



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 AZEVEDO

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Panel 1: WTO Accessions: A Rules and Market Access Perspective to Growth

Geneva, Monday, 28 September 2015, 11:15 – 11:30, Room D

1. Today's event is a very useful opportunity to remind ourselves why WTO accessions are so important. I would like to start with three statements:

- The WTO has been and is bound to remain the most suited international venue to host the global trading rules;
- In the ever increasing inter-connectivity and inter-dependence of the global value chains, the global system of trade rules is essential and full participation therein is a must for any economy striving to secure long-term growth; and,
- The WTO accession process itself is a unique and one-off technical assistance project for every candidate to perform the free market geared domestic reforms.

2. Before addressing the WTO accessions per se, I would like to take a step back and assess the *context* in which we find ourselves today:

3. On the one hand, the world is still absorbing the ripples of the financial and economic crises that hit us all in 2008 onward. At the same time, the international community meeting at the United Nations has just agreed on the new Sustainable Development Goals and we are heading towards the Climate conference in Paris this December. Trade remains an engine for growth and jobs. However, the societies are more than ever aware that it is not only the jobs but also their standard of living in general that is at stake. They do not want to let trade race their standard of living to the bottom but rather expect it to contribute to sustainable development. Trade is therefore framed between two pressures: the political pressure to deliver growth, especially since the domestic consumption remains very fragile in most places; and the public pressure and scrutiny over *how* this growth will be brought about. Let's be clear, only sustainable growth can secure growth long-term. To create conditions for sustainable growth one needs to establish stable and well balanced domestic regulation. International co-operation and coordination on the basic level of standards is essential were we to secure a minimum global level playing field.

4. Moreover, the growing global value chains is another important element defining the current context. We find ourselves in the world which is interconnected more than ever before in part also due to the digitalisation and servicification of production and exchanges.

5. In this context, achieving regulatory convergence through global trading rules is not a question for consideration but an imminent necessity. In this context, becoming a member to the system of global trading rules is not a luxury, it is a must.

6. All of this, in my view, only reinforces the role of the WTO as a superior to the initiatives of regional integration. It is best suited to serve as a hub and sanctuary of global rules, help ensure coherence and inter-operability and build regular global dialogue and, eventually and hopefully, trust. The WTO encompasses a range of basic rules that, once observed, pave the way for a more leveled playing field and serve as a spring board for further economic approximation.



7. Since 1995, the candidates to accede the WTO have been predominantly emerging economies, developing and least developed countries. That means economies with dynamically changing regulatory bases, the often in transformation. They were and are to benefit from stability of internal economic regulations, expanded and predictable access to external markets as well as access to foreign goods and services. WTO membership could help achieve these objectives:

- First, WTO helps to *anchor the domestic reforms* that a candidate wishes to pursue. Being nearly universal, permanent and subject to peers' review, the WTO is a most effective international depository of Members' commitments to free trade. Its construct (the regular bodies and the dispute settlement mechanism) restricts the freedom of domestic politics to alter the directions of travel for the sake of short-term objectives and helps retain a long-term course. As former Director General Lamy said once: "[...] we should remember that the gains [globalisation] brings could be nullified or at least mitigated if short-term pressures are allowed to override long-term interests [...]". Very often, political rent-seeking by well organised groups of interest becomes the biggest obstacle for progress for the whole of the society. Putting international obligations above short-term political decisions provides for an *external safety valve*.
- Second, membership at the WTO improves *access to export markets*, in particular through reduced non-tariff barriers. It is partly because domestic regulations have been converged towards the WTO required standards and partly because every new member is entitled to a dispute settlement in order to help removing any allegedly unjustified barriers erected by other Members.
- Third, one should not underestimate the value of *access to imports*. Countries need inputs from each other in order to advance their own economic activity. For example, approximately 80% of the EU imports are inputs to the domestic production. It could be raw materials but also parts, components or capital goods, such as machinery. About one third of these final products are then exported. Imports bring ideas, new technologies as well as investment and spur innovation. Better choice and prices of imports help domestic producers boost their own competitiveness and, in turn, diversify their export markets. Consumers also benefit from better prices and better choice and get incentives to consume more. Everyone wins and a virtuous circle is launched.

8. The accession process is an unmatched opportunity for a critical look at the regulatory regime of each future Member. All interested Members of the WTO participate in assessing their trade regime - regulations, institutions and practices - and advice how to reform it in order to meet the WTO rules and prepare for full participation in global economic governance.

9. It is for these reasons that the EU has systemically been engaged in consultations with all acceding Members not only on the market access side of the accession terms but also, and very importantly, on the rules side. We study the description of the trade regime initially presented by the candidate, clarify the unclear elements, read the laws, and explain to what extent, in our view, the current regime complies with the WTO rules. As necessary, we point to the regulations, institutions or practices that need to be modified or established so as to be in line with the WTO rules. The same is done by other members of the Working Party to varying degrees. This collective scrutiny and advice is unprecedented in any technical assistance project both in terms of its scope, duration and donors. It is also unique in that it does not end until it is universally agreed that the goal of an appropriate level of WTO compliance is achieved. Last but not least, the accession process creates unparalleled conditions to knock the heads together, at the level of the Government of an acceding country, across the ministries and agencies. In accession talks, negotiations often involve direct participation of representatives of the ministries of agriculture, industry, veterinary and sanitary services, to name just a few. It is no secret that it is not always easy to have agreement on the interlinked policies within a government, among the different authorities of the same country. The accession process provides for a bridge between them.



10. To be sure, all the necessary reforms cannot be carried out over night – it may require years - and some countries have more homework to do than others. *Political determination* to accelerate also varies per candidate and plays a crucial role. In any event, the terms of accession define the final goal and often grant deadlines for the change to materialize going beyond the date of accession. It is true for the market access commitments but equally so in regulatory areas. However, the country in accession is expected by the Membership to demonstrate its direction of travel already in the course of the negotiations. Standstill on the market access should be secured and reforms should start as early as possible, mainly for the sake of the candidate's preparedness to fully participate in the system upon accession. It is also important in building confidence between the candidate and existing Members.

11. Let us not forget, that evaluation of WTO compliance does not end with accession, it is an ongoing process for all Members old and new. That is the major function of the Trade Policy Review as well as the Dispute Settlement Mechanisms.

12. There is one more element that needs to be address in connection with the accession process – the 'losers'. Accession process is not perceived lightly by uncompetitive domestic operators and affected constituencies. It is easy to find opposition to any reforms. However, this opposition shall be assessed against the broader and long-term interests of each country. It is not for the WTO or its Members but for the acceding government to think about the mitigating measures and seek help to implement them. Flanking policies or instruments, including social and educational ones, shall be put in place alongside economic reforms.

13. However, the acceding country is advised not to use these measures to shield the affected operators from the exposure to global trade and competition since it would defeat the very purpose of the accession exercise. Import substitution measures, for example, is not a good idea for it would very likely take away the incentives for the lagging elements of the economy to adapt to the international competition, modernise and specialize. As a result, the domestic sales of such less-quality goods and services would be unlikely to grow, and they would have very limited opportunities for exports. Lack of competition would also mean higher prices for consumer. Everyone loses. I would like to underline, that accession to the WTO does not make companies less competitive! It simply exposes the lack of competitiveness and creates incentives to address this issue. Thus, the accession should be wisely used as an opportunity and not as a threat. The longer the adjustment lags, the later that industry or companies can join the global value chains and reap full benefits from participation in the global trade.

14. To conclude, allow me to refer to the history of the EU's domestic harmonisation which offers examples of how dismantling tariffs and cutting regulatory barriers, both substantive and institutional, stimulates economic activity. The WTO emulates these results on a global scale and provides a unique platform to anchor domestic reforms aimed at fully fledged participation in international economic governance. The process of accession is an exclusive opportunity for every acceding government to get assistance from WTO Members to evaluate their trade regime against international benchmarks and to s t a reform process in motion. However, from the very outset, economic reforms need to be carefully balanced with other domestic policy adjustments, including in the areas of education, innovation, and employment, so as to respond to the sensitivities of particular constituencies.

15. All in all, every new Member of the WTO enriches the system and brings benefits to all other Members. But the biggest beneficiary of all is the new entrant!

