

WTO Membership and Regional Integration

What does the literature say?

Mary Mbithi

**Regional dialogue on WTO Accession for the
greater horn of Africa**

28 August 2017

Introduction

- Objective
 - To discuss what literature says WTO membership and RTAs
 - WTO membership and participation in RTAs
 - Relationship between WTO and RTAs
 - Limitations/ challenges of RTA compared to the WTO

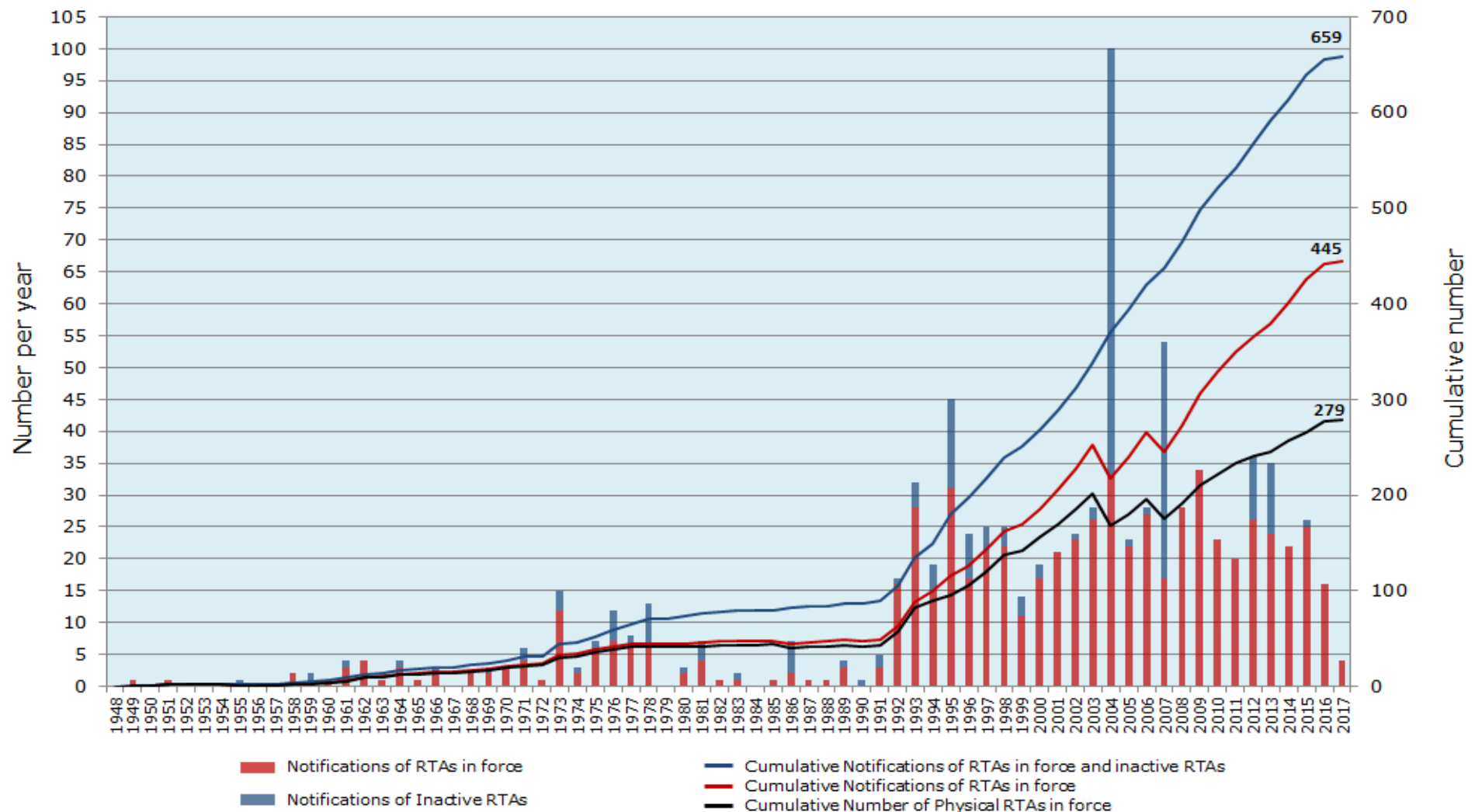
WTO membership

- Increase from 23 CP in 1947 to of 164 countries in 2017
- About 22 nations are observers
- African countries non members: Algeria, Ethiopia, Equatorial Guinea, Comoros, Libya, São Tomé and Príncipe, Somalia, Sudan and South Sudan
 - Ethiopia, Somalia and Sudan in the process of accession
 - South Sudan has expressed interest

WTO and RTAs

- WTO allows its members to conclude RTAs under 3 conditions
 - ❑ GATT Article XXIV: CU, FTAs, and interim agreements- goods
 - ❑ GATS Article V – services
 - Reduce trade restrictions to levels lower prior to RTA formation
 - Does not create trade barriers to third countries
 - Trade restrictions are eliminated in substantially all the trade
 - Reciprocal trade regime
 - ❑ Enabling Clause
 - generalized, non-reciprocal and non -discriminatory preferences beneficial to the developing countries by developed countries
- ❖ RTAs need to be notified to WTO for transparency

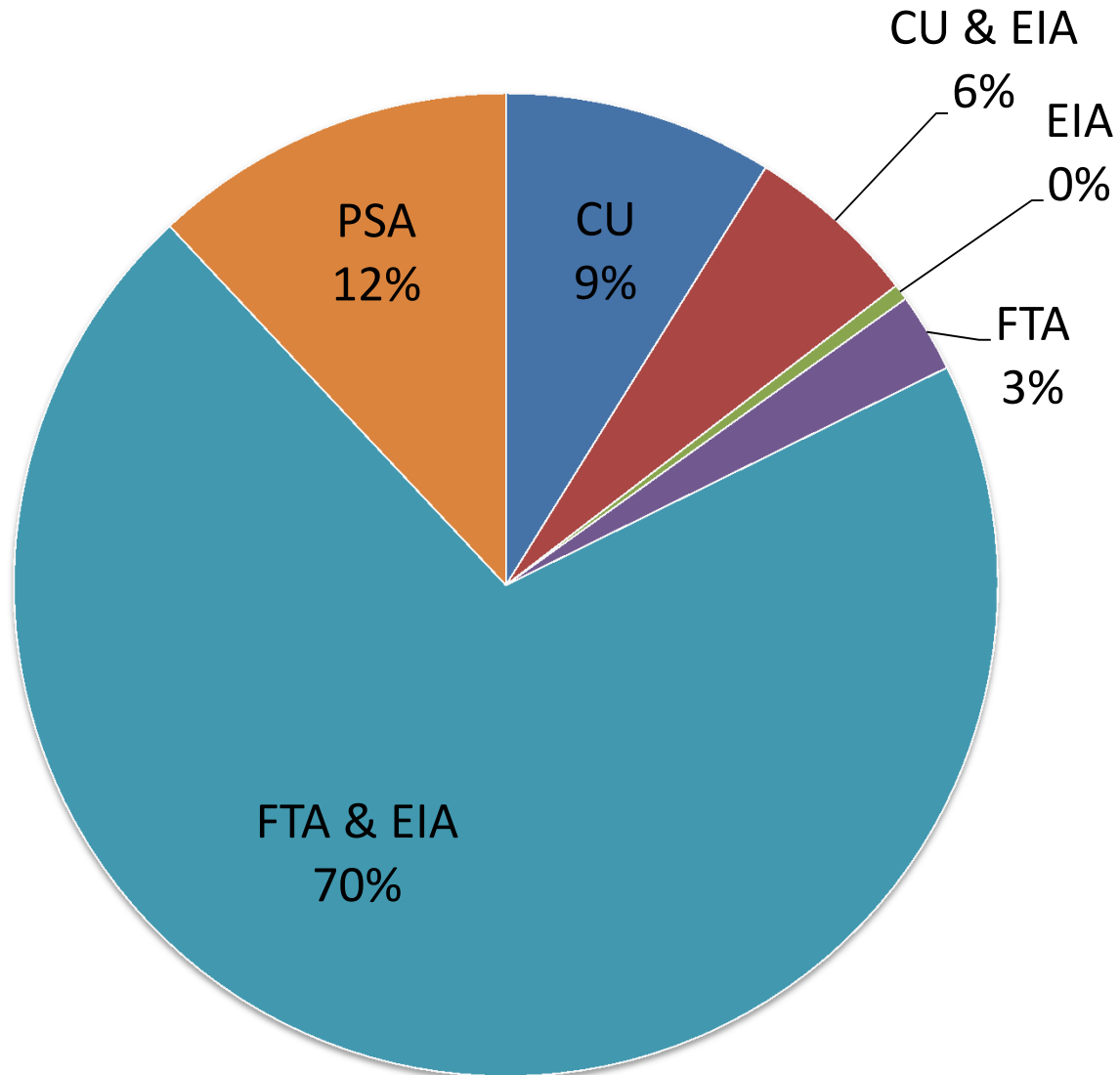
Evolution of WTO RTA



Source: WTO Secretariat

- 445 countries belong to 279 RTAs- membership ranges 1-40

Types of RTAs in force



- Majority agreements FTA
- CU few
- Only 1 Service RTAs

African countries membership to RTA notified to the WTO

Country	No. of RTAs notified to the WTO
Cabo Verde, Central African Republic, Chad, Comoros, Congo, Eritrea, Ethiopia, Madagascar, Sierra Leone, The Gambia	1
Angola, Burkina Faso, Burundi, Kenya, Libya, Malawi, Mali, Niger, Nigeria, Rwanda, Senegal, Seychelles, Togo, Uganda, Zambia, Mauritius,	2
Cameroon, Côte d'Ivoire, Ghana, Mozambique, Sudan,	3
Tanzania, Zimbabwe	4
Botswana	5
Lesotho, South Africa, Swaziland	6
Tunisia	7
Egypt	8

Non WTO member countries in Africa are members of RTAs notified to WTO

Name of RTA/ PTA	Non WTO African member participating	WTO Notification
EU- Algeria FTA bilateral agreement	Algeria	GATT Art. XXIV
Common market for Eastern and Southern Africa (COMESA)	Comoros, Ethiopia, Libya and Sudan	-
Economic Community of West African States (ECOWAS)	Equatorial Guinea	Enabling clause
EU- West African EPA	Equatorial Guinea	GATT Art. XXIV
EU- Eastern and Southern African EPA (under negotiations)	Comoros, Ethiopia and Sudan	GATT Art. XXIV
AGOA	Comoros, Ethiopia, Sao Tome and Principe, South Sudan	-

- Countries also participate in other RTAs, not yet notified to the WTO

Relationship between RTAs and regional integration
-Both building block and stumbling blocks

- Preferential and MTS trade liberalization provide 2 track integration to global economy
- **A complementary relationship: 2 way**
 - benchmark floor for the RTAs reduction of restrictions
 - RTAs act as the testing ground (laboratories) for issues later included in WTO
 - ❖ GATs plus agreements
 - ❖ New issues- investment, government procurement, environmental and labour standards, rights and competition policy
- RTAs contribute to negotiations capacity, development of key institutions
- RTAs are platforms to advance multilateralism in the face of slow WTO negotiation process
- RTAs are a part of the common coalitions and alliances in the WTO negotiations

RTAs as stumbling blocks to MTS

- Create investment and trade barriers for third countries leading to investment and trade diversion -diversion leads to loss or reduction in welfare.
- Some RTAs may not have primary objectives of trade liberalization hence may not promote trade liberalization
- Preference erosion and the need to preserve preferential margins is a real risk for the MTS e.g. WTO NAMA negotiations
- North- South agreements, may not be 'locking in' certain levels of contribution -may minimize the south countries' domestic policy space
- RTAs drain members enthusiasm for multilateral trade negotiations, and divert resources from the WTO to the RTA process; also common policies may slow negotiations in certain areas e.g. EU CAP

Limitations / challenges of RTAs

- Welfare benefits are more when liberalization is undertaken at the multilateral level than in RTAs (RTAs are second best alternative)
- Preference erosion is a reality – as liberalization takes place at the WTO
- RTA preference utilization is low – restrictive RoO, NTBs
- Push to upgrade into global value chains – trade liberalization is key
 - And is better undertaken at multilateral level rather than at RTA level
- RTA trade is not so preferential
 - 84% of global merchandise trade (84 per cent) still takes place on MFN basis
 - half of world trade is already subject to zero MFN tariff rates
 - RTAs tend to exempt products with high MFN-tariff from preferential treatment
 - 60 percent of products traded intra-COMESA is on MFN basis, with about 40 percent of this MFN trade being at a zero MFN tariff rate
 - 16 percent of intra-COMESA trade is on zero MFN tariff rate
- Non WTO members are impacted by the WTO rules, regulations and agreements e.g. in their participation in RTAs that have been notified to the WTO

Concluding remarks....1

- Membership in WTO and RTA provide a two track system for countries to integrate within the regional and into the global trading system.
- MTS and RTAs are not substitutes, they complement each other
- Coexistence of WTO and RTAs membership is likely to continue and RTAs
- Non-WTO members who are party to RTAs notified to the WTO are bound by those rules and continue to experience the impact of the MTS
 - through the MFN trade regime and preference erosion

Concluding remarks2

- Trade policies have multi-dimensional outcomes, hence WTO rules and regulations have implications on various sectors of interest such as agricultural and food security, and access to health among others, to all countries including those that are non WTO Members.
 - therefore better for countries to accede to WTO and participate in the MTS decision making.

□Therefore may be important to ‘throw the hat in the ring’

WTO Membership and Regional Integration

What does the literature say?

Thank you (Asanteni sana)

28 August 2017