competitive industries working under protectionist conditions. Possible increase of **unemployment**
- For **rent seeking** firms and inside oriented political leaders
- For governmental bodies in charge of laws amendments and introduction of new ones
- **Political frictions** inside the cabinet of ministries. **First negotiation**

6. FORMAL PROCEDURES OF ACCESSION

- **They can be divided in 3 phases:**

1. Official demand for WTO accession

2. The negotiation process itself

3. The memorandum of accession and WTO membership

7. THE OFFICIAL DEMAND FOR ACCESSION

1. The application for accession is considered under the art.12 of the Marrakesh Agreement. It stipulates that any State or custom territory **with full autonomy** of its external trade relations can apply for accession
2. The acceding country prepares and presents **the memorandum of its Foreign Trade Regime (FTR)**. It follows a WTO model call WT/ACC/1 and WT/ACC/4 for agriculture and WT/ACC/5 for services

8. THE MEMORANDUM OF FT REGIME

1. FTR preparation takes **1-2 years**, but some countries have taken longer time and others have presented it 3 times
2. At this level appear in the country the first signs of problems for WTO accession:
 - * **Lack or weak knowledge** on WTO agreements and requirements in different Ministries, governmental institutions and in **private sector**
 - * hard to get information & **weak coordination**
 - * insufficient financial resources for accession preparation

9. OVERVIEW OF STAGES OF THE WTO ACCESSION PROCESS

Summary Table of Ongoing WTO Accessions (2007)

	Application	Working Party Established	Memorandum	First/Latest* Working Party Meeting	Number Working Party Meetings*	Goods Offer		Services Offer		Draft Working Party Report **
						Initial	latest*	initial	latest*	
Afghanistan	Nov 2004	Dec 2004								
Algeria	Jun 1987	Jun 1987	Jul 1996	Apr 1998/Oct 2005	9	Feb 2002	Jan 2005	Mar 2002	Jan 2005	Jun 2006
Andorra	Jul 1997	Oct 1997	Mar 1999	Oct 1999	1	Sep 1999		Sep 1999		
Azerbaijan	Jun 1997	Jul 1997	Apr 1999	Jun 2002/Mar 2006	4	May 2005	Apr 2007	May 2005	Mar 2007	
Bahamas	May 2001	Jul 2001								
Belarus	Sep 1993	Oct 1993	Jan 1996	Jun 1997/May 2005	7	Mar 1998	May 2006	Feb 2000	Sep 2006	Apr05 FS
Bhutan	Sep 1999	Oct 1999	Feb 2003	Nov 2004/Oct 2006	3	Aug 2005	Apr 2007	Aug 2005	Apr 2007	Sep 2006
Bosnia and Herzegovina	May 1999	Jul 1999	Oct 2002	Nov 2003/Mar 2007	3	Oct 2004	Jun 2005	Oct 2004	Jun 2005	Feb 2007 FS
Cape Verde	Nov 1999	Jul 2000	Jul 2003	Mar 04/Jul 2005	3	Nov 2004	Nov 2005	Nov 2004	Nov 2006	Nov 2005
Comoros	Feb 2007	Oct 2007								
Ethiopia	Jan 2003	Feb 2003	Jan 2007							
Iran	Jul 1996	May 2005								
Iraq	Sep 2004	Dec 2004	Sep 2005							
Kazakhstan	Jan 1996	Feb 1996	Sep 1996	Mar 1997/Nov 2006	9	Jun 1997	May 2004	Sep 1997	Jun 2004	Sep 2006
Lao PDR	Jul 1997	Feb 1998	Mar 2001	Oct 2004/Nov 2006	2	Nov 2006				

Lebanese Rp	Jan 1999	Apr 1999	Jun 2001	Oct 2002/May2007	5	Nov 2003	Jun 2004	Nov 2003	Jun 2004	Mar 2007
Libyan Arab	Jun 2004	Jul 2004								
Montenegro	Dec 2004	Feb 2005	Mar 2005	Oct 2005/Feb 2007	3	Jun 2006	Feb 2007	Jul 2005	Jun 2006	
Russian Fed	Jun 1993	Jun 1993	Mar 1994	Jul 1995/Mar 2006	30	Feb 1998	Feb 2001	Oct 1999	Jun 2002	Oct 2004
Samoa	Apr 1998	Jul 1998	Feb 2000	Mar 2002	1	Aug 2001		Aug 2001	Feb 2006	Nov 2006
Sao Tome P	Jan 2005	May 2005								
Serbia	Dec 2004	Feb 2005	Mar 2005	Oct 2005/Dec 2006	3	Apr 2006		Oct 2006		
Seychelles	May 1995	Jul 1995	Aug 1996	Feb 1997	1	Jun 1997		May 1997		Jun 1997
Sudan	Oct 1994	Oct 1994	Jan 1999	Jul 2003/Mar 2004	2	Jul 2004	Oct 2006	Jun 2004	Oct 2006	Sep04 FS
Tajikistan	May 2001	Jul 2001	Feb 2003	Mar 2004/Oct 2006	3	Feb 2004	Jun 2006	Feb 2004	Jun 2006	May06 FS
Ukraine	Nov 1993	Dec 1993	Jul 1994	Feb 1995/Jun 2006	16	May 1999	May 2002	Feb 1997	Jun 2004	Apr 2007
Uzbekistan	Dec 1994	Dec 1994	Oct 1998	Jul 2002/Oct 2005	3	Sep 2005		Sep 2005		
Vanuatu	Jul 1995	Jul 1995	Nov 1995	Jul 1996/Oct 1999	2	Nov 1997	Nov 1999	Nov 1997	Nov 1999	Acc.Pack Oct 2001
Yemen	Apr 2000	Jul 2000	Nov 2002	Nov 2004/Jul 2006	3	Sep 2005	Jun 2006	Aug 2005	Jun 2006	Jun06 FS

Any questions?
Coffee Pause

11. ORGANIZATION AND WTO ACCESSION ISSUES

1. WTO accession is a **political goal** with middle and long-term economic objectives.
2. In general, **2-4 Ministries** are the **main drivers** of the process, 2-6 are against and the others are somehow passive players or followers. **First negotiation** is inside!
3. Elections and political changes retard the negotiation process
4. Frequent changes in the technical staff reduce the quality of the country's offer
5. In many cases there is a superficially understanding on accession legal changes and negotiation process

10. Organization on WTO accession



11 b. ORGANIZATION AND WTO ACCESSION ISSUES

6. Accession involve many areas and institutions. It needs a **strong coordination** of government bodies and **consultations** with private sector, unions and consumers org.
7. **Not all countries** involve trade unions and consumers organizations
8. Accession is rarely coordinated with other re-structuring prog. & institutions
9. **Main problems** are in adapting legislation, reducing tariffs, agree on agricultural AMS tables.
10. GATS, TRIPS, investment and SCV are other areas that are difficult to agree

11 c. ORGANIZATION AND WTO ACCESSION ISSUES

11. WTO accession takes 4-6 years in average. However, some countries are negotiating for over 10 years

12. **Accession cost** about 0.5 to 1m US\$/year.

There are many bilateral meetings in Geneve, Brussels, and other countries

Studies of impact and implications are necessary

Changes of legislation needs time and particular expertise

13. In average there are about **12-20 WP Meetings** before accession, **150-250** bilateral meetings and answers to **1500-2500 questions**

14. **Accession strategy** is frequently absent and/or unclear

12. THE NEGOTIATIONS

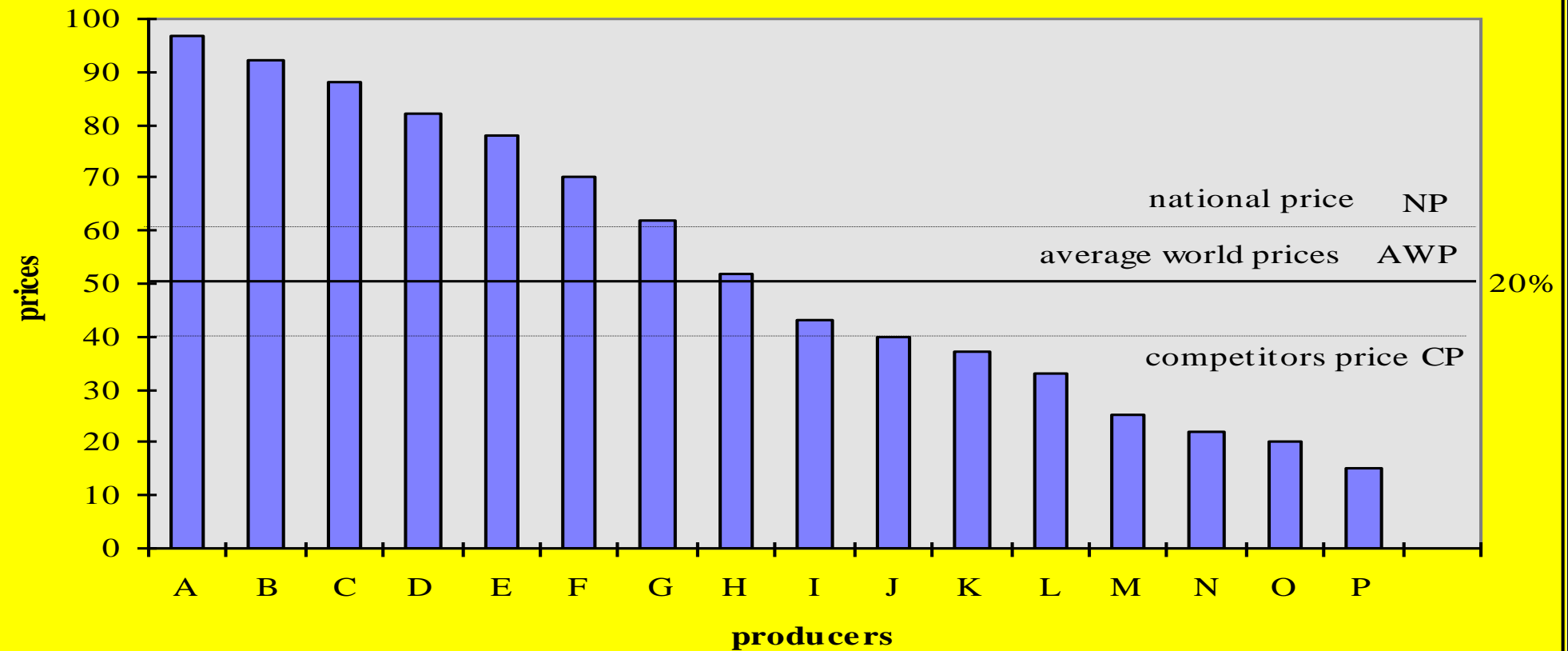
1. **Clarification, persuasion and credibility** are key elements. Negotiations are flexible but with limits. Applicants drive the neg. process
2. Four main topics are the **main drivers** of the negotiations: goods tariffs, agriculture, services and harmonization of legislation
3. Most of these topics are treated from the point of view of **market access, insurance of commitments and implementation period**
4. MFN, national treatment, transparency and regulations are always present during the negotiation process

13. TARIFFS NEGOTIATIONS ON GOODS

1. Negotiations on goods are in bilaterals, they are present almost during all the negotiation process.
2. Producers, "concession" and packages are the dominant approaches. Consultations with industry is common, but with **consumers**, is absent in most cases
3. Main **negotiation techniques** are a mix of:
 - *item-by- item (Kennedy Round),
 - *linear tariff cut (Kennedy & Tokyo Round),
 - *"Swiss Formula" or Harmonized Formula ($T_2 = RT_1 / (R + T_1)$)
 - * zero-for-zero

Production and market prices (Example)

Figure 1: Production and market prices



14. TARIFFS BINDINGS and SCHEDULES

1. Import tariffs are **bind** at 98-100% (73% Developing Countries)
2. Implementation period: 4-7 years (+10 y LDC)
3. Negotiated levels & schedules are always under the umbrella of **MFN principle**
4. Import-weighted average, tariffs dispersion, N° zero tariffs and N° of unbound lines are always considered by WPM
5. Presentation of this type of tariffs facilitate negotiations and rise credibility, especially during first phase

15. TARIFFS ON GOODS

GOODS TARIFFS	BULGARIA		KYRGYZ REPUBLIC	
	Agricultural Pro.	Non-agri. Prod.	Agricultural Pro	Non-agri. Prod
N° of tariffs items				
N° tariffs lines bound	725	n.a.	912	6068
N° tariffs bound individually	725	2491	912	6068
Specific + compound rates	114	None	49	36
0 %.....	42	100	19	1401
0-5 %.....	47	282	64	812
6-10.....	66	899	530	3371
11-15.....	82	846	98	447
16-20.....	16	93	151	1
20-30.....	92	209	1	0
30-40.....	63	62	0	0
40-50.....	3	0	0	0
50+.....	200	0	0	0
Simple Average individual tariffs bindings	34.9%	12.6%	11.7%	6.7%
Minimum	0	0	0	0
Maximum	98%	40%	30%	20%
Other tariffs items bound	none	35%	None	none

16.TARIFF EXAMPLE

ACCESSION OF XXXXXXXX TO WORLD TRADE ORGANIZATION

FINAL AND BOUND COMMITMENT LEVEL ON MARKET ACCESS ON GOODS

Tariff item number	Description of products	Base Rate of Duty	Bound Rate of Duty	Implementation Period	INR's
0101 11 000	Purebred breeding animals	5	5		
0101 19 100	Destined for scarification	15	15		
0102 10 100	Hiefers, female bovines that have never calved	20	5	2000-2003	
0102 10 300	Cows	5	5		CA, US
0202 10 000	Carcasses and half carcasses	30% + 400 Euro/t	20% + 150 Euro/t; 25%>	2000-2003	AU, CA
2208 60	Vodka	1 Euro/l	0,5euro/l	2000-2003	BG, EU
2402 10 000	Cigars, cheroots and cigarillos, containing tobacco	3 Euro/1000	3 Euro/1000p		CU
3305 10 000	Shampoos	6.5	6.5		EU, TR
5101 30 000	Wool, not carded or combed	10	0	2000 -2005	AU, JP
6208 21	Slips and petticoats of cotton	35	12	2000-2005	IN
7208 38	Iron of a thickness of 3 mm or more but less than 4.75 mm	0	0		US
7228 10	Bars and rods, of high speed steel	0	0		EU
7326 20	Articles of iron or steel wire	5	0	2000-2005	
8407 10	Aircraft engines	20	10	2000-2005	JP
8411 91	Parts of turbojets or turbo propellers	20	10	2000-2005	CA, JP
8419 11 000	Instantaneous gas water heaters	20	10	2000-2005	BG, JP
8473 50 100	Electronic assemblies	0	0		BG, JP
8517 21 000	Facsimile machines	0	0		EU
8542 50 000	Electronic micro assemblies	0	0		JP
9027 20 900	Electrophoresis instruments	0	0		

17. AGRICULTURE and AMS

1. Negotiations on agriculture is one of the **most difficult** due to its situation in the acceding country and the AA requirements. **Frictions inside** the cab. Ministries
2. Important player, the **Cairns Group** (15 coun.). Their **goal**: abolition of subsidies in agriculture, open and stable market access
3. WPM requirements : Tariffications and tariffs diminution
4. **Reduction of subsidies** with high impact on trade (**yellow subsidies**). They must be **bound**
5. Export subsidies bound and reduced
6. Presentation of schedule of reduction-AMS

18. AGGREGATE MEASUREMENT OF SUPPORT (AMS)

1. Countries must present AMS tables, according to AA. This requires **definition of base year (3 y)**. Agriculture face strong discussions in the negotiation comm. of the acceding country
2. All product and non-product **specific subsidies** presented in the base year, must be bound and reduced if they are **above "de minimis" level**
3. After the art.6.4 (AA) "de minimis" can be used under 5% and 10% by product. Various countries (Mon., Ecu, Kyr, Lat..) have use it.
4. Calculations could be on local currency, US\$, Euro or SDR in AMS

19. GOODS & NON TARIFFS MEASURES (NTM)

1. In **bilaterals**, together with goods are negotiate a wide range of Non-Tariff Measures.
2. **NTM** includes quantitative restrictions, SPS, standards, TRIMS, CV, PSI, RO, ILP and others.
3. In many cases acceding countries have difficulties in satisfying these agreements.
 - * Import Licensing Procedures (ILP) is for example one of them, Vietnam has proposed import limitations on cons. goods to 20% of exports and quotas on oil, sugar, steel etc.
 - * China and Saudi Arabia presented unclear system on authorizations on ILP and SPS.

20. NEGOTIATIONS ON SERVICES (GATS)

1. Regulates **market access conditions** of services. Include conditions and commitments for all services sector.

*Exem. (Horizontal Commitments) payment abroad or movement of natural persons.

2. There around 173 sectors, but classification show differences between countries

3. Sector **specific commitments**. Presented from 4 modes of supply and 3th MFN exemptions

4. GATS negotiations are difficult. Some countries request **infant protection approach** (China, Oman, S. Arabia, Russia)

5. Various countries have seen their accession stopped for several months on **audiovisual offer and on TRIPS**

Country name XXXXX: - SCHEDULE OF SPECIFIC COMMITMENTS

Modes of supply:

(1) Cross-border supply

(2) Consumption supply

(3) Commercial presence

(4) Presence of natural persons

Sector or sub-sector	Limitations on market access	Limitations on national treatment	Additional commitments
I. HORIZONTAL COMMITMENTS			
<p>ALL SECTORS INCLUDED IN THIS SCHEDULE</p> <p>Means that measures inconsistent with the market access or national treatment provisions of GATS may exist or be introduced</p>	<p>(4) Notification and examination in accordance with country's Law on Foreign Investment 1993.</p> <p>(4) <u>Unbound</u>, other than for (a) temporary presence, as intra-corporate transferees, of essential senior executives and specialists and (b) presence for up to 90 days of representatives of a service provider to negotiate sale of services.</p>	<p>(3) Authorization is required for acquisition of land by foreigners.</p>	
II. SECTOR-SPECIFIC COMMITMENTS			
<p>(4) DISTRIBUTION SERVICES</p> <p style="padding-left: 20px;">C. Retailing services (CPC 631,632)</p>	<p>(4) Unbound (except for mail order: none).</p> <p>(4) None.</p> <p>(4) Economic needs test for supermarkets over 1,500 sq. metres.</p> <p>(4) Unbound, except as indicated in horizontal section.</p>	<p>(4) Unbound (except for mail order: none).</p> <p>(4) <u>None</u>.</p> <p>(4) Certain tax incentives are available only to companies controlled by country's nationals.</p> <p>(4) Bound.</p>	<p>No limitations on foreign suppliers</p>

22. RE-STRUCTURING & WTO ACCESSION

1. It is rare that a country **link** clearly its process to **re-structuring** program.
2. **Trade Policies strategies** are in several cases absent as well as analytical studies, implications, export and investment promotion policies for sectors and regions. But few countries have included it.
3. The accession process must be strongly linked to re-structuring program.
4. To that end **clear goals & strong** coordination is necessary between the involved Ministries

23. Q&A

1. About **1500-2500 questions** are submitted in average during WTO accession. Example:

**Please provide an updated-on removal of price controls for energy*

**Please present the law on independence of the judicial system and provide explanation on division of authority of local and central government*

**Can you kindly clarify whether goods are licenced under which conditions. How complains must be legally presented*

23b.Q&A

**According annex 3 of WT/ACC/xxx/8/add1 your country has 2 import licensing systems, one for alcohol & tobacco and another for other goods. According the annex 3 art1 import licensing has been introduced for petrol and diesel. Is this regulated by another system?*

**Please provide an updated-on application of the destination principle of VAT. Excise duties & the application of MFN and NT to excise taxes*

**Please explain the legal enforcement measures taken on trademarks and TRIPS agreement in general*

23c. Q-A and conclusions

- As you can understand such kind of questions and the number (+2000) requires **important efforts** for each involved ministry and a **high coordination** from the Negotiation Committee.
- Negotiations teams, heads and ministries **have change** in various acceding countries, some for **technical reasons** others **for political ones**

23c. Q-A and conclusions

- We haven't spoke on active WTO members in the working party.
- In average a WP has **around 30-40 members** or more, it depends on the importance given to acceding country.
- Around **6-10 WP** members are the most active on requirements, questions and negotiations in general. Most for economic reasons but some for geopolitical ones.
- Long term goals, coordination, credibility of proposals, know interest of negotiators and patience are some key elements to remember during accession negotiations,

24. Your Questions Please!

Obrigado !

Multumesc !

Puno Hvala !

Spaciba za Vinimanie!

Shoukran !

Thanks for your attention!