



WORLD TRADE
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FACT SHEET

Becoming a member of the World Trade Organisation

What is the WTO?

The World Trade Organization (WTO) is an inter-governmental agency that regulates international trade. The stated objective of the WTO is to *"ensure that trade flows as smoothly, predictably, and freely as possible"*.

The main function of the WTO is to administer the creation and implementation of a series of trade agreements between its members. The first and largest of these agreements is the General Agreement on Tariffs and Trade (GATT) was first signed by 23 countries in 1947. These countries adopted the GATT as a provisional agreement, which was refined over the years in a series of negotiation rounds. The number of subscribing countries also increased in time, and by the time the last round of negotiations (known as the Uruguay round) was concluded, 123 countries were signatories. The other two main agreement administered by the WTO are the General Agreement on Trade in Services (GATS), and the Trade-Related aspects of Intellectual Property Right (TRIPS), but there are myriad other additional and/or special agreements.

Each of the agreements administered by the WTO contain an extensive set of rules and commitments on how to conduct international trade in each sector, types of goods and services, and even individual groups and services, that must be followed by all member countries. These can include, for example: binding commitments to reduce customs duties to a certain level (or eliminate them altogether) in a certain timeframe; commitments to limit internal support measures (such as subsidies) for certain activities in cases where these can result in distortions to international trade; and standards that traded goods or services must adhere to in order to be fairly and safely traded, among many others.

The WTO is governed by consensus, and all of its agreements are binding to all members. In other words, all WTO member countries must and do subscribe to all WTO agreements active at the time of accession and in the future, and all member countries at any given time must agree by consensus to create a new agreement or modify an existing one.

In practice, the WTO is a forum where existing trade agreements are created, discussed, expanded, or modified, and where conflicts arising from their implementation or lack thereof are resolved. The technical committees and departments within the organization also provide technical assistance to member countries, monitor trade policies in member countries, and administer the WTO's relations and cooperation with other international organizations.

Why do countries join the WTO?

There are many reasons why countries join the WTO; the first and most obvious is market access. By joining the WTO, countries significantly facilitate access of their exports to most countries in the world. This is particularly important for small countries like Timor-Leste that have small internal markets and require access to international markets in order for their economies to be able to grow sustainably.



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The second reason is that joining the WTO is cost-effective. There are many aspects to international trade, from tariffs and quotas to phytosanitary issues, quality standards and intellectual property issues, among many others, and different manifestations of these aspects depending on the sector, commodity type, or specific commodity being traded. There are also a multitude of actual and potential trading partners for any given countries. This makes it highly impractical, not to say impossible, for any country to agree on a comprehensive set of trade rules with each of its trading partners individually. Joining the WTO allows the acceding country to reach such an agreement with all member countries (and therefore with the majority of potential trading partners) simultaneously and therefore is a cost-effective way of conducting trade negotiations, even when compared with other alternatives to bilateral negotiation such as trade blocs.

A third reason is that joining the WTO offers countries the reassurance that their products and companies will be treated consistently and according to WTO rules when operating in other member countries. The “Most-Favored Nation” principle requires that any advantages negotiated between any two member countries must be extended to other WTO members.

A fourth reason for joining the WTO is access to fair dispute resolution mechanisms. When a member country feels that another member country is not complying with WTO rules, it is able to access a dispute resolution mechanism under the Dispute Settlement Understanding, under which independent and mutually approved experts provide guidance to settle disputes based on analysis of the agreement and commitments.

Why is it important for Timor-Leste to join WTO?

It is important for Timor to join the WTO because it has already taken many steps towards liberalizing trade, but does not yet enjoy the reassurances, protections, and benefits granted by the WTO. Timor-Leste already has a very low and uniform tariff (2.5%) with very few exceptions and no stated quotas. Joining the WTO would give Timor-Leste the guarantee of enjoying market access for its currently limited, but potentially growing exports. It would also give the countries important guarantees in terms of the norms and standards (for example, phytosanitary measures) that imports into the country must follow, and a mechanism for solving trade disputes with other member countries. By joining the WTO, Timor would receive access the accumulated technical expertise and assistance on trade matters that the WTO offers.

Finally, and perhaps most importantly, joining the WTO signals a firm commitment towards developing an implementing a comprehensive and modern trade policy. The process of joining the WTO will require Timor to more forcefully and expediently act on their stated commitments to create a comprehensive legal, regulatory, and structural environment for trade according to accepted international standards.

What are the responsibilities of a WTO member?

The main responsibility of a WTO member is to conduct its international trade in compliance with WTO agreements. The agreements, as stated above, include trade in goods and services as well as intellectual property.

The member countries also agree to participate actively in trade negotiations as part of the General Council or the Ministerial Conference. These bodies meet regularly to discuss WTO and international trade matters.



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The General Council meets on a regular basis during the year, while the Ministerial Conference meets no less than once every two years.

Finally, each member state must make a financial contribution to the WTO's General Budget, which is calculated on the basis of the country's share in total international trade.

How does WTO accession relate to ASEAN membership?

There is a high degree of overlap between the requirements for ASEAN membership and the requirements for WTO membership. In fact, the ASEAN agreements on trade of goods and services are largely based on WTO rules. However, the requirements for ASEAN accession are broader as they require commitments with regards to investment.

The main differences between the two processes are the degree of flexibility on commitments and the number of negotiating parties. For ASEAN membership, in many instances a statement of commitment to implement a particular policy can be enough. For WTO accession, requirements must have been met prior to accession or there needs to be evidence that firms steps towards compliance have already been taken.

The process for joining the WTO is very complex but relatively straightforward. The process involves six steps:

- (1)** the country presents a written formal request for accession to the General Council of the WTO, which establishes a Working Party;
- (2)** the country submits a Memorandum on the Foreign Trade Regime, providing details about the country's history, geography, political situation, foreign relations, etc., and more importantly about its economic and other policies that have a direct or indirect, current or potential impact on international trade;
- (3)** the Working Party negotiates with the country the "Conditions of Entry", the set of policy, legal, and structural changes needed to comply with WTO agreements and rules, as well as timelines for their implementation;
- (4)** the country also engages in bilateral negotiations with Working Party members, and the results of these bilateral talks must be automatically applicable to all other members;
- (5)** the final "accession package", including negotiation proceedings, all the commitments agreed, the conditions of entry, the set timetables for implementation, market access schedules, etc., is prepared and submitted to the General Council for approval, and;
- (6)** the General Council considers and approves the accession package.

The process for joining ASEAN is simpler, but is less straightforward. All that is required for a country to join ASEAN is for all member states to be satisfied that it has met all the requirements to be part of the community. However, these requirements are scattered throughout a number of different treaties, protocols, and agreements: there is no "shopping list" for accession. There is a published set of 14 principles with which member states must comply, including "adherence to multilateral trade rules and ASEAN's rules...reduction towards elimination of all barriers to regional economic integration, in a market-driven economy"; this could be argued to mean that a country must comply with WTO trade rules to join ASEAN.