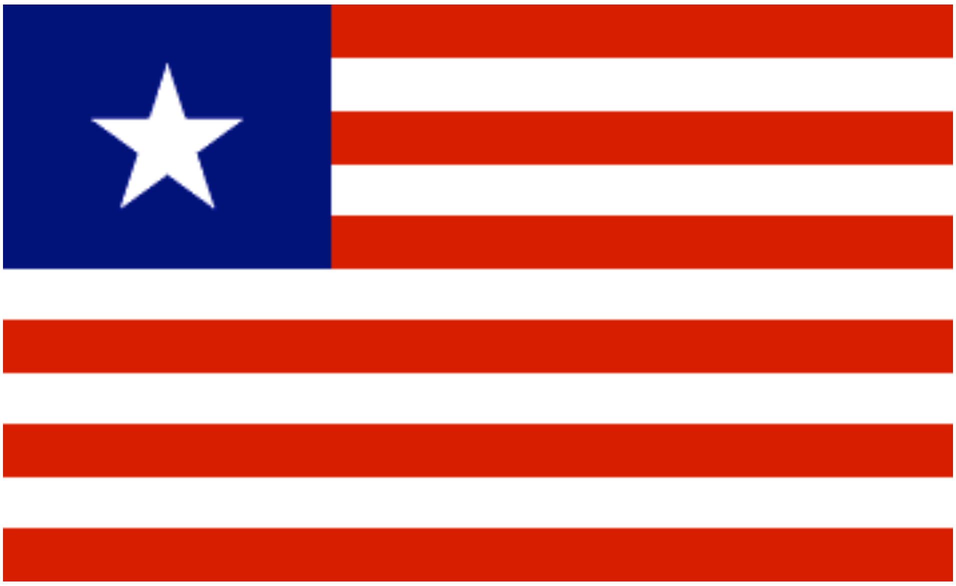
LIBERIA'S ACCESSION TO THE WORLD TRADE ORGANIZATION (WTO)



Liberia WTO Accession Fact Sheet

December 5, 2015

Background on Liberia's Road to WTO Accession

Liberia submitted its application (Memorandum of Foreign Trade Regime-MFTR) in 2007 under the leadership of H.E. Olubanke King Akerele, then Minister of Commerce and Industry. Under Minister Miata Besolow, momentum for funding the stakeholder consultations increased and the first working party meeting was held in 2012. After over seven years of work with technicians across several ministries and agencies and several studies and stakeholder engagements, in May of 2014, President Ellen Johnson-Sirleaf in a letter to the Director General of the WTO, Roberto Azevedo, expressed Liberia need of assistance to fast track its accession's process in time for MC10. She also appointed the Minister of Commerce as the Chief Negotiator. The additional technical work commenced with the support of SIDA/NBT, ITC, UNTAD, ACWL, World Bank, EIF, and King and Spalding Law Firm. Subsequently, Liberia's WTO Market Access Package tabling its offers was submitted in October of 2014.

Several meetings were scheduled as per the comprehensive roadmap to fast track the Accession for 2015 during the MC10 meeting when the WTO will celebrate its 20th Anniversary in Nairobi, Kenya. However, given the health crisis, those working meetings were put off to January. The first of several critical meetings (Pulse Checks, Technical Working Sessions, Bilateral Negotiations) that will lead to conclusion on bilateral negotiations and the drafting of the Factual Summary and Draft Working Party Report is currently underway in Geneva with the Liberian delegation of lawyers, tariff and services professionals from the Ministry of Commerce, the Liberia Revenue Authority and the Law Reform Commission.

Liberia Accessions Package include Offer on Goods (Tariffs) which is based on ECOWAS CET (Common External Tariff and Customs Union) and Offer on Services which is a conservative package that includes **Professional Services *(Legal Services, Accounting Services, Taxation Services, Architectural Services, Engineering Services, Integrated Engineering Services, Medical and Dental Services, Veterinary Services, Services provided by Midwives, Nurses, Physiotherapists, and Paramedical Personnel; Computer and Related Services; Research and Development Services; Real Estate Services)*; Communication Services; Construction and Related Engineering Services; Distribution Services; Educational Services; Environmental Services; Financial Services; Health Related and Social Services; Tourism and Travel Related Services; Recreational, Cultural and Sporting Services, and Transport Services.**

These sectors were selected based on several years of consultation with various sectors' stakeholders and research conducted to inform the selection process. They also represent sector for critical job creation opportunities or those in dire need of private sector investments. Sectors already liberalized but in need of major private sector investment were also included.

Liberia WTO Accession Q& A

1) What does it mean for the Liberian people, the Liberian Economy?

Trade and investment liberalization stimulate economic growth but careful policy-making by governments is required to distribute the resources among priority areas (e.g. by easing the adjustment of moving away from inefficient activities, by helping companies to become more productive and competitive, by encouraging new technologies and activities).
Among the benefits of WTO membership to consumers and producers are:

- reduced cost of living - reduced trade barriers lower the costs of imports used in production, resulting in lower prices of finished goods and services;
- more choice - more goods and services to choose from and broader range of qualities;
- wider choice of inputs in local production (materials, components, equipment, services);
- additional incomes (national and personal) due to lower trade barriers.

Legislative reforms required as part of the WTO accession process can result in rapid improvements in the domestic business climate, which in turn, could attract domestic and foreign investment. Through better integration into the global economy, trade can be used as an engine of economic growth and development and a tool towards poverty reduction. Recent WTO Secretariat analysis, reflected in Director-General's 2012 Annual Report (document WT/ACC/19, attached), indicates that Members acceding to the WTO in the last 15 years have been more successful in attracting foreign direct investment, have grown faster in terms of trade performance and demonstrated greater resilience to recover from economic crises.

What are the benefits of WTO accession/membership for a small country?
By joining the WTO, small countries enjoy the benefits that all WTO Members grant to each other, based on principles of non-discrimination and transparency. Small countries can participate fully in the multilateral trading system as decisions are made by consensus and each Member has an equal right to challenge other Member's practices in the WTO dispute

settlement procedures. Coalition building can also help small countries increase their bargaining power in negotiations or in creating new trade rules.

What are the benefits of WTO accession/membership to the private sector?
Modernization through domestic reforms undertaken in the process of accession as well as transparency and predictability of the rules-based multilateral trading system can help create a competitive and favourable business environment for all private sector operators, domestic and foreign. Export-oriented operators can also benefit from access to the markets of all WTO Members on a most-favoured nation (MFN) basis. Hence, the greatest benefits of accession arguably go to SMEs and consumers, who are typically not able to lobby/negotiate on their own behalf.

2) When you say accession package, what is in that package, and do you believe Liberia negotiated a sound accession package in the interest of the Liberian people?

Market Access: Goods – Tariffs:

a. Liberia undertook 6 bilaterals negotiations with members including US, EU, Japan, Canada, Thailand, and the Customs Territory of Taipei
b. 3 members requested initial negotiating rights (INR) – when we decide to change tariffs – they want us to negotiate with them first
c. We bound 100 per cent of out tariff lines in alignment with ECOWAS Common External Tariffs
d. 5918 Tariff Lines of which 922 are agriculture and 4996 are non-agriculture
e. All commitments in ad-valorem, levy of tax or customs duties in proportion to the estimated value of the goods or transaction
f. Implementation to commence immediately with the exception of 249 Tariff Lines to be transitioned by 2019

Market Access: Services

a. Liberia undertook specific commitments in 11 services sectors and 102 sub-sectors
b. **Architectural Services:** No limitations other than indicated in the horizontal commitments.
c. **Public Accountant Services:** No limitations: (i) except foreign firms that are not members of the LICPA are required to have an LICPA member firm as a partner. The profit share of a foreign non-LICPA partner is limited to 65%. If the LICPA Act of 5 April 2011 is amended to allow a foreign non-LICPA partnership share to exceed 65%, such higher percentage will automatically become the limitation for foreign

non-LICPA partnership share; and, (ii) mode 4 unbound, except as indicated in the horizontal commitments.

d. **Medical and Dental Services:** No limitations other than indicated in the horizontal commitments. Reciprocity condition applies in granting license to non-Liberians. This applies to all countries which do accord equal licensing rights to Liberian nationals.
e. **Legal Services, excluding participations in the capacity of defenders or representatives of their clients before the courts of the Republic of Liberia; and Legal documentation and certification services of the laws of the Republic:** No limitations other than indicated in the horizontal commitments.
f. **Banking Services:** Foreign banks will be allowed to establish branches in accordance with the banking laws of the Republic.
g. **Telecommunication services:** No limitations other than indicated in the horizontal commitments.

Rules

a. Liberia undertook 32 accession-specific commitments, in 27 sections of its Draft Working Party Report
b. **State-Owned Enterprises:** SOEs shall function in a manner consistent with the WTO Agreements
c. **Framework:** If laws and other acts of Liberia are found to contradict international treaties/agreements, the international treaty/agreement shall apply.
d. **Tariff Rate Quotas/Tariff Exemptions:** Tariff rate quotas and tariff exemptions shall be applied and administered by Liberia in conformity with WTO rules.
e. **Internal Taxation:** Law, regulations and other measures relating to internal taxes levied on imports shall be WTO compliant with exception of excise tax on mineral and aerated water until August 2017.
f. **Customs valuation/rules of origin:** Liberia shall implement the Customs Valuation Agreement and the Agreement on Rules of Origin
g. **Trade remedies:** Trade remedies legislation shall be consistent with the Agreements on Safeguards, Anti-Dumping and Subsidies and Countervailing Measures
h. **Agriculture Policies:** Liberia shall bind agriculture export subsidies at zero
i. **Transparency:** Liberia shall implement the transparency provisions in the WTO Agreements requiring notification and publication
j. **Preferential Trade Agreements:** Liberia shall observe the provisions of the WTO Agreement in its preferential trade agreements

Rules: Transition Periods

a. **Investment Regime:** Non-discriminatory treatment of foreign investors will be provided by November 1, 2019
b. **Fees and Charges for services rendered:** Liberia's fees and charges in connection with importation and exportation in compliance with the WTO rules by August 1, 2017.
c. **Pre-shipment Inspection:** Liberia's PSI fees will be in compliance with the WTO rules by August 1, 2017.

d. **Internal Taxation:** Liberia's discriminatory excise tax on mineral and aerated water may apply by August 1, 2017.
e. **Trade Remedies:** Liberia's 10% surtax on imports of wheat flour may apply by July 1, 2019.
f. **Industrial subsidies:** Liberia will administer its industrial subsidy programmes in conformity with the SCM Agreement, from November 1, 2019. Incentives granted to firms and individuals authorized by these programmes prior to the date of accession that constitute a prohibited subsidy will be withdrawn by November 1, 2019.
g. **Technical Barriers to Trade:** Full implementation of the TBT Agreement will start August 1, 2017.
h. **Sanitary and Phyto-Sanitary Measures:** Full implementation of the SPS Agreement will start from August 1, 2017.
i. **Trade Related Investment Measures:** Liberia's measures applied under its TRIMs-inconsistent investment agreements may apply until November 1, 2019.
j. **Transit (Transhipment):** The levy of 2.5% of the CIF value of goods charged on all trade in transit may apply by August 1, 2017.

Horizontal commitments: Liberian laws provide limitations on non-Liberian participation in certain sectors. Those sectors are protected consistent with the Liberian laws. i.e. Investment Code

3) When will we begin to feel the impact?

Domestic reforms is a process of negotiations based on consensus. The pace of the reforms will be based on the collective political will to change. We have to see this process as a bitter pill that we must take to cure the ills that keep the predators thriving in a weak system. And there are those who like the high level of discretion in the system because they have master the navigation of the system and know that others do not have the same level of insight to do the same, so they can never compete with them.

So one of the first commitment that Liberia has control over is the institution of a transparent importation regime for essential commodities including rice. As such, Liberia has commissioned a rice policy committee at the Ministry of Commerce and Industry, comprising of all the stakeholders to develop a new importation policy that will take into consideration domestic productions, rice as a political commodity, and the need for stockholding/buffering for food security purposes. The Committee includes the rice importers, the banking association, Ministry of Finance and Development Planning, Central Bank, Liberia Revenue Authority, Liberia Business Association and Liberia Chamber of Commerce.

WTO Frequently Asked Questions

Q. 1 What is the World Trade Organization (WTO)?

International trade for last six decades has been subject to the discipline of multilaterally agreed rules "by which countries are required to abide in their trade relations with one another". The World Trade Organization (WTO, www.wto.org) established on January 01, 1995 overseas this rules-based system. The WTO presently consists of 151 member countries and is the successor to the General Agreement on Tariffs and Trade (GATT), which had been performing a similar role since January 01, 1948. Pakistan has been a founding member of the GATT as well as that of the WTO.

Q.2 What are the principles of multilateral trading system as embodied in the WTO agreements?

The following principles form the basis of the WTO/GATT system:

- Non-discrimination in trade among nations;
- Protection through tariffs only;
- Maintaining predictability through binding of tariffs;
- Progressive liberalization of trade through negotiations;
- Promoting fair competition in trade in the world market;
- Encouraging development and economic reforms among members

Q.3 What is trade without discrimination and please explain the principles that embody non-discrimination?

This principle of non-discrimination in trade is embodied in provisions relating to:

1. Most Favored Nation (MFN) Treatment;
2. National Treatment

Q.4 What are the benefits of WTO accession/membership?

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Q.4.a What are the benefits of WTO accession/membership for a small country?

By joining the WTO, small countries enjoy the benefits that all WTO Members grant to each other, based on principles of non-discrimination and transparency. Small countries can participate fully in the multilateral trading system as decisions are made by consensus and each Member has an equal right to challenge other Member's practices in the WTO dispute settlement procedures. Coalition building can also help small countries increase their bargaining power in negotiations or in creating new trade rules.

Q.4.b What are the benefits of WTO accession/membership to the private sector?

Modernization through domestic reforms undertaken in the process of accession as well as transparency and predictability of the rules-based multilateral trading system can help create a competitive and favourable business environment for all private sector operators, domestic and foreign. Export-oriented operators can also benefit from access to the markets of all WTO Members on a most-favoured nation (MFN) basis. Hence, the greatest benefits of accession arguably go to SMEs and consumers, who are typically not able to lobby/negotiate on their own behalf.

Q.5 Why is the timing of the WTO accession important?

WTO accession can be used to stimulate policy changes in favor of increased trade and investment, which in turn can spur economic growth and development.

The major benefit of the WTO accession process itself is that it provides an acceding government with a powerful instrument for domestic reforms to accelerate growth, modernize, strengthen institutional capacity and enshrine the rule of law. Through accelerated growth and development, government's efforts at reducing poverty can be strengthened. WTO membership is an investment into future competitiveness - it can serve as a tool to attract domestic and foreign investment to diversify local production base and expand its supply capacity. Legally binding WTO commitments help improve investor confidence and the domestic environment for doing business.

Q.6 How does services trade liberalization help development?

Services are essential for development. Telecommunications are essential for producing and distributing goods and services. Transport services contribute to the efficient distribution of goods within a country and are particularly important for international trade. Efficient business services reduce transaction costs and increase productivity. Education services are necessary to build up the stock of human capital. Distribution services connect producers and consumers and influence the efficiency with which resources are allocated. Tourism is appropriate for increase in consumer spending, job creation and overall economic growth.
However, for many countries these services are often inaccessible, or even when accessible, are prohibitively expensive, of low quality and unsuited to the needs of consumers and producers. Remedying these problems often require large investments to be made to improve the services infrastructure. It also requires some degree of regulatory reform to remove cumbersome red-tape, to make it easier for service suppliers to operate and ultimately to encourage greater investment. What this means is that the economic benefits of liberalizing services accrue predominantly to the liberalizing country itself. Consequently, developing countries, many of whom have higher barriers than developed countries, regardless of the sector under analysis, are expected to be the main long-term beneficiaries of services liberalization.

In short, the development gains from the liberalization of services trade have both internal and external dimensions:

- Improving the domestic services market. Liberalization can help increase the supply of services by offering an environment conducive to attracting foreign investment and by lowering cost through competition. In a competitive environment, firms are forced to innovate, to introduce new products, and to improve quality constantly. Research undertaken for the Indian economy, for example, suggests that trade liberalization has contributed positively to the development of the services sector, which in turn has helped to accelerate industrial output and productivity growth.

- Although experiences may vary considerably across countries and sectors, the introduction of competition has generally led to improvements in performance, increases in infrastructure investment, improvements in service quality and coverage, and prices more closely aligned to underlying costs. The size of such changes, however, depends enormously on the extent to which the market is liberalized, the effectiveness of regulation and on the sequence of reform.

- Stronger domestic markets equals greater export competitiveness. The gains from more investment and greater domestic competition also go hand in hand with building greater export competitiveness. In the past, developed countries amongst themselves mainly conducted services trade. Today, this is changing rapidly. New actors are continually emerging. India's progress from a ranking of 34 in 1995 to 11 in 2005 is impressive but India is not alone. Latin American countries offer low labor costs, proximity to the US and are in the same time zone. Brazil with its large investments in IT, telecom infrastructure and a large skilled labor pool is attracting attention as an outsourcing center. AOL Time Warner serves its Spanish-speaking customers from a call center in Mexico with a reported cost savings of 25-40%. The Philippines has low labor cost, an English speaking population, cultural affinities to the US and familiarity with US standards of service. China and Viet Nam are also tapping into this service export possibility, just as Central European countries are using cultural and linguistic similarities to enter the European market.

Another important development feature of services trade is the labor-intensive nature of many traditional services, including distribution, construction, education, health and other social services. With large labor markets, developing countries are typically well suited to take advantage of this. Productivity gains in services can in turn be vitally important for job creation. Developing countries stand to make huge gains if other countries open up their markets to allow foreign natural persons to provide services in their market. It has been estimated, for example, that an increase in industrial countries' quotas on the inward movement of skilled and unskilled temporary workers to 3% of their work force would generate an increase in world welfare of more than US$150 billion each year.

Developing countries have witnessed particularly rapid growth in services and have much to gain from further liberalization of world services markets. However, it is vital not to forget that better access to foreign markets is only one part of the development equation. The more that a country liberalizes, the more that it also potentially stands to benefit. This stands to reason since protection often acts as a tax on domestic consumers and producers. Economic gains thus flow from lifting the implicit tax of protectionist policies. Whatever additional market access is obtained to foreign services markets is an important bonus but it does not replace the major benefits from liberalizing the domestic service sector. While there may be differences in the estimated size of the gains, the various studies on services liberalization all share the same conclusion that countries with the highest barriers to trade in services stand to benefit the most from liberalization.

Q.7 What are the gains from liberalization in sectors such as finance, telecommunications and transport?

In some sectors, such as finance, telecommunications and transport, the benefits of liberalization can have widespread effects. There is substantial evidence that policies that reduce competition in these services can be very costly. Conversely, the removal of restrictions can lead to big gains.

Financial services are the lifeblood of commercial activity. Product innovation, international regulatory cooperation, and new communication technologies have multiplied the opportunities for financial innovation. There is strong evidence in this sector that competition helps to improve the quality and efficiency of the products offered, and the resilience of markets to external shocks. The presence of foreign banks, for example, tends to discipline local banks, reducing the scope for internal inefficiencies and ineffective market behavior. Overhead costs have thus tended to decline significantly in the wake of foreign entry. A study using a sample of 60 countries found that between 1990 and 1999 those with fully liberalized financial services grew, on average, about one percentage point faster than other countries.

Telecommunications are the new fast-speed highways of modern commerce. Studies concur on the beneficial impact of a packet of measures that includes privatization of state-owned monopolies, introduction of competition, and establishment of independent regulators. Countries that embarked on comprehensive reforms in this sector did systematically better than others that confined themselves to partial change. The study quoted above, for instance, found that countries, which fully liberalized financial, and telecommunication services performed better with 1.5 percentage points stronger economic growth than those that did not. Competition has proven a crucial factor in restructuring and modernizing the sector, with trade liberalization and the subsequent entry of foreign operators as core elements.

Transport is ultimately what makes trade possible. Over centuries, transport service hubs have been the major centers of trade. Transport costs can also be a major factor determining a country's comparative advantage and competitiveness. For instance, an economy with relatively low airfares has a competitive edge in supplying perishable goods such as flowers or vegetables while for producers of bulk non-perishable goods, the availability of reliable, efficient and low-cost port services can be the key factor in their logistics and distribution chain. Overall, the experience of many countries has been that the liberalization of transport services has a positive impact on their overall trade. Elimination of barriers to competition in the provision of port services in Chile, for instance, led to 50% reductions in operating costs over two years. The same occurred in Mexico. By reducing the costs of shipping dramatically, small and medium sized firms that would otherwise be marginal have been able to expand their export activities. A study on the likely economic effects of the Doha Round negotiations also found that with a 50% reduction of barriers to services trade; a 12% increase in transport and logistics trade can be expected.

Q.8 Does the WTO accession equal a "sell-out" to foreign producers and investors?

An acceding government has the right to decide which sectors it wants to open to foreign companies and to what extent, including any restrictions on foreign ownership. The Schedule of Specific Commitments on Services is a result of bilateral market access negotiations between the acceding government and interested WTO Members. See for example limitations on land ownership inscribed under horizontal commitments in Samoa's or Vanuatu's Schedule, or limits on foreign equity ownership when establishing commercial presence (see details under Professional Services such as accounting, auditing and bookkeeping services or architectural services in Cape Verde's or Nepal's Schedule). If commitments are made, they can be subject to the six types of limitations specified in the GATS which include, besides quantitative limits, restrictions on the share of foreign capital and on the type of legal entity (e.g. a branch or a representative office) permitted. In addition, any type of national treatment limitation, i.e. conditions applying only to foreign suppliers, can be scheduled. And governments can impose on foreign service providers any conditions they wish, including those pertaining to local employment or technology transfer and training. See for example limitations included under horizontal commitments in Lao PDR's or Samoa's Schedule.

Q.9 Is there a negative impact on local business and employment?

Local businesses will likely benefit from access to foreign capital, technology and managerial skills. When a service supplier establishes commercial presence, it is also likely to have to recruit employees locally. Some such requirements may be included in the Schedule, see for example under International Maritime Transport and Maritime Services in Cape Verde's Schedule.

The GATS applies only to services, not manufacturing. Under the GATS, mode 4 (movement of natural persons) commitments have mainly been taken for intra-corporate transferees involved in the management of the company or specialists. These are usually senior positions and are unlikely to result in the displacement of workers. See for example horizontal commitments in Cambodia's or Cape Verde's Schedule.

Transparency, consultation and stakeholder participation aimed at establishing a negotiating position, which reflects local needs and priorities, are crucial elements of best practices by an acceding government in the accession process.

Q.10 Do governments lose their ability to support/subsidize sectors?

Negotiations were launched on subsidies "with a view to developing the necessary multilateral disciplines" to avoid distortive effects on trade. But there has been no progress on these negotiations. Thus, the GATS currently contains no specific rules on the use of subsidies, apart from national treatment. But the latter only applies in cases where the sector has been committed in the schedule. In such a case, if a country is providing a subsidy to national service supplier but does not wish to extend it to foreign service suppliers, it must enter a national treatment limitation to that effect (see for example commitments under Educational Services in Vanuatu's Schedule). National treatment limitations for support programs funded by the government to preserve and promote cultural identity also exist under Audio-visual Services in Cape Verde's or Vanuatu's Schedule. Also, the GATS has no implications for the funding or subsidy of services provided in the exercise of governmental authority since they are simply outside the scope of the GATS

Q.11 Do governments lose their ability to apply restrictions on foreign service suppliers operating in the market?

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