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Accession to the WTO: Key Strategic Issues

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There are 31 accession negotiations under way and others in prospect for countries that are seeking membership in the World Trade Organization (WTO).[1] Most of these countries are former centrally planned economies, often referred to as economies in transition. These include almost all of the republics of the former Soviet Union (FSU), the People's Republic of China, Albania, Bulgaria, Cambodia, Croatia, Macedonia, Mongolia, and Vietnam.

Among the countries seeking membership to the WTO that are not transition economies, the more prominent are Algeria, Nepal, Saudi Arabia, and Taiwan (or Chinese Taipei). Most of the others are very small countries such as the Seychelles, Tonga, and Vanuatu.

These accession negotiations seek to bridge the Cold War fault lines and, if successful, would integrate some of the most autarkic economies into the global economy. The accession negotiations raise issues at different levels. There are technical and institutional issues as well as much broader economic and geopolitical issues.

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1. The economies that now have working parties are Albania, Algeria, Armenia, Belarus, Bulgaria, Cambodia, China, Croatia, Estonia, Georgia, Jordan, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Macedonia, Moldova, Mongolia, Nepal, Oman, Panama, Russian Federation, Saudi Arabia, Seychelles, Sudan, Chinese Taipei, Tonga, Ukraine, Uzbekistan, Vanuatu, and Vietnam.

This chapter focuses on the issues associated with the membership of China and Russia in the WTO because these countries will set the context for most of the other countries seeking membership.[2] Of course, this is because these two economies are large enough to significantly affect the trading system and spark broader geopolitical repercussions.

While there is much debate about the post-Uruguay Round agenda for international trade and investment negotiations and priorities for the trading system, there is no question that accession negotiations are on the agenda. Of course, there are many unresolved issues in these negotiations and uncertainties about the process—the dynamics of these negotiations are discussed below. Since these accession negotiations are clearly on the international agenda, they could play a role in shaping the larger international agenda as they have done previously.

The chapter will first review some of the salient attempts to integrate these economies into the global economy, outline the implications of the WTO and the Uruguay Round agreements for membership issues, and then consider economic and political factors that shape the dynamics of the process. The chapter then will examine the key accession issues, discuss the economic and political stakes, and make some suggestions and policy recommendations about the membership process and terms.

Integrating Economies in Transition

Perhaps the most dramatic development of the late 20th century is the spasmodic reintegration of the centrally planned economies into the world economy. This process started gradually with the incremental steps of China's open door policy in the late 1970s. The opening of China's economy to foreign trade and investment has continued irregularly but without major reversals. The fall of the Berlin Wall and the collapse of the Soviet Empire were dramatic political events with significant long-run economic consequences. Presently, China is striding forward, and the former Soviet Union is stumbling back into the world economy.

There is an obvious sharp contrast between the reintegration of China and that of the former Soviet Union. In both cases there was much untapped potential: underused human and natural resources, forced underconsumption, and grave misallocation of saving and capital investment. In addition, their emphasis on increasing production quotas and their failure to assign property rights caused serious environmental problems.

But the contrast in Chinese and Russian economic performance is striking. China's gradual and partial opening has unleashed a remarkable period of sustained economic growth. In Russia and the other former

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2. Other accessions are politically linked to the memberships of China (e.g., Taiwan) and Russia (other former Soviet republics).

Soviet republics, the ''reform'' process unleashed severe economic decline that contributed to the political implosion. Undoubtedly, theories will continue to arise to explain the sharp contrast in Soviet and Chinese economic performance.

Initially, Russia emulated the Latin American statist hyperinflation of previous decades rather than the model of the Asian newly industrializing economies. The pervasive Soviet soft-budget constraint was maintained and exacerbated by the buildup of interenterprise debt and credits from the central bank.[3] Russian macroeconomic mismanagement and disintegration of the former Council for Mutual Economic Assistance (CMEA) bloc were mutually reinforcing, and both occurred in conjunction with the political collapse of the Soviet Union.

The experience of China, on the surface at least, appears very different from that of Russia and the former Soviet Union. Given its robust economic growth and growing participation in the world economy, China's gradual reforms and cautious open door policy appear to have been very successful.[4] China is not a de jure member of the GATT-based trading system. However, China is de facto more integrated into the global economy than India, at least as measured by crude indicators such as share of world trade.[5]

However, the recent rapid expansion of China's share of world trade should not be interpreted as indicating that the Chinese economy as a whole has become much more integrated into the world economy. China has pursued *maquiladora*-type liberalization, with export processing zones accounting for more than half of total exports (press release, WTO Secretariat, 28 March 1996, 4). In addition, most foreign investment has gone into joint ventures in these export zones.

Chinese liberalization has been diffused to a certain extent through the proliferation of the export zones and joint ventures, including some in the interior provinces, but liberalization of the overall trade regime has been partial and incomplete. For example, the foreign exchange regime has been unified, replacing the old multiple exchange rate system, which is an important reform, but not all enterprises have access to foreign exchange.

Apart from the export zones, China remains a relatively highly protected economy that is burdened with loss-ridden state enterprises, which

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3. There is some literature on the challenges of adjustment in the former Soviet Union as distinct from the economies of Central Europe, which have led the transition process (see, e.g., Fischer 1994, 221-52; Alan Smith 1995).

4. Since a significant portion of the Chinese economy remains subject to ''guidance,'' there may be problems measuring the level and rate of economic growth similar to those in the Soviet Union. Furthermore, it must be noted that the Cultural Revolution's disastrous impact on the economy lowered the base from which subsequent growth was measured.

5. In 1995 China had exports of $148.8 billion or 3.0 percent of world exports, compared with India's exports of $30.2 billion, or about 0.6 percent of world exports.

also are endemic in the former Soviet Union. These state enterprises enjoy, or used to enjoy, monopoly power in production and trade, but in return provided in-kind social services, such as housing and health care, and provided employment security. In Russia these state enterprises have been shedding some of their burdens such as health care and have been the subject of controversial insider privatization.

In China the state enterprise officials are skeptical about further liberalization and complain about the unfair advantages given to joint ventures aimed at the domestic Chinese market. Some of these complaints are valid: if foreign enterprises investing in joint ventures for the domestic market do in fact enjoy special advantages, such as the right to import capital goods at low or zero duties, then state enterprises will face even greater adjustment challenges. In turn, the foreign enterprises that invest heavily in the protected domestic market and are subject to various performance requirements, such as in the automotive sector, become vulnerable to international competition if the trade barriers are reduced quickly.

For these reasons, it is premature to assert that China is about to be more fully integrated into the world economy, even though it has been more successful than Russia and other former Soviet countries in world trade.

China and most of the republics of the former Soviet Union are now seeking membership in the World Trade Organization (WTO). How this process unfolds will have significant implications for the WTO and the international system.

Implications of the WTO for Accession

The single undertaking under the WTO has significant implications for the accession negotiations and changes the process substantially as compared with that of the 1947 General Agreement on Tariffs and Trade (GATT), in particular with respect to nonapplication.[6] The WTO has transformed accession. Once transition periods are complete, membership requires an open, transparent trade regime, free from quantitative restrictions. The accession process thus reaches into the domestic economic and legal framework in areas such as intellectual property protection.

Before considering the implications for the accession process in more depth, it is necessary to briefly review the overall changes in the WTO. The results of the Uruguay Round are embodied in a single agreement under WTO auspices. This single undertaking encompasses the previous GATT agreement (1994), which replaced the preexisting GATT (1947), 12 separate agreements pertaining to trade in goods, the General Agreement

6. Nonapplication means that an existing member of the GATT, or now the WTO, does not extend trading rights and privileges to the new member.

on Trade in Services (GATS), and the new rules for intellectual property protection—the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). All these agreements are under the WTO umbrella and are subject to a single, integrated dispute settlement mechanism.

The key principles of the GATT are incorporated and strengthened in the WTO. These key principles include nondiscrimination. Article I of the GATT provides for most-favored nation (MFN) treatment, which means equal treatment of trading partners. Article III of the GATT provides for national treatment; once customs duties on imports have been paid, the imported products must be treated the same as domestic products for the purposes of all internal regulation and taxes. In addition to these key rules of nondiscrimination, another key rule is Article XI, which prohibits quantitative restrictions on imports and exports.

The single undertaking strengthens these rules by limiting special and differential treatment for developing countries, by removing special exceptions such as ''grandfather rights'' for policies that contravened GATT obligations but predated GATT membership, and by subjecting all members to almost all agreements.

Membership in the WTO requires negotiation of market-access schedules for goods, agricultural products, and services. Under the WTO, the prohibition of quantitative restrictions is strengthened, and existing quantitative restrictions, such as those on agricultural products, are to be replaced by tariff equivalents. These tariff equivalents are to be gradually reduced.

In essence, this new legal structure represents a complete overhaul of the multilateral trading system. For example, special and differential treatment, a key element of the GATT since the 1950s, has been modified, and most aspects will be phased out within five to ten years. This is a major change. Until now, the major obligations for tariff bindings with respect to market access, national treatment for imported products, the prohibition on quantitative restrictions, and all the other elements of the multilateral trading rules have only applied to a small group of developed countries—primarily the members of the Organization for Economic Cooperation and Development (OECD). Many developing countries were formal participants in the GATT system, but in practice the developed countries had obligations to them while developing countries had few effective obligations to the developed countries.

Although there will still be some elements of special and differential treatment when the WTO is implemented and the obligations are phased in, the trading rules will apply on a truly global basis across many developing economies.[7]

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7. The remaining elements of special and differential treatment are principally those pertaining to Article XVIII of the 1994 GATT. The provisions of XVIII(b), which permitted developing countries to impose quantitative restrictions on trade for balance of payments reasons, were

Both the accessions process and the nature and scope of the obligations for members have likewise been transformed.

The practice under the GATT (1947) was to invoke Article XXXV—nonapplication—only for political reasons. Thus, once economies that were already contracting parties entered into bilateral negotiations with a country seeking to accede to the GATT, it was GATT practice that the existing parties not invoke nonapplication. Clearly, this limited the negotiating leverage of the GATT members with respect to the country seeking accession. At the same time, this practice occasionally prevented bilateral negotiations on market access. For example, the United States and China did not open bilateral negotiations for a long period because of this practice.

This practice has changed with the WTO. Members can negotiate bilaterally with an economy seeking membership without prejudice to the right to invoke nonapplication against the new member. This increases, at least to some extent, the negotiating leverage of major trading powers in accession talks.

The creation of the WTO has several key implications for the accession of new members. The accession protocol provides the following:

- no quantitative restrictions on exports or imports;
- agreed tariff schedules in the industrial and agricultural sectors;
- agreed services schedule;
- adequate and effective protection of intellectual property as provided in the TRIPs agreement.

The time frame for transition measures is subject to negotiation. Major countries in the WTO have maintained that the transition schedule extended to developing countries under the Uruguay Round agreements does not necessarily apply to new members. New members are therefore expected to meet the requirements of the agreements either immediately, or soon after, membership.

Overall, accession requires more comprehensive obligations and the nature of the obligations is much clearer than it was under the GATT. The greatest area of ambiguity is the services schedule under the GATS. The scope and coverage of the services schedule for new members is very much a matter for negotiation. In addition, there are no comprehensive rules for investment in the WTO, although GATT rules for Trade-Related Investment Measures (TRIMs) have been clarified. The GATS does address

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modified in the Uruguay Round, but it remains to be seen what the practice will be with respect to these measures. The provisions of Article XVIII allowing quotas for development purposes still remain. But these require prior notification and have been rarely used in the past.

investment issues such as national treatment and right of establishment for investment in services activities (but not for production of goods), but the coverage of investment issues—indeed, the coverage of services activities—depends upon the extent of commitments in each member's services schedule.

Factors Shaping the Dynamics of the Negotiations

Although the WTO expands and clarifies accession issues, the dynamics of the negotiations will be shaped by broader economic and geopolitical factors impinging on policy. These factors may be grouped by policy constituencies within the major trading countries: consolidationists, who seek to maintain the integrity of the trading system and conformity with its rules; mercantilist trade and investment interests; humanitarian and economic interests in deepening and locking in economic reforms; geopolitical interests in economic integration as the means to promote political stabilization and peace; and those who favor political conditionality for environment and human rights.

The Consolidationists

Some would argue that the coherence and effectiveness of the multilateral trading system would be better maintained if the economies seeking to join the WTO do not become members in the near future. In particular, they maintain that almost all of the countries seeking to join the WTO have been at the margins of the trading system by virtue of their own autarkic policies, that their domestic economic regimes differ significantly from most other economies, and that China and Russia have deep-seated traditions of autonomous foreign policy. Those who hold this view emphasize the challenges in consolidating the WTO, both in terms of gaining experience with the new dispute settlement procedures and imposing a much wider range of obligations on developing countries.

For all the fussing about sovereignty in some of the political rhetoric, the case can be made that the GATT functioned effectively only because the trading rules reflected policy norms for state action in OECD market economies. Likewise, the WTO will function effectively only if there is a similar policy consensus among the members. But the scope of the rules must be broader and the membership much more diverse. Thus, some conclude that expansion of WTO membership should not be rushed. Policymakers inclined to this perspective emphasize the need for the new members to accept and implement the full range of obligations under the WTO trading rules and are particularly reluctant to permit lengthy transition periods.

Mercantilist Trade and Investment Interests

Export and investment interests in the major trading economies would benefit from the more open and predictable trading regimes that would accompany broader WTO membership, except perhaps in those instances where they have invested behind high trade barriers. For this reason, these interests will tend to favor the early accession of major economies and will focus on the detailed tariff schedules in terms of the implications for their competitive positions.

Humanitarian and Economic Interests in Deepening and Locking In Reforms

Integration serves the humanitarian concern about the welfare of the people in these economies and the interests of global economic welfare. The challenges are determining how best to facilitate the deepening of economic reforms and when to lock them in. Although altruism is likely the main motivation for this constituency, there may also be an element of self-interest on the part of the major industrial economies because economic disaster will place a burden on the international community either in the form of debt relief or increased new financial assistance or both.

Geopolitical Interests

Beyond humanitarian concerns and global economic interests, some suggest that there are security interests in integrating these economies into the global economy. The premise is that economic integration will contribute to peace and political stabilization in these societies. This perspective emphasizes the significance of increased economic interdependence and the commitment to the rule of law, at least for commercial matters, in facilitating peaceful development and international cooperation. This is not a new idea: then Secretary of State Cordell Hull saw the Reciprocal Trade Agreements Act of 1934 as contributing to peace as well as to prosperity.

Political Conditionality for Environment and Human Rights

Many of the advocates of protection for human rights and the environment should have honorary citizenship in Missouri, the ''show-me'' state: before they would extend trading benefits to countries, they would need to be ''shown'' progress on the human rights and environment fronts. Furthermore, they advocate withdrawal of trading benefits in response to failures to protect human rights and the environment. These issues have not been prominent in the accession negotiations, but they have been evident in the annual US debate about renewal of MFN for China. These controversial issues are being debated in the preparations for the Singapore ministerial.

Clearly, existing members of the WTO and new members could be treated somewhat differently with respect to these issues. The risk is that if countries acceding to the WTO are subject to tougher standards of environmental and human rights than existing members, this could politicize the issue of accession in the transition economies and trigger nationalist foreign policy reactions that undermine both integration into the global economy and political integration into the international system.

Responses from Prospective Members

Of course, the most critical factor in the dynamics of the accession negotiations is the evolution of economic policies and political developments in the countries seeking accession. If these countries sustain their domestic economic reforms and move toward a much more open trade and investment regime for purposes of their own economic development, WTO accession will be greatly facilitated.

Many of the transition economies tend to measure economic reforms and opening against past practice. Policymakers in these countries tend to be unaware of either changing norms in the international system as reflected in the WTO or of unilateral steps many countries have taken to liberalize trade and investment. Perhaps the most important factor to the success of the accession negotiations is for prospective members to realize that WTO membership will reinforce an outward-oriented economic development strategy.

What Are the Issues?

Special and differential treatment for developing countries and the time frame for transition measures are two key issues the WTO will have to address.

Will new members be granted the special and differential treatment that is accorded to developing countries? China has stressed its need for special and differential treatment, but this issue will also arise with other countries in the accession queue. In particular, uncertainty remains about the application of Article XVIII of the 1994 GATT.

Article XVIII of the 1947 GATT allowed developing countries to impose quantitative restrictions either for development purposes (XVIII:A) or for balance of payments reasons (XVIII:B). Imposing restrictions for development purposes required notification to the GATT and was seldom invoked. A new Understanding on Balance of Payments Provisions is incorporated in the WTO and imposes somewhat greater discipline on the use of quotas under Article XVIII:B. More experience needs to be accumulated with the application of these provisions, but it would seem that developing countries no longer have carte blanche to impose quantitative restrictions.

One of the issues surrounding China's accession to the WTO is whether it can invoke Article XVIII. Notwithstanding the new provisions under the WTO, there is considerable reluctance to allow China to do so.

Not all of the interest in imposing quantitative restrictions on trade comes from the applicant countries. Especially in the case of China, some of its trading partners have expressed interest in applying selective safeguards on imports from new members during the transition. More generally, antidumping procedures in the major industrial countries have encouraged the transition economies to keep monitoring exports, and in some instances they have participated in implicit or explicit ''voluntary'' export restraint arrangements.

Regarding the timing for transition, major trading nations believe that the Uruguay Round agreements under the WTO do not necessarily have to be extended to new members. To the extent that transition measures might be permitted, the clock has already started, and acceding countries must at a minimum meet the schedule in the Uruguay Round agreements.

The elimination of quantitative restrictions poses serious challenges in industrial sectors dominated by inefficient state enterprises and the agricultural sector. Both the services agreement (GATS)—depending on the commitments in the services schedule—and the intellectual property rules (TRIPs) call for changes in domestic economic and legal frameworks. These effects may be benign, at least in the longer term, but they do raise societal challenges in the acceding countries.

The trade-related investment measures (TRIMs) agreement raises important issues for China's accession. China has successfully attracted substantial investment in recent years, but much of it is subject to reexport or other performance requirements. Dismantling this complex regime represents an important challenge for China.

In contrast, TRIMs now appear to be less of an issue in Russia and the other former Soviet republics, but this could change. The substantial resource potential in the region could eventually attract foreign investment, even through indirect vehicles, if there were some measure of confidence that the investment would not be taxed excessively. At that point, TRIMs could become a significant accession issue for those countries as well.

Russia's application to join the OECD could have significant implications for its accession to the WTO. First, Russia's OECD application will ensure that it does not claim special and differential treatment in its WTO accession talks. Second, Russia's participation in the OECD codes and potentially in the proposed Multilateral Agreement on Investment (MAI) could provide some comfort on investment issues even if these instruments are less binding than WTO commitments.

More fundamentally, can the policy regimes of these countries sustain WTO commitments? The post-Uruguay Round trading rules emphasize stability and predictability even more than the openness of the trading regime. Political uncertainty and policy volatility in a number of these countries raise questions about their ability to operate effectively in the trading system.

International Financial Institutions, WTO Accession, and Economic Reforms

To date the international financial institutions (IFIs) have taken the lead role in the reform process, especially in the former Soviet Union. What should be the respective roles of the IFIs and WTO accessions negotiations in the reform process? Should the strategy be to get much of the pain of structural adjustment and macroeconomic stabilization out of the way before accession negotiations are completed? Or should accession be an early part of the reform process?

How reforms should be sequenced is a difficult question. A country's adoption of an open trade regime can provide external discipline that contributes to both macroeconomic stabilization and microeconomic restructuring. However, if the country relies too much on this external discipline (e.g., low tariffs and an appreciating exchange rate as a disinflation strategy), it risks a political backlash against economic opening. A lack of fiscal discipline and tax system reforms exacerbates this problem.

Although the IFIs' programs and WTO accession can be complementary, conflicts may arise on specific issues, and participants may not initially be aware of them. Elsewhere I have summarized the view that the GATT and IFIs together helped reintegrate Germany and Japan into the global economy after World War II, but for most of the postwar period the GATT focused on the trade regimes of developed countries and the IFIs on developing countries (Murray Smith 1995). But because of the Uruguay Round curbs on special and differential treatment, this is changing. It is likely that IFIs and the WTO will find opportunities to interact more over reform issues—and thus, to disagree more.

Both the IFIs and the WTO stress the openness of the trading regime, but the degree of emphasis can be different. In negotiating a structural adjustment program, one of the conditions could be relatively low nominal tariffs, but these could prove unrealistic, especially if fiscal and/or monetary policy is mishandled, and could create pressure for nontariff barriers. In contrast, the whole thrust of the Uruguay Round was to eliminate nontransparent trade restrictions and to convert them into transparent tariffs. One way to ensure more coherence in policy toward acceding countries would be if IFIs focused more on eliminating quantitative restrictions and other nontransparent trade restrictions. (At the same time, there needs to be effective IFI-WTO cooperation over trade restrictions imposed on grounds of a balance of payments crisis. This applies more to WTO members than to new members.)

Coherence in policy cuts both ways. In at least some economies in transition, the IFIs have emphasized removing export controls and lowering taxes, but national governments do not necessarily regard these barriers as a high priority in the WTO accessions process, reflecting their mercantilist (or neomercantilist) preoccupations with market access for exports. Clearly, the IFIs' policy reform process and WTO accessions should be complementary, and they should jointly emphasize the removal of nontransparent barriers.

A second area in which there could be more cooperation between the WTO and the IFIs, as well as in national assistance programs, is in the area of technical assistance. The Chinese and Russian accession negotiators are knowledgeable, technically competent, hard-working, and highly motivated, but they are stretched thin. They have challenges in making issues understood by other ministries and agencies, let alone in obtaining the level of political access and commitment that is necessary to complete accession. Thus, there needs to be dialogue and broad-based technical assistance on the linkages between domestic economic reforms, the opening of the economy, and WTO accession.

Other areas in which there is scope for greater complementarity are environmental protection, labor standards, and human rights. The IFIs (and bilateral assistance programs) can more appropriately emphasize these objectives. In general, aid conditionality is to be preferred to trade conditionality in the international system. More specifically, the IFIs have a broader range of human resources and greater technical assistance capability to devote to ensuring sustainable development in economies in transition. In many instances, accession to the WTO and the liberalization of the trade regime of the acceding country will help low-income groups in the society and help promote more sustainable development of the economy. Complementary policies could facilitate these developments.

What Are the Stakes?

Accession negotiations have always been a bellwether of the trading system. From the mid-1950s until the late 1970s, accession was relatively perfunctory. Reflecting Cold War politics, the norms of the time encouraged participation in the GATT while imposing few obligations on most new members. Many developing countries were sponsored by their former colonial powers, and some of the centrally planned economies of Eastern Europe joined the GATT with very unusual protocols of accession.

Starting in the 1980s, the accession negotiations became much more active and meaningful. For example, the accessions of Mexico, Costa Rica, and Venezuela involved more extensive obligations and more comprehensive market opening. These accession negotiations presaged the Uruguay Round results, which have circumscribed special and differential treatment to the least developed countries and which are leading to much more universal participation in the trading regime.

The accession of prospective members to the WTO will be an important test of the new system and will shape its evolution. Especially for the former centrally planned economies, accession and the application of the trading rules raise quite fundamental issues about opening to international competition and developing a market-oriented domestic economy that has a transparent regulatory regime and is subject to the rule of law.

Suppose the WTO accession process proceeds rapidly. What are the benefits and what are the risks? The benefits could include a consolidation and deepening of trade and economic reforms already under way. These benefits to acceding countries would also extend to the global community in the form of both political and economic benefits.

But if the early entry is on somewhat ambiguous terms or implementation is to occur over a lengthy period, then acceding countries may backslide in their commitments. Thus, premature accession risks eroding the trading system. Of course, it is more difficult to judge in advance whether an accession is premature than it is after the fact.

Suppose key accession negotiations drag on a decade or more. In this case, there is a serious risk of reform backsliding. Protracted accession negotiations could erode their potential value in shaping and stimulating economic reforms.

To some degree, the countries negotiating accession are free riders on the trading system. Because no major country is likely to revoke these countries' MFN status, they do not face strong sanctions that might induce them to adjust policies in order to join the WTO.[8] Revocation of MFN is a very draconian step and thus is not a credible sanction, especially on a bilateral basis.

As the Uruguay Round agreements are phased in, discrimination against nonmembers could increase, especially in sectors such as textiles and apparel. Indeed, as developing countries take on more obligations and obtain more trading rights under the WTO, they may become the ''hard-liners'' on accession.

8. This observation applies to the annual US review of MFN status for China under the Jackson-Vanik provision of the Trade Act of 1974. The Jackson-Vanik provision seems inappropriate because liberalization of Chinese emigration policy does not appear to be a compelling US foreign policy objective and because the annual renewal politicizes US-China economic relations.

Conclusions and Policy Recommendations

Accession is driven by the members of the WTO—the national governments—and nothing is about to change that reality. However, the tremendous effort absorbed in examining major countries' trade regimes could be organized more effectively. For example, thousands of questions have been submitted to China. They reflect the trading partners' duplication of effort and skepticism about whether full answers are forthcoming.

The WTO Secretariat should be—and should be permitted to be—more proactive in developing questions for acceding countries and in verifying information. With the creation of the WTO and the changes in the accession process, the WTO Secretariat has in fact developed common questionnaires for technical barriers, import licensing, customs valuation, and some other barriers. More needs to be done along these lines. What is needed is a comprehensive process, analogous to the Trade Policy Review Mechanism for WTO members, that can be used to develop systematic and credible information on the trade and economic regimes of prospective members' economies.

Proposals have been made for a blue ribbon commission of international luminaries to help resolve outstanding accession issues. Such a commission could facilitate dialogue about policy and could help develop and disseminate credible, detailed information on the international economic policy regime of prospective members, but it must be remembered that accession is a negotiating process. Thus, while a blue ribbon commission could usefully provide benchmarks for accession and contribute to the policy dialogue, it cannot supersede negotiations between the applicant country, which is taking on important international obligations, and the WTO members, which must respond to domestic economic and political interests.

In addition to these recommendations on process issues, there are some changes needed on the key policy issues in the accession process.

There needs to be more emphasis on policy dialogue and less on mercantilist bargaining. At the final stages of negotiations, the political economy of trade policy among the Quad trading powers (Canada, the European Union, Japan, and the United States) can be usefully engaged in fine-tuning market-access schedules. However, too much emphasis on these market-access negotiations at the outset can lead to negotiating fatigue on both sides. All the key players, not just trade officials and WTO officials, but the IFIs, trade ministers, finance ministers, and the G-7 leaders need to emphasize that conformity with the trading rules is an essential element of a market-oriented development strategy and that this is the key to accession to the WTO.

The WTO substantially clarifies the obligations of new members as compared with the 1947 GATT. The greatest clarification is with respect to the regime for trade in goods and with respect to the protection of intellectual property rights. The nature of commitments in services are much more a matter for negotiation, and there are no comprehensive rules for investment.

If there is to be flexibility in accession, it should be over the time frame for certain transition measures and over the tariff schedules. Undoubtedly, there are serious economic adjustment challenges and powerful political pressures for resisting open international competition in parts of the industrial and agricultural sectors. Thus, elimination of quantitative restrictions poses serious challenges, but many sins can be absolved by tariff rate quotas, with high over-quota tariffs. But there should be no flexibility over the scope of the final commitments. The WTO has transformed accession, and the broad outlines of the minimum requirements for accession should be clear to all applicants.

Acceding countries frequently complain that the bar keeps rising. There is some validity to this complaint, but the current raising of standards is merely a continuation of the trend since the 1947 GATT toward an accession process that reflects changing international norms of fuller participation in the trading system and a stronger emphasis on market-oriented approaches to economic development. The challenges of accession to the WTO underline the considerable achievements of the Uruguay Round but also indicate some of the deficiencies—notably the somewhat ambiguous requirements of the GATS and the lack of comprehensive rules for investment or norms for restrictive business practices.

Today's accession negotiations could play an important role in integrating the transition economies into the global economy. Furthermore, the accession negotiations will undoubtedly help shape the evolution of the post-WTO trading system.

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