The WTO Accession Process and Ethiopia: Challenges and Benefits

WTO: An Introduction
- Successor to the General Agreements on Tariffs & Trade (GATT)
- International Organization embodied in the results of the Uruguay Round
- Established: 1 January 1995
- Member driven (153 Members)
- 29 Observers

Main Functions of the WTO
- Administer the existing WTO Agreements
- Negotiation forum for future agreements, rules, & disciplines on International Trade
- Handling of trade disputes
- Monitor national trade policies with the Trade Policy Review Mechanism (TRIM)
- Technical assistance and training for developing and least developed countries (LDCs)

Fundamental Principles of the WTO
- Trade without discrimination
  - A country should not discriminate between its trading partners
  - Similarly, it should not discriminate between its own and foreign products & services
- Predictability of market access ensured through:
  - Binding tariffs (putting a cap on tariff rates)
  - Removing quantitative restrictions
  - Eliminating non-tariff barriers

Fundamental Principles Cont'd
- Fair competition:
  - The rules on non-discrimination provide a level playing field
  - WTO also allows the use of such measures as anti-dumping duties and countervailing measures to ensure a level playing field
- Promoting Development:
  - WTO recognizes special needs of developing & LDC countries
  - Binding tariffs (putting a cap on tariff rates)
  - WTO calls for an enhanced market access conditions for LDCs & seeks increased technical assistance from developed countries

WTO Accession: Overview
- WTO accession is not an end in itself should be viewed as a means to accelerate economic development
- WTO membership should thus be defined by long-term development imperatives
- The country should use the accession to promote its development strategies
WTO Accession Cont’d

- WTO membership has several benefits as well as challenges for countries like Ethiopia.
- The most important issue: how to reap the benefits of WTO membership while at the same time maintaining sufficient policy space to address developmental needs.
- The multilateral trading system provides flexibilities to members to address developmental issues.
- Identifying such flexibilities and making the best out of them for developmental needs could be a challenge for countries like Ethiopia.

The WTO Accession Process

- Article XI of the Agreement Establishing the WTO provides:
  "Any State, ... may accede to this Agreement on terms to be agreed between it and the WTO. Such accession shall apply to this Agreement and the annexed Multilateral Trade Agreements."
- Decisions on accession shall be taken by the Ministerial Conference which shall approve the agreement by a two-thirds majority.
- To help LICs, in 2001 the WTO adopted guidelines which provide for simplified and streamlined accession procedures, while reinforcing the role of technical assistance and capacity building.

The WTO Accession Process Contd.

WTO accession is a three step process:

- Phase I: Fact Finding
- Phase II: Sectoral and Bilateral Negotiations

The WTO Accession Process Contd.

Phase II: Negotiations

- Negotiation phase may begin as soon as sufficient progress is made in fact-finding phase and may overlap it.
- Negotiations concern terms of accession and proceeds on two parallel tracks – multilateral and bilateral.
- 2003 Guidelines provide: WTO Members shall exercise restraint in seeking concessions and commitments from acceding LICs.

The WTO Accession Process Contd.

Multilateral Negotiations

- Multilateral negotiations on WTO rules cover:
  - Commitments to observe general obligations regarding WTO rules and disciplines.
  - TRIPS Agreement obligations.
- Transition periods required to make legislative or structural changes or acquire capacity to administer commitments.
- Specific commitments on how a country will administer certain measures or will ensure it remains in compliance with WTO rules in a certain area.

The WTO Accession Process Contd.

- Documents required to be submitted include:
  - Memorandum on the Foreign Trade Regime (MTR)
  - Legislative Action Plan
  - Completed Questionnaires (MCT docs.)
- Answers to questions on the MTR.
- A country will also hold working party meetings.
The WTO Accession Process Contd.

- Bilateral negotiations: Address market access commitments on goods and services. Applicant talks in initial stage and starts offering. mushrooms through several rounds of negotiations.
- Goods negotiations address:
  - Tariff bindings: In this level, and any modifications agreed upon
  - Agricultural Agreement commitments on subsidies
- Services negotiations address:
  - Market access, national treatment, MFN commitments regarding specific services sectors listed in Schedule
  - Government-to-government access on services

Ethiopia’s Current Accession Status

December 2006:
- Ethiopia submitted its Memorandum on Foreign Trade Regime to WTO member
- Ethiopia submitted its replies to the 1st round of questions from WTO members.

January 2008:
- Ethiopia submitted its replies to the 2nd round of questions from WTO members.
- Ethiopia’s 1st Working Party Meeting was held in Geneva.

May 2008:
- Ethiopia received a 2nd round of questions from WTO members.

Ethiopia’s Current Accession Status (2)

March 2009:
- Ethiopia submitted its replies to the 2nd round of questions from WTO members.

July 2009:
- Ethiopia submitted a draft legislative action plan and a document showing its agricultural support programs.

May 2011:
- Ethiopia held its second Working Party Meeting in Geneva.

June 2011:
- Ethiopia received the 3rd round of questions from WTO members.

Benefits (1)- Market Access

- For exporters of agricultural and manufactured goods:
  - More predictable and secured access to foreign markets
  - WTO rules restrain arbitrary & discriminatory limitation on market access
  - WTO rules put restraints on unfair practices of states
  - Better information on foreign market developments
  - WTO rules require notification and transparency

Benefits (1)- Market Access – The Case of Coffee
- Coffee has been Ethiopia’s top export commodity for decades with US$ 800 million exported in 2002 Ethiopian budget year.
- Countries importing coffee from Ethiopia can restrict this at any time.
- Ethiopia’s only avenue is diplomatic pressure.
- However, WTO rules will allow Ethiopia to challenge such measures if they are not taken on scientific basis.
- Example: Japan’s suspension of coffee imports from Ethiopia

Benefits (2)- Predictability and Security
- WTO accession brings with it binding commitments which could not easily be reversed
- Disciplines governments in their dealing with businesses
- Greater stability and security in commercial policy and practice
- Enhanced confidence for investment
Benefits (3) - Accession as an Impetus for Reform

- The country has been taking several economic reform measures since the change of government in 1991.
- The economic reform measures have been towards a market economy.
- The reform measures may be consolidated through the further reforms coming up with WTO accession.

Benefits (4) - Dispute Settlement

- Only WTO Members have access to the binding dispute settlement mechanism whose decisions have a significant chance of being enforced.
- The Dispute Settlement System plays a central role in ensuring the security and predictability of the world trading system.
- Developing countries have used the system successfully by challenging discriminatory trade practices of their trading partners.

Benefits (5) - Summary

- Greater market access for products:
  - Coffee
  - Fruits
  - Cotton
  - Meat
- Increase in service economy:
  - Tourism – hotels, tour operators

Challenges: The Supply-Side Constraints

- Producing exportable goods with the required quantity and quality,
- Making Ethiopian manufacturers more competitive both in the local as well as international markets.
- Meeting SPS and other standards for export products.
- Making effective use of the products in which the country has comparative advantage: textiles, leather and other agricultural products.

Challenges: Trade in Goods

1. Tariffs
   - Tariffs are important policy tools need to be handled carefully.
   - As part of the economic reform since 1991, tariffs have been streamlined and substantially reduced (maximum from 230% to 35% and average from 41.6% to 17.5%).
   - Will accession result in further reduction of the existing tariffs?
   - Ensuring that tariffs are bound at a higher rate than the existing applied rates (experience shows that this is a possibility).

Challenges: Trade in Goods, cont’d

- Some experiences

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<th>Country</th>
<th>Applied</th>
<th>Offered</th>
<th>Bound</th>
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<tbody>
<tr>
<td>Cambodia</td>
<td>16.4%</td>
<td>44%</td>
<td>30%</td>
</tr>
<tr>
<td>Nepal</td>
<td>11%</td>
<td>53%</td>
<td>42%</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>15.5%</td>
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**Challenges: Trade in Services**

- Poor quality and inadequate services
- Service sectors such as financial, transport, telecom services are either government monopolies or reserved for Ethiopian nationals
- These sectors are considered strategic sectors for socio-economic development in the country
- Accession experience of other countries shows that Ethiopia would be requested to open up the key service sectors for foreign competition
- Flexibility is available at the WTO and the challenge is on how to identify the sectors to be opened up for foreign competition, the modes and conditions of their opening up

**Challenges: Intellectual Property**

- Ethiopia has been providing protection for different IPIs - largely compatible with the TRIPS Agreement
- Laws providing for protection of other forms of IPIs (such as SIs and undisclosed information) are yet to be enacted
- The TRIPS Agreement contains flexibilities for WTO members identifying these flexibilities and making effective use of them has been a challenge for LDCs
- Protection and enforcement in terms of the TRIPS Agreement is a complex and resource-demanding task
- Ensuring that the country secures sufficient transition periods for the implementation of the TRIPS Agreement is an important consideration (strategy)

**Conclusions**

- WTO accession provides predictable & secure market access for Ethiopian exporters
- Safeguards against arbitrary measures from other countries
- Build the capacity of domestic producers to meet quality standards of developed countries
- Supply-side constraint a chronic challenge

**THANK YOU**