

The excessive cost of WTO admission

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HANOI The World Trade Organization is not yet global. Twenty-five countries are currently lining up to join, some of them among the world's poorest. First, however, they are being put through a negotiating grind that makes a mockery of the WTO's commitments to development.

To join, not only must a country comply with all WTO rules, but individual existing members are allowed to ask for further concessions, known as "WTO-plus," from applicants in return for support for their application. Without the support of key WTO members, a country cannot join.

The result is a form of political tag wrestling in which the world's mightiest economies take it in turns to climb into the ring and squeeze yet more concessions, with scant regard to an applicant's development needs. Conditions often include a rapid opening-up to international investors in services and manufacturing, and the dropping of import barriers.

Vietnam is nearing the end game of a painful 10 years of entry talks. Nearly a third of its 80 million people live on less than \$1 a day, but that's changing fast. The World Bank describes it as "one of the greatest success stories in economic development." The roots of the boom lie in surging exports of everything from prawns to sneakers, combined with a cautious approach to import liberalization and foreign investment, quite out of step with the "shock therapy" usually advocated by the World Bank and the International Monetary Fund.

The danger is that the WTO accession process may force Vietnam to open up its economy further and faster than is desirable, undercutting domestic producers and endangering its broader national development strategy.

Agriculture is of particular importance to Vietnam's poorest people, yet the country has already been forced to offer far greater liberalization in farm products than its WTO neighbors. Even so, it is still under pressure from Australia to further open up its sugar market and from the United States to let subsidized American corn pour into the country. Both crops are grown by millions of Vietnam's poorest farmers and an influx of cheap produce could drive them further into poverty.

Some significant damage has already been done. The bilateral trade agreement between the United States and Vietnam, ratified in 2001, is heavily "WTO-plus." Vietnam made extensive commitments on a swath of policies, including export-import rules, market access for U.S. products and services, and changes in its intellectual property and investment regimes.

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Under most-favored-nation principles, a cornerstone of the WTO, concessions granted to one country must be made available to all WTO members. This means that the terms of Vietnam's U.S. trade pact could become the starting point for its talks with other WTO members. While the terms of the pact cannot be undone without complex renegotiation, Vietnam should not be required to "multilateralize" WTO-plus concessions in its accession deal.

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So why join the WTO? Rules are better than no rules, and the organization provides some safeguards against the exercise of trade sanctions. The United States is already using such sanctions to keep out Vietnamese prawns and catfish, and Vietnam particularly fears that without the protection of WTO rules, America and other countries will keep out its booming shoe and clothing exports. Reformers in the country also hope that a good WTO deal will help keep up the pace of domestic reform.

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But a good deal looks a long way off, and if compromise is too painful, it could slow down Vietnam's progress and undermine support for further reform.

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If the WTO is to live up to the promises of the current "development round" of global trade negotiations, it needs to overhaul the whole accession process for poor countries like Vietnam, Ethiopia and Sudan. Instead of being squeezed into excessive WTO-plus concessions, new entrants should be eased into the organization's current rules, with implementation timetables and extra flexibility that reflect their development needs.

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