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Broadening WTO membership: key accession issues

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WTO membership is still less than universal. Although most developed and many developing countries are WTO members, fully one third of the world's population, accounting for about ten per cent of world trade and five per cent of world GDP, lived in countries outside the WTO system at the end of 1999 (Langhammer/Lücke 1999: table 1).

The good news is that most of these countries (most prominently, China) have applied to join the WTO. However, while current WTO members have welcomed this move in principle, that welcome has not translated into swift and successful accession negotiations. From 1995 through 1999, only seven countries that were not previously contracting parties to GATT 1947 were admitted to the WTO (in chronological order, Ecuador, Bulgaria, Mongolia, Panama, Kyrgyzstan, Latvia, Estonia). Another 33 countries are now at various stages of negotiating their terms of accession with current members; some, like Algeria and China, first applied to become a contracting party to GATT 1947 more than ten years ago. The 33 applicants are a fairly diverse group and include most CIS countries (prominently, Russia, Ukraine, Belarus), other transition economies in Asia and Europe (in addition to China, Vietnam, Laos, Cambodia, and Albania), and an assortment of others, such as Chinese Taipei (Taiwan), Gulf states, African and Pacific island economies.

Unless accession negotiations are accelerated, many of the benefits of WTO membership will be denied to the applicant countries for a prolonged period. This would be unfortunate because, particularly for the many transition economies among applicants, accession to the WTO becomes one important focus of efforts to implement market-oriented reforms in a wide range of trade-related policies. Furthermore, even if there is no full-blown Millennium Round of trade negotiations, upcoming negotiations among current WTO members will inevitably tie up political attention and administrative capacity that would be required to complete accession negotiations with the newcomers.

Potential Stumbling Blocks in Accession Negotiations

Overview

Accession negotiations deal with two broad types of issues. First, the WTO Agreement and its Annexes contain mandatory rules on the conduct of a wide range of national trade-related policies, e.g. the extension of most-favoured-nation treatment to WTO members, national treatment of imported goods with respect to indirect taxes, the general prohibition on quantitative import restrictions, the protection of trade-related intellectual property rights. Accession negotiations therefore involve a detailed review of the relevant legislation and practice of applicant countries. Current members typically take the view that these must substantially be in line with WTO rules by the time an applicant joins the WTO. In recent accessions, the implementation of particular legislation was only deferred until after accession in very few cases, with the exact timing specified in the acceding country's Protocol of Accession.

Accession negotiations have been protracted because, compared with GATT 1947, WTO rules are far more detailed and cover a wider range of topics, such as international trade in services (GATS) and intellectual property rights (TRIPS). Besides, many countries acceding to GATT 1947 in recent decades were developing countries that enjoyed considerable discretion in the conduct of their trade policies under Article XVIII of GATT 1947 and the amendments of 1965 (Part IV: Articles XXXVI to XXXVIII). Now, many candidates for accession to the WTO are transition economies that will be subject to the full set of (extended) disciplines of the WTO Agreement.

Second, accession negotiations deal with market access for imported goods and services in applicant countries. Among GATT 1947 and WTO members, the protection offered to domestic firms has been progressively reduced as a result of successive rounds of trade negotiations; nevertheless, the level of protection still differs widely across WTO members. Relevant policy instruments include the level and dispersion of import tariffs for goods and market access commitments in services. Accession negotiations have become protracted, *inter alia*, because some current WTO members are using their leverage in negotiations to extract concessions from acceding countries that go much further than the commitments made by current WTO members at a similar level of economic development.

Trade in Industrial Goods

Acceding countries are required to bind their import tariffs, i.e. to commit themselves to not setting tariffs above specified levels. Typically, they also commit themselves to reducing bound tariff levels over an implementation period of mostly seven years

from their accession to the WTO. Negotiations between applicants and incumbent members focus on the import-weighted average tariff level, the dispersion of tariff rates across products, the number of zero-rated products, and the number of tariff lines for which rates are not to be bound (normally very few).

The key demand by current WTO members has been that the major acceding economies (including China and Russia) bind their tariffs for industrial goods at roughly double the average rate for OECD countries (cf. Langhammer/Lücke 1999: 847). This would imply an import-weighted average of bound rates of no more than 10 per cent. Among countries that recently joined the WTO, the simple average of individual tariff bindings was between 7 and 13 per cent for Estonia, Kyrgyzstan, Latvia, Panama, and Bulgaria, and approximately 20 per cent for Ecuador and Mongolia (WTO 1999: Table 3).

By contrast, developing country WTO members still impose higher tariffs even after implementing the Uruguay Round liberalisation. Finger et al. (1996) estimate the post-Uruguay Round trade-weighted applied average tariff on industrial goods for 26 developing countries at 13 per cent; the corresponding average bound rate is 20 per cent. Furthermore, in many of these countries, tariff bindings for industrial products are not nearly comprehensive, whereas recently acceded countries as well as applicants are strongly expected to bind all tariffs.

While it can be argued that current members are applying double standards in making far-reaching demands on applicants, a more benign view would focus on the implications of their position for the evolution of the world trading system. In the Uruguay Round and successive negotiations, tariffs on industrial goods have been cut and even eliminated for some groups of products (e.g. information technology). Tariff bindings were made far more comprehensive even by developing countries which in the past had frequently either not bound tariffs at all or bound them at far higher levels than were actually applied. Thus, in this benign view, current WTO members are requiring applicants to be at the forefront of global tariff liberalisation, rather than possibly entering the WTO with a protectionist agenda that would create obstacles in the way of further liberalisation.

Agriculture

The WTO Agreement on Agriculture has brought that sector back into the discipline of the multilateral trading system. Essentially, members' commitments under the

agreement are in three broad areas: First, quantitative import restrictions are to be replaced by tariffs that are bound and subsequently reduced. Second, domestic production subsidies that strongly impact upon trade ('yellow' subsidies) are to be bound and reduced over time. Certain other production subsidies that are regarded as not affecting trade ('green' subsidies) are not restricted, while yet another category ('blue subsidies') consists of measures that have been exempted only temporarily from reduction requirements. Third, export subsidies, while not outlawed as for industrial goods (Agreement on Subsidies and Countervailing Measures), are also to be bound and reduced. Here, the Cairns Group countries (mainly exporters of temperate-zone agricultural products, prominently including Australia) have gone further in committing themselves to the abolition of agricultural export subsidies.

With respect to the tariffication of quantitative restrictions, applicant countries are in practice free to abolish these and propose 'target bindings' for their tariffs on agricultural imports that need not be based on an exact calculation of the tariff equivalent of the quantitative restrictions. This procedure avoids the difficulties that most applicant countries would face in quantifying the effects of policy instruments based on weak data in the context of a rapidly evolving systemic transformation (for the bindings of recently acceded countries, see WTO 1999: Table 3).

On domestic support, the binding of production subsidies entails the calculation of the Aggregate Measurement of Support (AMS) for each basic agricultural commodity in accordance with Annex 3 of the WTO Agreement on Agriculture. This raises a number of technical difficulties which are easily appreciated by inspecting the format to be followed (downloadable WTO document WT/ACC/4; see WTO 1999: p.17-18). Alternatively, acceding countries may make a de minimis commitment in accordance with Article 6.4 of the Agreement on Agriculture, i.e. restrict 'yellow' domestic subsidies for a basic agricultural commodity to 5 per cent of its value of production (10 per cent in the case of developing country members). Both routes have been followed by the recently acceded countries.

Accession negotiations with respect to agriculture have become protracted mainly because some applicants were not willing to commit themselves to cut domestic support much faster (e.g. by taking *de minimis* commitments) than current WTO members have done in the Uruguay Round negotiations. Similar problems arise with respect to agricultural export subsidies where the Cairns Group of agricultural exporters

have pushed for an early elimination. While the Cairns Group countries have done so themselves (they tend to be highly competitive producers of temperate-zone agricultural products), once again this demand goes further than most OECD countries (and the EU in particular) have been willing to go in restricting their own export subsidies.

Services

The General Agreement on Trade in Services (GATS) represents a first step towards liberalising international trade in services. The agreement defines four potential modes of international service supply (cross-border supply, consumption abroad, commercial presence, presence of natural persons), lists the general obligations of members (such as MFN treatment, transparency, due process in domestic regulation, conditions for economic integration agreements), describes in detail the measures that are subject to members' market access commitments (such as limitations on the number of service suppliers or on the types of legal entities that may provide a service), and lists various exceptions to GATS obligations (such as MFN exceptions, subsidies, public procurement, balance of payments restrictions, national security).

Accordingly, WTO members' Schedules of Specific Commitments on Services consist of three parts: first, horizontal commitments that affect all sectors, for example with respect to the movement of natural persons or payments abroad; second, sector-specific commitments, which may be differentiated by the four modes of supply; third, exemptions from MFN treatment. While the GATS represents the general framework for liberalisation in services, negotiations since the Uruguay Round on financial services and particularly on telecommunication have led to substantial further liberalisation in these sectors.

Incumbent WTO members expect applicant countries, as a precondition for WTO membership, to offer economically meaningful commitments at least for a limited number of important service sectors. Across service sectors, access to financial services and telecommunication are of particular interest, not least because WTO members have themselves negotiated further liberalisation in these fields after the conclusion of the Uruguay Round. Because of the wide variety of sectors and the different modes of supply under GATS, it is difficult to provide a summary measure of the quality of the commitments agreed in recent accessions; a survey is contained in WTO (WTO 1999: Annex 2.3).

Reluctance to liberalise market access in services has been shown particularly by the transition economies among the applicants where the service sector suffers from a double handicap: First, the central planning system left many countries over-industrialised with underdeveloped service sectors. This was true especially for financial and business services that are now crucial for the functioning of a market economy. With free entry, local service firms would often be overwhelmed by international competition. Second, the services that were provided in the past were usually produced under state monopolies. Hence, the opening of service sectors to international competition, particularly through direct investment by foreign suppliers (commercial presence), has met powerful political resistance.

At the same time, the internationally competitiveness of manufacturing industries depends increasingly on the firms enjoying access to high-quality services. Hence it is in the national interest of applicant countries (whatever resistance may be articulated by sectoral lobbies) to make economically significant commitments on service liberalisation. Where regional governments and non-governmental sectoral associations can control market access, it is also in the applicant countries' interest to ensure that these entities do not undermine the free supply of services across regions within each country.

TRIPS

The TRIPS Agreement mainly obliges WTO members to implement certain specified procedures for the effective enforcement of a wide range of intellectual property rights: copyright and related rights; trademarks; geographical indications; industrial designs; patents; layout-designs of integrated circuits. The Agreement builds upon and extends the provisions of the relevant international conventions (Berne, Rome, Paris conventions; Treaty on Intellectual Property in Respect of Integrated Circuits).

The effective implementation of the TRIPs Agreement encounters problems in both former socialist and in developing countries because both (though for different reasons) traditionally tended to view intellectual property as a public, or partly public, rather than a private good. This is in contrast to the position of industrialised countries, which is closely reflected in the TRIPs Agreement, that intellectual property is a private good to be protected through appropriate legislation.

In transition economies, most legislation on intellectual property rights is of very recent vintage. Extensive advice received from the World Intellectual Property Organi-

zation (WIPO) has normally ensured that the new legal texts correspond to the provisions of the relevant international conventions as well as the TRIPs Agreement. However, effective enforcement, which is central to the TRIPs Agreement, depends on effective institution-building in the legal system as a whole which, in turn, is part and parcel of the difficult process of systemic transformation.

Many developing countries have traditionally been reluctant to extend full protection to intellectual property created mainly by firms in high-income countries, particularly if this would have enabled those firms to extract monopoly rents on the use of technologies deemed crucial for development (such as pharmaceuticals to combat diseases). Problems in accession negotiations have arisen both from the reluctance of some applicants to fully account for the private good character of intellectual property rights in their legislation and from difficulties with enforcement.

While the appropriateness of including intellectual property rights in the WTO framework has been questioned, TRIPs are now, for better or worse, part of the multilateral trading system. Applicant countries have no choice but to bring their legislation and law enforcement into line with the provisions of the TRIPS Agreement. This may be helped by the fact that legitimate interests of developing countries are reflected in several relevant provisions. For example, national legislation may permit the use of intellectual property by third parties without the owner's consent for public non-commercial purposes such as disease control (Articles 30 and 31 of the TRIPS Agreement).

State Trading and Economic Transition

The WTO agreements assume implicitly that WTO members are market economies where economic agents are free to act according to commercial considerations. This is clear from Article XVII of GATT 1994 which stipulates that state enterprises, as well as enterprises with exclusive or special privileges, should be notified to the WTO and, furthermore, should be run solely in accordance with commercial considerations. The logic behind this provision is that enterprises directed by the state, or endowed with exclusive or privileged trading rights, can undermine a member's market access commitments if they act on any other than a strictly commercial basis. Furthermore, the centrally planned economies that were members of GATT 1947 (Poland, Czechoslovakia, Romania) had special membership protocols that stipulated, *inter alia*, mandatory rates of import growth from GATT 1947 contracting parties; tariff

bindings or similar commitments would have been meaningless in centrally planned economies.

State trading companies and exclusive trading rights are wide-spread in many applicant countries. Some transition economies among the applicants have made only limited progress in privatisation so that a large share of GDP is still produced by state-owned enterprises. In many countries, access to natural resources and the distribution of strategic commodities such as mineral ores or fuel are traditionally a domain of the state. In the case of Saudi Arabia, state-trading companies are also instrumental in enforcing government controls on domestic sales of food and fuel products and setting domestic below international prices (online: WTO document WT/ACC/SAU/6, pp. 28-33).

For accession negotiations, the crucial criterion for the compatibility of a given enterprise structure with WTO rules is not ownership, but the actual behaviour of enterprises. If state ownership is still wide-spread, applicants need to demonstrate that enterprises effect their purchases and sales solely on commercial grounds. In spite of some evidence of restrictive practices, international trade has been one area of systemic reform in nearly all transition economies where progress has been relatively rapidly sustained. As a result, goods markets in transition economies have become more contestable, and the behaviour of existing enterprises is based increasingly on commercial grounds.

One indication of continuing progress in this direction is an active programme of enterprise privatisation. Typically, therefore, applicants have provided detailed information on their privatisation programmes during accession negotiations. Besides notifying state trading enterprises and those with exclusive rights or privileges, transition economies acceding to the WTO have committed themselves to reporting regularly on progress in privatisation (for example, annually in the case of Kyrgyzstan). While there are no well-defined criteria that a privatisation programme needs to meet in order to be considered in conformity with WTO rules, a regular reporting requirement improves the transparency of the incentive systems under which enterprises operate.

Developing country status

The WTO agreements acknowledge that developing countries may find it particularly difficult to fully meet WTO obligations with respect to trade liberalisation. Developing countries are therefore allowed greater freedom to restrict trade in exceptional situa-

tions (such as in the presence of balance of payments problems - Art. XII of GATT 1994), to withdraw from existing commitments such as tariff bindings in order to protect infant industries (Art. XVIII of GATT 1994), or to provide domestic subsidies to agriculture (such as *de minimis* permissible subsidies of 10 per cent of the value of production - instead of the normal 5 per cent - under Article 6, para. 4.(a)(ii)(b) of the Agreement on Agriculture). Other special provisions for developing countries relate to extended implementation periods for various obligations. Further special provisions exist in favour of particularly poor, least developed countries.

With respect to market access for their exports, developing countries benefit from the 'Enabling Clause' negotiated during the Tokyo Round which permits WTO members to grant developing countries 'special and differential'" treatment with respect to import tariffs under the Generalised System of Preferences. Regional preferential trading arrangements among developing countries are permissible even when they do not meet the requirements of Article XXIV of GATT 1994.

All these provisions raise the obvious question of which countries are to be considered 'developing' and may thus benefit from more favourable treatment. Remarkably, criteria for developing country status have never been established either by the Contracting Parties to GATT 1947 or by WTO members. Whether a country is considered 'developing' depends on a unilateral decision of the trading partner (the US procedure for the GSP), or on membership in the Group of 77 (the EU procedure for the GSP), or on self-selection for other WTO purposes. Only the term 'least developed country' is clearly defined in the WTO context in accordance with the list drawn up by the UN.

In accession negotiations, developing country privileges such as under Articles XII and XVIII of GATT 1994 have been claimed by China, in particular. This Chinese position was strongly resisted by current WTO members not least because of China's relatively large share in world trade; resort to developing country privileges could have rendered Chinese market-opening commitments meaningless. In addition, the empirical evidence accumulated over the last several decades suggests that trade restrictions to promote infant industries or to protect the balance of payments provide no significant benefits to developing countries. Hence, applicants have nothing to lose from not using such measures.

The issue of extended implementation periods for developing countries is, in principle, more complicated. Developing countries (however defined) tend to possess limited administrative capacity so that extended implementation periods appear justified. However, in a formal sense, this issue will gradually die away because all implementation periods for new WTO members, as for current members, are calculated from the entry into force of the WTO Agreement (not from the date of accession to the WTO). This is now established practice and will most probably also apply to future accessions. In practice, therefore, all extensions to implementation periods for acceding countries are now subject to negotiation.

Key Country Perspectives

China and Chinese Taipei (Taiwan)

More than 12 years have now passed since the accession working party for China was established back in 1987 under GATT 1947. Negotiations have dragged on tediously for a combination of reasons: China is a major exporter of traditional manufactures (especially textiles and clothing; see Langhammer, Lücke, Table 2) and these 'sensitive' exports are likely to grow further once restrictions stemming from the Multi-Fibre Agreement are removed (Uruguay Round Agreement on Textiles and Clothing - ATC). The consequent prospect for political trouble at home has hardened the determination of some current WTO member governments to push China, as a condition of WTO accession, towards a rather far-reaching liberalisation of market access for imported goods and services. With the large and growing size of the Chinese market, the liberalisation of market access is of far greater economic value to current WTO members than in the case of any other candidate country. However, pressure for rapid liberalisation was long resisted by the Chinese government which pointed to the ongoing systemic transformation of the country with all its attending problems, in addition to China's low per-capita income which would traditionally have been accepted, in a GATT/WTO context, as a justification for infant industry protection.

As of the end of January 2000, China had concluded bilateral negotiations on its terms of accession with Japan, Canada, and the US. The agreement with the US is probably the most far-reaching one (White House Office of Public Liaison, 1999). Import tariffs are projected to fall from an overall average of 24.6 per cent in 1997 to 9.4 per cent by 2005, with an average of 7.1 per cent for certain US priority products. Market access will also be enhanced in a wide array of service industries, including telecommunications, banking (with special provisions for auto finance), distribution,

and motion pictures. At the same time, the US will be allowed to treat China as a non-market economy for another 15 years in anti-dumping and countervailing duty examinations, and the US may also apply a special safeguard mechanism (beyond that available under WTO rules) against imports from China for 12 years.

It remains to be seen whether these terms, which were described as particularly advantageous to US firms by the US negotiators involved, will be acceptable to China's other major trading partners, especially the European Union. While all commitments and concessions by China would automatically apply to all WTO members under the most favoured nation principle, other trading partners might emphasise market access in other products of particular interest to them and seek concessions similar in value to those obtained by the US. Nevertheless, the bilateral US-China agreement makes the successful conclusion of accession negotiations in the foreseeable future more likely.

Failure to conclude accession negotiations with China represents a critical, politically motivated accession barrier for Taiwan (officially called the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu - 'Chinese Taipei'). Most current WTO members recognise the People's Republic as the only legitimate government of China, and therefore accept the Chinese government's position that Taiwan should only accede to the WTO after China. This position cannot be justified from WTO rules which only require members to be in full control of all trade-related policies, which is the case for Taiwan (as it is for Hong Kong, which continues to be a WTO member). Substantially, negotiations in the accession working party for Taiwan, which started in 1992, have been concluded without any major issues remaining unresolved.

It is at present unclear what political leverage China will gain on the Taiwanese accession to the WTO if it formally joins the WTO before Taiwan is given the chance to do so. In spite of growing trade and capital flows, political relations between the two governments remain difficult. However, a further politicisation of Taiwanese WTO membership would be detrimental to the cause of freer trade in a rules-bound world trading system. Together, China and Taiwan account for approximately one half of the international trade of current non-WTO-members, and for an even larger share of their combined population and GDP (Langhammer/Lücke 1999: Table 1). Thus, their accession would bring the WTO a significant step closer to being a truly global institution.

Russia and other CIS countries

Accession negotiations with the larger CIS countries, especially Russia and Ukraine, have not progressed far and, significantly, little new ground has been covered over the last two years. This is in marked contrast to several smaller former Soviet republics (Kyrgyzstan, Estonia, Latvia) as well as Mongolia which managed to accede to the WTO since 1995.

In several ways, the slow pace of accession negotiations reflects the lack of progress made by most CIS countries in their transformation from a centrally planned to a market-based economic system. First, accession to the WTO means that a very wide range of trade-related policies need to be formulated consistently. This has been particularly difficult to achieve for many newly independent states whose administrative capacity is not well-developed. Even if appropriate legislation is written (in which foreign advisors may play a helpful role) and passed, the subsequent implementation of WTO-consistent policies is still less than automatic. For example, Kyrgyzstan is still officially a member of a customs union with Russia, Kazakhstan, and Belarus, although it has bound its tariffs on goods at very low levels that the other three countries say they find unacceptable.

Second, apart from unclear or conflicting legislation, even the implementation of existing, well-defined legal texts can be undermined by remnants of the old system such as pervasive and intransparent state interference in the economy. For example, various types of barriers to internal trade have been documented in the case of Russia (Berkowitz/DeJong 1998). In Belarus, direct administrative intervention in the management of enterprises is wide-spread and the resulting lack of transparency could easily undermine any commitments on market access that Belarus might undertake. The fact that published legal texts may not represent the full range of measures that affect international trade inevitably complicates accession negotiations.

Finally, the larger CIS countries have been rather reluctant to commit themselves to significantly liberalising access to their markets. For example, the initial import tariff offer by Russia would do little more than let bound rates decline to the current applied level during a seven-to-ten-year implementation period. Such insistence on protection for domestic firms, which extends to many service industries, contrasts sharply with the demands for market access liberalisation by current WTO members as well as the examples of countries that recently acceded to the WTO.

Least Developed Countries

As of November 1999, out of a total of 34 applicants for WTO membership, 6 were defined by the WTO as least developed (Bhutan, Cambodia, Cap Verde, Lao PDR, Nepal, Vanuatu), with another 2 regarded as least developed by UNCTAD (Sudan and Western Samoa). In addition, 28 least developed countries (UNCTAD definition) are already WTO members (Langhammer/Lücke 2000: Table 1). Apart from a low per-capita income, common characteristics include geographic remoteness (i.e. large economic distance from major markets: island and landlocked states), reliance on a small number of export goods, mostly raw materials, weak administrative capacity, economic and ecological vulnerability, lack of market-oriented institutional infrastructure and often political instability compounded by civil disorder.

For such countries, the gains from WTO membership in terms of enhanced access to exports markets for traditional products are probably small. Raw materials already enjoy low or zero import tariffs in OECD countries; domestic supply bottlenecks (including inadequate transport facilities) probably hamper export expansion more than policy-induced barriers on the demand side. Furthermore, although some raw materials have been subject to anti-dumping (AD) procedures by industrial countries, least developed countries are typically not leading suppliers of specific raw materials and are therefore not much affected by AD measures.

In spite of the obstacles mentioned, there are several good reasons for least developed countries to join the WTO and for current WTO members to support this process. First, WTO membership requires transparency and consistency in a wide range of trade-related policies. At the same time, WTO membership constitutes an external commitment to enforce these rules which may create additional momentum in favour of necessary economic reforms. For example, in many least developed countries, vested interests collect monopoly rents from their control of strategic sectors such as minerals, fuels, maritime and tourist resources. Such practices conflict with WTO rules on state trading, whose implementation would lead to enhanced transparency and an opening of markets. Furthermore, greater transparency would also encourage incoming foreign direct investment.

Second, WTO membership may induce least developed countries to liberalise market access for imports, even if they are not necessarily required to do so as they benefit from ‘„special and differential treatment“. Reducing thus the implicit tax on exports will not only increase allocative efficiency and stimulate export diversification. Market

opening also reduces the power of privileged traders that have been found to frequently drive up import prices in the presence of high import tariffs (Yeats 1990).

Third, the WTO offers some protection against unilateral pressure from powerful importers as conflicts can be made transparent by invoking the dispute settlement mechanism. This is of particular relevance for small least developed countries which depend on transit routes through the territory of a large neighbour with whom they also conduct a major share of their international trade (such as Bhutan and Nepal with India, or Cambodia and Laos with Thailand).

Policy Recommendations

Our discussion suggests that accession negotiations can be streamlined and accelerated if several rules of thumb are obeyed whose political and economic logic requires little justification. First, current members should not require applicants to liberalise market access substantially more than current members at a similar level of economic development have done. The essence of WTO rules is to ensure the transparency of national regulations and to provide for a progressive, negotiated reduction in the level of protection. There is no basis in WTO rules for requiring applicants to adopt an untypically low level of protection at the time of joining the WTO.

This rule of thumb could be questioned on the grounds that the outcome of US-China bilateral negotiations vindicates those who call for a tough stance by current WTO members: the far-reaching liberalisation of market access agreed by China will be of long-term benefit both for China itself and for its trading partners. However, this view would be short-sighted: First, accession negotiations with China could probably have been concluded long ago, with all the attendant benefits, had the US position been less out of touch with the trade regimes practised by other low-income countries.

Second, the bilateral US-China agreement should not become a model for others because it is heavily lopsided: In spite of the far-reaching Chinese commitment to trade liberalisation, the agreement allows the US to continue to treat China as a non-market economy in anti-dumping proceedings and to subject imports from China to special safeguards. To treat China as a non-market economy is logically inconsistent because, as a WTO member, China will be subject to the restrictions on state trading contained in Art. XVII of GATT 1994. Country-specific safeguards are fundamentally in contradiction with the most-favoured nation principle which requires safeguards to be applied without discrimination as to country of origin. The damage done to the

WTO system by thus bending its rules cannot be justified by the short-term gains that US firms will derive from higher protection against Chinese competition.

As a second rule of thumb, applicant countries should fully accept the need for transparency in their trade-related policies and for the full implementation of relevant WTO rules. For many applicants, improvements in the transparency, coherence, and consistent implementation of trade-related policies will represent the most important benefit of WTO membership. By contrast, market access for exports will only improve marginally because most applicants already enjoy most-favoured nation status with their trading partners and often benefit from preferential market access under the Generalised System of Preferences.

As a third rule of thumb, in negotiating their commitments on market access for imported goods and services, applicants should consider benefits and costs to their economies as a whole, rather than narrow sectoral interests. More often than not, more liberal market access will be beneficial overall, even if it hurts particular sectors. This applies especially to liberalisation of trade in services. Under-developed business service industries represent an important obstacle for growth in manufactured exports because access to high-quality services is a key requirement for successfully entering international markets for differentiated goods.

As a fourth rule of thumb, negotiations can be accelerated if clearer priorities are set for necessary changes in national legislation and practice. While important adjustments might well need to be made early on, extended implementation periods for non-essential items could be tolerated, given the complexity of WTO rules and limited administrative capacity of applicants. At the same time, the setting of priorities would focus the accession negotiations more clearly and thus ensure that applicants are not required to ‘shoot at moving targets’ as new demands are brought up time and again by current WTO members.

General Note:

Some parts of this paper are updated from an earlier, much longer article by the same authors (Langhammer, Lücke, 1999). Interested readers are invited to consult this longer article for a more detailed discussion of many issues raised in the present paper. The texts of WTO agreements mentioned in the paper as well as extensive additional information may be obtained from the WTO website: http://www.wto.org

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