

The WTO Accession Process and Ethiopia: Challenges and Benefits

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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 (TPRM)
- 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 & 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 XII 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 LDCs, in 2002 the WTO adopted guidelines which provide for simplified and streamlined accession procedures, while reaffirming 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
- Phase III: Working Party Report, Protocol of Accession and Goods and Services Schedules



The WTO Accession Process Contd.

Phase I: Fact Finding (1)

- A country must provide a full account of its trading system, answer members' questions and identify legislation that may need to be changed or drafted
- Documents required to be submitted include:
 - Memorandum on the Foreign Trade Regime (MFTR)
 - Legislative Action Plan
 - Completed Questionnaires (ACC docs)
 - Answers to questions on the MFTR
- A country will also hold working party meetings



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
- 2002 Guidelines provide: WTO Members shall exercise restraint in seeking concessions and commitments from acceding LDCs



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 a certain measure or will ensure it remains in compliance with WTO rules in a certain area



The WTO Accession Process Contd.

Bilateral Negotiations :

- Address market access commitments on goods and services
- Applicant tables its initial goods and services offers- May go through several rounds of negotiations
- Goods negotiations address:
 - Tariff bindings (both level and any liberalizations agreed upon)
 - Agricultural Agreement commitments on subsidies
- Services negotiations address:
 - Market access, national treatment and MFN commitments regarding specific services sectors listed in schedule
 - Commitments to maintain current access or to liberalize



Ethiopia's Current Accession Status

December 2006

Ethiopia submitted its Memorandum on Foreign Trade Regime to WTO members

January 2008:

Ethiopia submitted its replies to the 1st round of questions from WTO members.

May 2008:

Ethiopia's 1st Working Party Meeting was held in Geneva

Summer 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 USD 891 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 business
- 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 1993
- 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: textile, leather and other agricultural products.



Challenges: Trade in Goods

1. Tariffs
 - Tariffs as important policy tools need to be handled carefully.
 - As part of the economic reform since 1993, 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

| Country | Applied | Offered | Bound |
|----------|---------|---------|-------|
| Cambodia | 16.4% | 44% | 30% |
| Nepal | 11% | 53% | 42% |
| Ethiopia | 15.5% | ? | ? |



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
- Flexibilities are available at the WTO and the challenge is as 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 laws providing protection for different IPRs- largely compatible with the TRIPS Agreement
- Laws providing for protection of other forms of IPRs (such as GIs 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
- IP 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 negotiation 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



