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HOW TO JOIN THE WORLD TRADE ORGANIZATION: SOME ASPECTS OF THE ACCESSION PROCESS

ABSTRACT: *The World Trade Organization is the first international organization responsible for supervising global trade relations. It was established on January 1st 1995. The most important bodies of its organizational structure are the Ministerial Conference, the General Council and the Secretariat. It currently has 153 Members with many candidates involved in accession negotiations. Accession to the World Trade Organization is a highly organized process which can be*

divided into several steps or stages. The successful fulfilment of the conditions of one stage is the condition for movement to the next. Many challenges and opportunities are incorporated in that process and it is up to candidates for the Membership to find a way to face the challenges and use the opportunities.

KEY WORDS: *The WTO, accession, challenges, WTO opportunities*

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1. INTRODUCTION

From 1947 to 1995 international trade relations were regulated according to the General Agreement on Tariffs and Trade (GATT 1947). GATT 1947 was never established as an international organization although in practice it functioned as one. It was a system based on multilateral trade negotiations conducted in negotiating rounds. Eight rounds of multilateral trade negotiations were organized in this period. The last one, the Uruguay Round, which lasted for eight years, led to the establishment of the World Trade Organization (WTO).

The WTO is the first international organization to monitor global trade relations. It was established on January 1st 1995, according to the Marrakesh Agreement. This Agreement, together with the Ministerial Decisions and Declarations and Understanding on Commitments in Financial Services, constitutes the *Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations*¹. The WTO currently has 153 Members².

In the Preamble of the Marrakesh Agreement establishing the WTO, Members recognize, among other things, that “their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.”³

In accordance with these goals, several functions of the WTO have been defined. The WTO’s basic function is to monitor the implementation of all Final Act multilateral and plurilateral trade agreements, which means that it is responsible for the functioning of the international trade system. The WTO is also a forum for all trade negotiations among Members, settlement of possible trade disputes and review of Members’ trade policies.

¹ WTO (2002), The Legal Texts, The Results of the Uruguay Round of Multilateral Trade Negotiations, WTO Secretariat.

² WTO (2008), Membership. <http://www.wto.org>

³ WTO (2002), The Legal Texts, The Results of the Uruguay Round of Multilateral Trade Negotiations, WTO Secretariat, pp. 4.

The organizational structure of the WTO is established in order for the defined functions to be fulfilled. At the top of the organizational structure there is a Ministerial Conference. It is the body of the highest authority consisting of representatives of all Members. It meets once every two years and takes decisions on all relevant matters concerning WTO and multilateral trade agreements. Meetings of the Ministerial Conference are attended by the representatives of all Members, observers, and international organizations with the status of observers (International Monetary Fund, World Bank etc.)

In the intervals between meetings of the Ministerial Conference all its functions are delegated to the General Council. The General Council is the executive body consisting of permanent representatives of all Members that is responsible for monitoring the WTO's regular activities and meets every two months. The General Council is also responsible for settling trade disputes, in which case it meets as a Dispute Settlement Body, and reviewing Member's trade policies, in which case it meets as a Trade Policy Review Body.

Ministerial Conference and General Council, under their own authority, establish separate Councils responsible for the functioning and implementation of each particular multilateral trade agreement. These Councils may establish subsidiary bodies, Committees and Working Parties when it is necessary for the fulfilment of their responsibilities.

The WTO Secretariat is responsible for all technical and administrative tasks. "Its main duties are to supply technical and professional support for the various councils and committees, to provide technical assistance for developing countries, to monitor and analyze developments in world trade, to provide information to the public and the media and to organize the ministerial conferences. The Secretariat also provides some forms of legal assistance in the dispute settlement process and advises governments wishing to become Members of the WTO."⁴ The Headquarters of the WTO are located in Geneva, Switzerland.

2. THE WTO ACCESSION PROCESS

Before starting the WTO Accession Process countries may decide to become WTO observers. Observer status is not obligatory and is not a precondition to WTO Membership. Its purpose is "to allow a government to better acquaint

⁴ WTO (2008), Overview of the WTO Secretariat, <http://www.wto.org>

itself with the WTO and its activities, and to prepare and initiate negotiations for accession to the WTO Agreement.”⁵ The status is granted initially for five years and observers are expected to take a decision on accession within that period of time. Observers have the right to observe meetings of all WTO bodies except the Committee on Budget, Finance and Administration. They have access to the main WTO document series and may also request technical assistance from the WTO Secretariat. Observers have an obligation to make a financial contribution for the services provided to them.⁶

According to Article XII of the Marrakesh Agreement “Any state or customs territory having full autonomy in the conduct of its trade policies is eligible to accede to the WTO on terms agreed between it and WTO Members”.⁷

The accession process can be divided into six stages:

1. Submission of the formal request for accession by the applicant government;
2. Establishment of a Working Party for Accession;
3. Submission of the Memorandum of the Foreign Trade Regime;
4. Negotiations on terms of accession;
5. Adoption of the Report of the Working Party for Accession;
6. Approval of the accession by the General Council or Ministerial Conference⁸.

The formal request for accession from the applicant government must contain a statement that the candidate wishes to accede to the Marrakesh Agreement and become a WTO Member, pursuant to Article XII which regulates the process of accession. It is submitted to the General Director of the WTO. The formal request is then distributed to all WTO Members and placed on the agenda of the next General Council Meeting.

After the acceptance of the formal request a Working Party for Accession is established “to examine the application of the candidate to accede to the World Trade Organization under Article XII and to submit to the General Council/ Ministerial Conference recommendations which may include a draft Protocol

⁵ WTO, Rules of Procedure for Meetings of the General Council - WT/L/161, Annex 2, July 25th 1996, WTO Database, Internet 05/12/08, www.wto.org

⁶ Ibid.

⁷ WTO (2002), The Legal Texts, The Results of the Uruguay Round of Multilateral Trade Negotiations, WTO Secretariat, pp. 12.

⁸ Bjelic, P. (2002), *Svetska trgovinska organizacija, Prometej*, Belgrade, pp. 80.

of Accession.”⁹ Any Member of the WTO can become a member of the Working Party for Accession, depending on its interests. WTO Members can choose to join at any stage before the completion of the Working Party for Accession mandate. This means that the size and composition of Working Parties for Accession vary from candidate to candidate. Observers in the Working Party for Accession can be representatives of the UN, UNCTAD, IMF, World Bank, WIPO, EBRD and EFTA. After consultations with the candidate and members, the Chairman of the WTO General Council appoints the Chairman of the Working Party for Accession, who is usually an ambassador resident in Geneva.

The accession process is now “institutionalized” and it will be conducted through the Working Party for Accession. The work of the Working Party for Accession can be divided into three conceptually distinct stages which in practice often overlap: submission of the *Memorandum of the Foreign Trade Regime* by the candidate, negotiations on rules, market access and concessions, and adoption of the *Working Party Report on the Accession*. In practice, the changes that the candidate will need to make in order to bring its trade regime into conformity with WTO requirements need to be identified, and a starting point for the negotiations that will take place on market access for goods and services needs to be defined. After that negotiations on the terms of accession can start and eventually the results of all negotiations are consolidated and adopted.

The Memorandum of the Foreign Trade Regime is a standardized document which describes the foreign trade regime. It contains information on the Economy, Economic Policies and Foreign Trade; the Framework for Making and Enforcing Policies Affecting Foreign Trade in Goods and Services; Policies Affecting Trade in Goods; Trade Related Aspects of Intellectual Property Rights Regime; Trade-Related Services Regime and Institutional Base for Trade and Economic Relations with Third Countries. It is supplemented by statistical information about trade, a List of Laws and Legal Acts, a List of Foreign Trade Agreements and questionnaires about Import Licensing and Customs Valuation Procedures, State Trading Enterprises, Technical Barriers to Trade, Sanitary and Phytosanitary Measures, Domestic Support and Export Subsidies in Agriculture, Trade in Services and Trade Related Aspects of Intellectual Property Rights.¹⁰ The candidate also submits an *Initial Schedule for Tariff Concessions for Goods*

⁹ WTO, Accession to the WTO, Procedures for Negotiations under Article XII – WT/ACC/1, March 24th 1995, Internet 11/12/08, www.wto.org

¹⁰ Ibid.

and *Initial Schedule on Specific Commitments in Services*. All of these documents are submitted to the WTO Secretariat who distributes them to WTO Members.

After receiving these documents interested WTO Members submit questions in writing regarding the candidate's foreign trade regime. When the candidate answers these questions, also in writing, the first meeting of the Working Party for Accession can be held. In practice negotiations can start at this point but the candidate will be asked more questions between and during the following meetings of the Working Party for Accession. After several meetings, and if progress has been made, the WTO Secretariat prepares an informal *Factual Summary of Points Raised* in order to consolidate all the information presented by the candidate. The purpose of this Summary is to facilitate the work of the Working Party for Accession, to make the process more transparent and to be a base for a draft *Report of the Working Party for Accession*.

Negotiations on terms of accession are divided into four main segments which are conducted simultaneously: multilateral negotiations on the rules to be accepted; plurilateral negotiations on agricultural domestic support and export subsidies; bilateral negotiations on concessions on goods and bilateral negotiations on specific commitments on services. The results and taken commitments from all these negotiations, multilateral, plurilateral and bilateral, are applied equally to all WTO Members in compliance with the most favoured nation principle.

Multilateral negotiations on the rules are negotiations on terms, conditions and possible transitional periods for all legislative or structural changes necessary for the adoption and implementation of WTO rules and procedures by the candidate. These negotiations are conducted multilaterally between the candidate and all members of the Working Party for Accession.

Plurilateral negotiations on agricultural domestic support and export subsidies are conducted between the candidate and interested members of the Working Party for Accession. The purpose of these negotiations is to bring the candidate's level of agricultural domestic support and export subsidies into compliance with the WTO Agreement on Agriculture. They also deal with Sanitary and Phytosanitary Measures and Technical Barriers to Trade.

Negotiations on concessions on goods and negotiations on specific commitments on services are conducted bilaterally between the candidate and each separate member of the Working Party for Accession. Every bilaterally-reached agreement is signed and sent to the WTO Secretariat where it remains confidential. After

bilateral agreements have been completed with all members of the Working Party for Accession, the WTO Secretariat uses them to prepare a single, consolidated draft Goods Schedule and a single, consolidated draft Services Schedule. In accordance with the most favoured nation principle, the Goods Schedule is consolidated on the lowest tariff level for each tariff line and the Services Schedule is consolidated on the least restrictive level for each service sector. When completed, the draft Schedules are formally circulated to all members of the Working Party for Accession for review and verification.

After the conclusion of all negotiations the *Report of the Working Party for Accession* is adopted with the consensus of all members of the Working Party for Accession. It summarizes all negotiations held within the Working Party for Accession and is annexed with the *Consolidated Schedule of Tariff Concessions for Goods* and *Consolidated Schedule on Specific Commitments in Services*. The entire package is referred to as the *Protocol of Accession* and it is then submitted to the General Council or the Ministerial Conference.

The last stage of the accession process is the adoption of the *Protocol of Accession* and the approval of the accession by the General Council or Ministerial Conference with the consensus of all WTO Members. The Protocol specifies the date until which it is open for acceptance by the candidate, by signature or ratification. While a period of three to six months is usual, in practice it is the candidate who proposes the length of time needed to complete its internal procedures.

The candidate becomes a WTO Member thirty days after accepting the *Protocol of Accession*. This period is allowed in order to give WTO Members time to take any action necessary to apply the WTO Agreement to the new Member.

3. CHALLENGES AND OPPORTUNITIES OF THE WTO ACCESSION PROCESS

Most challenges presented by the WTO Accession Process originate from Article XII of the Marrakesh Agreement itself, because it does not define precisely the number and the level of the candidate's future obligations. Since it is the general understanding that WTO Members have already undertaken a significant level of commitments, it is up to the candidate to offer commitments and reach the WTO standards. Therefore the negotiations are only one-way and the candidate can merely take and fulfil requests and not make them.

In the WTO Accession Process the requests made to candidates are greater than the disciplines for existing WTO Members. Tariff rates for goods must be considerably lower, services market must be more open and any transitional period must be shorter in order for the candidate to become a WTO Member.

There are no new demands for candidates concerning multilateral negotiations on the rules to be accepted, but the transitional periods for legislative or structural changes necessary for the adoption and implementation of WTO rules and procedures are fewer and shorter, which can create problems in candidate economies.

As mentioned before, one of the purposes of the plurilateral negotiations on agriculture is to bring into compliance the candidate's level of agricultural domestic support and export subsidies with the WTO Agreement on Agriculture. The WTO allows subsidies to agriculture that are not trade-distorting, known as "Green Box" subsidies. Green Box subsidies include a wide range of publicly funded measures including research and development, pest control, general and specialist training, extension and advisory services, inspection services for health and sanitary reasons, marketing and promotion services, infrastructure services including electricity, roads and environmental expenditures, targeted support to low income population through food stamps or subsidized prices, direct payments to producers to support income provided it has minimal trade-distorting features, crop insurance subsidies for natural disasters, adjustment assistance through producer retirement programmes and indirect income support not related to prices.¹¹ Although they are allowed and widely used by WTO Members, candidates often have to commit not to increase the level of Green Box subsidies, which can cause problems with their agricultural strategies and strategies for the development of rural areas.

On the other hand trade-distorting subsidies which are dependent on exports or production, known as "Amber Box" subsidies, are constrained by the WTO. Amber Box subsidies include market price support, non-exempt direct payments, non-exempt subsidies and input subsidies.¹² All WTO Members have to lower their level during the phase-out period. Candidates generally commit to shorter and more progressive phase-out periods which can cause difficulties for domestic agricultural production.

¹¹ WTO (2002), *The Legal Texts, The Results of the Uruguay Round of Multilateral Trade Negotiations*, WTO Secretariat, pp. 48-53.

¹² *Ibid.* pp. 53-55.

Bilateral negotiations on concessions on goods place the candidates in the position of committing to binding their tariffs on all goods, which in many cases entails significant tariff cuts from existing levels. Candidates have to bind all the tariffs at the applied level which means that they will lose flexibility in developing future customs tariff policy. The result is that once they become WTO Members their tariffs are considerably lower than those of the rest of WTO Members. The average level of bound agricultural goods tariffs for new WTO members¹³ is about 10% while the average WTO bound level is about 58% and applied about 17%. At the same time the average bound level of non-agricultural goods tariffs for new WTO members is about 6% while the average WTO bound level is about 30% and applied about 10%.¹⁴ The figures are decreasing for every new candidate.

Bilateral negotiations on specific commitments on services lead to similar results to bilateral negotiations on concessions on goods. Although in the area of services no simple measure like an average tariff is available, an examination of the Schedules of Commitments of the new WTO Members shows that all of them have assumed higher and more comprehensive levels of commitments than the old WTO Members. The number of services sectors committed is constantly increasing with every new candidate. On a qualitative basis, full market access and national treatment commitments are expected in all service sectors with only few exceptions and possible transition periods.

For example in the financial services sector, all restrictions on foreign investors must be removed, including restrictions on direct branching for foreign insurance companies and banks. These commitments also include allowing cross border provision of numerous insurance and banking services such as life and non-life insurance, reinsurance and retrocession, deposits and credits, all payments and money transmissions, financial leasing, and guarantees and asset management services. In telecommunications services candidates commit to allowing foreign owned telecommunications companies to operate in any telecommunications sector, particularly in fixed and mobile telephony. They also agree to implement the WTO Basic Telecommunications Reference Paper, which among other reforms will require the candidate to establish an independent regulator and provide for transparency and interconnection obligations.¹⁵ In business services candidates must ensure full market access and national treatment for a wide variety of professions, such as lawyers, accountants, auditors, architects,

¹³ Ten most recently acceded non-LDC Members of the WTO.

¹⁴ WTO Statistic Database, Internet, 13/01/09, www.wto.org/english/statis_e.htm

¹⁵ WTO, Basic Telecommunications Reference Paper, April 24th 1996, Internet, 13/01/09, www.wto.org/english/tratop_e/serv_e/telecom_e/tel23_e.htm

engineers, marketing, computer and management specialists. In distribution services, foreign owned companies must be allowed to engage in wholesale, retail and franchise sectors, as well as express delivery services upon accession to the WTO. This includes distribution of pharmaceuticals, with minimal limitations.

Additionally candidates often have to make commitments that impose more stringent disciplines than required by WTO rules and procedures. These commitments are called “WTO-plus commitments” and cover issues such as transparency, foreign investment, economic reform, government procurement, privatization, elimination of price controls on goods and services, and compliance review. Some of these issues are regulated in the WTO but the candidates have to accept more rules than WTO Members. Candidates sometimes have to accept to waive or weaken certain rights embodied in WTO Agreements, either temporarily or permanently. These commitments are called “WTO-minus commitments” and concern trade remedies, i.e. antidumping, anti-subsidy and safeguard measures, transitional periods, development and special and differential treatment provisions.¹⁶

This significant liberalization creates a number of difficulties for the candidates. Their economies are rarely prepared for the severe competition in the international market and the increase in competition in the domestic market. Domestic companies are faced with pressure to lower prices which can lead to downsizing and increasing unemployment.

In many cases the economies of candidates do not function entirely on a market-oriented basis. Candidates are therefore faced with two challenges. The liberalization process increases pressure on the existing market structure, while at the same time that structure is going through significant restructuring. It takes time for the appropriate legislation to be developed and for the proper institutional infrastructure and suitable regulatory environment to be established and become operational.

Countries in transition face some additional challenges. Although acknowledged as countries with specific problems they are rarely in a position to benefit from any preferential treatment which is accorded to the developing countries.

¹⁶ See more: Julia, Ya Q. (2003), “WTO-Plus” Obligations and Their Implications for the World Trade Organization Legal System, An Appraisal of the China Accession Protocol, *Journal of World Trade*, pp. 483–522, Internet, 14/01/09, www.worldtradelaw.net/articles/qinwtoplus.pdf

Moreover the economic restructuring is additionally complicated by the process of privatization and all the problems created by it.

One particularly sensitive issue for candidates is the current financial and global economic crisis. Despite the fact that the entire world and all WTO Members are turning to a certain level of protectionism and government subsidization of domestic economies, there is no evidence that the pressure on candidates for liberalization will decrease.

On the other hand candidates can use accession negotiations to strengthen competition and develop an efficient market infrastructure. They can reduce or eliminate supply and demand distortions in their markets. The increase in competition should lead to an increase in the supply and quality of goods and services and a lowering of prices, which is beneficial to consumers.

Economic and domestic market reforms will be accelerated because of the adjustment of national to international law and the application of WTO rules and procedures. WTO membership provides a predictable business framework which can make an economy more attractive to foreign investors and bring much-needed capital and expertise. At the same time the volume of hidden trade turnover and corruption should be lowered due to the simplification of foreign trade procedures, transparency in import and export operations, and removal of non-tariff and artificial bureaucratic barriers.

Domestic companies can benefit from the increase of trade and export opportunities and specialization in production because of permanently granted most-favoured-nation treatment by other WTO Members and elimination of import restrictions by trading partners. Membership of the WTO creates the opportunity for domestic companies to position themselves in the global market which can increase profit. The candidates also gain a secure transit right from and to the territories of all other WTO Members.

Candidates will also benefit from the predictable and defined procedures for resolving possible trade conflicts within the multilateral dispute settlement system of the WTO.

The candidates can also benefit from technology transfer and reallocation of resources from less competitive import competing sectors into competitive and expanding export sectors, and from the potential increase of foreign direct

investment. All of this can lead to a decrease in unemployment and stabilization of the economy, which is very important for all candidates.

4. THE WTO ACCESSION PROCESS OF THE REPUBLIC OF SERBIA

First of all it needs to be said that SFR Yugoslavia had been a Contracting Party of GATT 1947 from August 25th 1966 until June 16th 1993 and that the Republic of Serbia, as an integral part of SFR Yugoslavia, also benefited from this status. After the dissolution of SFR Yugoslavia, the GATT 1947 Council adopted the decision that none of the newly formed countries could be treated as a successor to SFR Yugoslavia in GATT 1947 and that all of them must submit formal requests for accession.¹⁷

FR Yugoslavia, formed by two former SFR Yugoslavia republics (Republic of Serbia and Republic of Montenegro) in 1992, submitted formal requests for accession to the WTO three times, on September 30th 1996, November 13th 1996 and January 2001. The first two requests were not accepted because FR Yugoslavia wanted to become a WTO Member as a successor to SFR Yugoslavia. The third request was accepted by the WTO General Council because it was submitted according to Article XII of the Marrakesh Agreement. After that the Working Party for Accession was established and FR Yugoslavia submitted the *Memorandum of the Foreign Trade Regime* in February 2002.¹⁸

FR Yugoslavia became the State Union of Serbia and Montenegro in March 2002. Because of a lack of common foreign trade and customs tariff policy the WTO Accession Process of the State Union of Serbia and Montenegro was practically blocked. In October 2004 the EU adopted a “twin track” approach which defined two separate processes for joining the EU for Serbia and for Montenegro. Subsequently on December 7th 2004 three formal requests were submitted to the WTO: formal withdrawal of FR Yugoslavia/State Union of Serbia and Montenegro request for accession, formal request for the accession of the Republic of Serbia and formal request for the accession of the Republic of Montenegro. All of these requests were accepted by the General Council on February 15th 2005. This date represents the starting point for the WTO Accession Process of the Republic of

¹⁷ Bjelic, P. (2002), *Svetska trgovinska organizacija*, Prometej, Belgrade, pp. 183.

¹⁸ *Ibid.* pp. 185-190.

Serbia, which was not affected in any way by the dissolution of State Union of Serbia and Montenegro in June 2006.¹⁹

The Republic of Serbia is currently in the 4th stage of the WTO Accession Process. When the formal request for accession was accepted on February 15th 2005 the General Council established the Working Party for Accession. The *Memorandum of the Foreign Trade Regime* was submitted on March 4th 2005. Negotiations on rules, market access and concessions had officially started on October 7th 2005 when the first meeting of the Working Party for Accession was held. Since then five more meetings of the Working Party for Accession have been held, the last one in December 2008. Negotiations are in progress in both segments – multilateral and bilateral. The Republic of Serbia answered a total of more than 500 questions on the *Memorandum of the Foreign Trade Regime* and started bilateral negotiations with several Members of the Working Party for Accession on tariff concessions for goods and concessions for trade in services.

The following documents were also submitted: *Initial Schedule of Tariff Concessions for Goods* in April 2006; *Initial Schedule on Specific Commitments in Services and Information on Agriculture (WT/ACC/4)* in October 2006; *SPS/TBT Checklists (WT/ACC/8)* and *TRIPS Checklist (WTO/ACC/9)* in November 2006; *First Revised Schedule of Tariff Concessions for Goods* and *First Revised Schedule on Specific Commitments in Services* in November 2007; *Legislative Action Plan* in April 2008; *Second Revised Schedule of Tariff Concessions for Goods*, *Second Revised Schedule on Specific Commitments in Services* and *First Revised Legislative Action Plan* in November 2008.²⁰ Currently the *Working Party Report on the Accession of the Republic of Serbia* is being drafted and the seventh meeting of the Working Party for Accession is planned for the beginning of April 2009. In the meantime a few rounds of bilateral negotiations will be held with interested members of the Working Party for Accession.²¹

The Republic of Serbia is faced with similar challenges and demands to all candidates. Current average applied tariffs are at a very low level for both agricultural and non-agricultural goods. For agricultural goods the average

¹⁹ Lopandic, D. (2006), Srbija i svetska trgovinska organizacija, Evropski forum, Internet, 20/11/08, www.becei.org

²⁰ WTO, Accession Status: Serbia, Internet, 14/01/09, www.wto.org/english/acc_e/a1_serbia_e.htm

²¹ Republika Srbija i Svetska trgovinska organizacija, Ministarstvo ekonomije i regionalnog razvoja, Internet, 14/01/09, www.merr.gov.rs/sektori/odseksto.php?lang=cir

applied tariff is about 14% and for non-agricultural goods it is about 6%,²² which is significantly lower than the average levels of bound and applied tariffs in the WTO and roughly the average level of bound tariffs of new WTO Members. Despite this the Republic of Serbia is confronted with the request not only to bind all its tariffs at the applied level but to significantly lower them. This additional liberalization will further expose its economy, which is currently in the transition process from partially-centralized to fully market-oriented, to severe competition from the international market.

Multilateral negotiations on the rules to be accepted will be burdensome for ministries, government bodies and regulatory agencies because of all the necessary legislative reforms that need to be completed in order to adopt and implement WTO rules and procedures.

Plurilateral negotiations on agricultural domestic support and export subsidies will be very sensitive because of the huge importance of agriculture to the economy and population of the Republic of Serbia.

Bilateral negotiations on specific commitments on services will bring additional problems to policy makers and different service sectors in the Republic of Serbia. The current regimes in the majority of service sectors are very liberalized in comparison to the average commitments level in the WTO, but in order to accept extensive demands many of the laws and regulations will have to be amended. This implies the obligation for negotiations with many different internal stakeholders.

Although regulations in the Republic of Serbia provide equal treatment for foreign and domestic investors, which is often the foremost request made to candidates, some specific sectors' commitments will be very burdensome. In the financial services sector the removal of restrictions on direct branching for foreign insurance companies and banks and allowing cross-border provision of certain financial services will be very difficult, especially in the context of the current financial crisis. In telecommunications services mobile telephony is liberalized but the liberalization of fixed telephony and implementation of some parts of the *WTO Basic Telecommunications Reference Paper* will require further reforms. Business services are extensively liberalized but the nationality requirement for professions such as lawyers, auditors, architects and engineers will have to be eliminated. The licensing or approval procedures for distribution of tobacco and

22 WTO Statistic Database, Internet, 13/01/09, www.wto.org/english/statis_e.htm

tobacco products, medicines and medical devices, weapons and ammunition and genetically modified organisms will have to be brought into full compliance with WTO rules and procedures.²³

The Republic of Serbia has one more important issue to take into consideration: the process of joining the EU and its effects on the WTO accession process. These two processes are not directly linked since tariff concessions for goods and concessions for trade in services will be negotiated and applied separately, but it is important to know that the precondition of EU membership is membership of the WTO.

The impact of these two liberalization processes on the economy of the Republic of Serbia will be huge. The simultaneous exposure to EU and WTO competition will have many negative effects especially in sectors such as agriculture, manufacturing and certain service sectors. Once the Republic of Serbia becomes an EU Member all these sectors and particularly agriculture will benefit from easier access to EU funds and the higher level of protection from WTO competition that the EU can offer because of its economic power. The size of the EU internal market in comparison with the size of the market of the Republic of Serbia does not need to be commented on.

One outcome of EU membership will be the regulation of trade relations with Members of the EU while the outcome of WTO membership will be the regulation of trade relations with all WTO Members where EU as a whole is also a Member. Once the Republic of Serbia becomes an EU Member the level of its tariff concessions for goods and concessions for trade in services will have to be addressed and adjusted to the level of EU concessions which are applied to all other WTO Members. If that adjustment means that some of the Republic of Serbia's concessions have to be withdrawn the EU will have to offer some sort of compensation to other WTO Members depending on the level of trade which is affected by the withdrawal. If that adjustment means that the Republic of Serbia has to offer more concessions to other WTO Members that would be considered as a part of the "joining the EU" package which would not mean that the EU would have to offer some sort of compensation to the Republic of Serbia.

On the other hand the Republic of Serbia is fully aware of all the positive sides of WTO Membership, otherwise it would not apply for it.

²³ Narodna Skupstina Republike Srbije, Doneti zakoni, Internet, 20/12/08, www.parlament.sr.gov.yu/content/cir/akta/zakoni.asp

5. CONCLUSION

The WTO is an organization responsible for the functioning of international trade. It is a highly organized system with a defined structure and set of rules. The WTO Accession process is very demanding and complex for each candidate.

Every candidate should assess all the challenges of and opportunities offered by WTO membership. Since their objective is membership of the WTO it is very important to use these challenges and opportunities to further development interests. Priorities should be determined and development strategies should be defined in order for the candidates' negotiating teams to be aware of lines that should not be crossed.

All of these external influences can create additional political pressure on decision makers and stakeholders, which in turn can help to create the environment for the necessary reforms.

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