



## WTO TWENTIETH ANNIVERSARY ACCESSIONS PROGRAMME

SECOND GLOBAL SEMINAR ON WTO ACCESSIONS  
SAUDI ARABIA 10-YEAR WTO ACCESSION SPECIAL ANNIVERSARY SESSION  
ACCESSIONS BOOK LAUNCH BY WTO DIRECTOR-GENERAL ROBERTO AZEVÊDO

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### Panel 4: Salient Features in WTO Accession Protocols

**Geneva, Tuesday, 29 September 2015, 16:15-16:30, Room D**

1. **The chapter proposes a holistic framework for evaluating the macroeconomic impact of joining the WTO on the acceding country.** Because the acceding country and other WTO members are interested in preserving their own systemic stability and the stability of the multilateral trading system, evaluation of the accession package can be achieved through the prism of its impact on the domestic and external stability of the acceding country. The chapter concludes that in the long run the impact should be positive, driven by better resource allocation as the acceding country opens to international trade. WTO accessions create a unique opportunity to advance the domestic reform agenda. In the short run, implementation of WTO commitments may lead to substantial adjustment costs in the public and private sector. Overall, the design and implementation of WTO accession commitments is a matter of public policies that should aim at promoting systemic stability, while addressing the transitional costs.

Let me take up these key conclusions in turn:

2. **Accession commitments have substantial macroeconomic dimensions.** From the macroeconomic perspective, accession packages usually include two groups of measures. The first directly affects trade and includes commitments on market access for goods (import tariffs and quantitative restrictions) and services (financial and other) and trade-related fiscal measures, mainly related to export duties, internal taxes, fees, and charges. The second group of commitments covers nontrade areas of the economy, which nevertheless may have substantial impact on trade. Commitments in the most important nontrade areas include commitments regarding different types of subsidies (agriculture, domestic support, export, industrial), price controls, state monopolies, trade-related investment measures and intellectual property rights, and privatization and transparency. All these elements are present in the accession packages of 10 recently acceded members.



3. **So far, the literature on the *macroeconomic impact of WTO accessions* has been sketchy and focused only on a few areas.** Most trade-related research touches on the impact on the volumes of bilateral trade, growth, fiscal revenue, individual industries, and overall governance. The impact on growth has been found generally positive, but openness in itself cannot ensure growth, supporting reforms are needed. There are no conclusive results on the impact of WTO membership on trade volumes; the impact has been visible but uneven among countries and sectors. The impact of fiscal revenue has been found substantial and largely dependable on the tariff structure of the acceding country before joining the WTO, its reliance on trade taxes and the depth of liberalization commitments. Offsetting trade tax revenue lost as a result of accession with domestic revenue was found to be difficult, in particular in low-income countries. WTO accessions, by binding country's policies, have generally helped promote better governance and institutional reforms, and have usually been found positive for the welfare of the country as a whole but uneven across individual sectors.
4. **The macroeconomic implications of WTO accessions should be viewed through the prism of *systemic stability*.** Obviously, no acceding country would accept commitments that would destabilize its own economic system but rather would try to leverage WTO negotiations toward reaching its own domestic goals while using the opportunities opened by WTO membership. On the other hand, it is in the interest of the WTO as a whole to preserve stability of the multilateral trading system by contributing to maintaining stability of its members. Systemic stability is most effectively achieved when each country adopts policies that promote its own external and domestic stability. External stability refers to a balance of payments position that does not, and is not likely to, give rise to disruptive exchange rate movements and is achieved by promoting domestic stability. Domestic stability refers to orderly economic growth with reasonable price stability and underlying economic conditions that do not tend to produce erratic disruptions.
5. **The impact of accessions should be assessed within a holistic *macroeconomic framework*.** This framework could consist of a simple accounting framework anchored on the saving-investment balance and a behavioral framework for the current account fundamentals. The former would allow assessing the impact of WTO accession commitments for consistency of sectoral developments with the overarching goal of preserving systemic stability. The latter would allow assessing the current account for consistency with fundamentals and identifying policy areas that can be influenced by accession commitments, in addition to other policies to improve systemic stability.



6. **The macroeconomic components of the WTO accession packages play an important *complimentary* role in ensuring systemic stability.** WTO accession commitments cannot by themselves address systemic imbalances because they are not designed for this purpose. However, by locking countries into a negotiated set of policies for the length of their WTO membership, such commitments can play an important complimentary role to fiscal, monetary, exchange rate, and structural policies in reducing systemic imbalances. At the very least, the design of the accession commitments should not aggravate the existing imbalances from the outset.

7. **WTO accessions have *short-run costs* but lead to *long-run gains*.** The relative size of these positive and negative impacts will depend on the macroeconomic content of the negotiated accession package, the economic structure of the acceding country, and the length of transition periods. All of this will differ from country to country. Most likely the impact will be felt across all macroeconomic sectors. While WTO accession will have positive aggregate effects, it might also create winners and losers as overall efficiency gains are usually accompanied by standard income distribution effects. In the short run, application of WTO accession commitments can result in substantial costs, for the public and the private sectors. These short-term effects most likely will be offset by substantial efficiency gains in the long run driven by better resource allocation.

8. **WTO accessions create a unique opportunity to accelerate *domestic structural reforms*.** The reforms would adapt the existing institutional structure to the internationally recognized standards and would help improve institutions, which are critical for growth. The reforms included in the accession packages usually go beyond trade and trade policies and may require a substantial overhaul of the tax system, improvement in the procedures for international capital mobility, the business climate, and governance. WTO membership would encourage taking a look at competitiveness, removing the sources of inefficiencies, and promoting the most promising sectors. This would ultimately drive growth and employment creation.



9. **Public policies have an important role to play in closing the policy gaps and helping countries cope with the adjustment costs of accessions.** The appropriate public policy response includes measures of fiscal, monetary, exchange rate, and structural policies. Usually fiscal and structural policies are better suited to promote domestic stability, and the monetary and exchange rate policies to promote balance of payments stability. Public policies should provide support to the sectors and groups of population affected by the adjustment induced by WTO membership, help reform the institutional structure, and rebalance the tax system from external to domestic taxes to preserve fiscal revenue. Overall, implementation of WTO accession commitments is a matter of public policies that should support promoting systemic stability.

10. **Finally, the IMF stands ready to help in the area of macro implications of accessions within the limits of its mandate.** It has already been done in the context of the routine surveillance (multilateral, regional, and bilateral), diagnostic and policy advice (Article IV consultations, programs), research (policy implications of trade landscape), technical assistance and capacity building (customs, tariffs, external sector statistics).

Overall, WTO accessions can be viewed as a path to reforms and a pillar of development.

Thank you very much.

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