



**Agency for International Trade
Information and Cooperation**

July 2005

**SPECA Countries and the WTO:
Informal Meeting on Partnerships for Capacity-Building
of SPECA Countries on WTO Issues**

**29 June 2005
AITIC Conference Room**

I. Introduction

1. AITIC held an informal brainstorming meeting for the countries participating in the UN Special Programme for the Economies of Central Asia (SPECA), as a follow-up of last year's meeting of "Friends of SPECA" and of the Astana Conference on strengthening sub-regional economic cooperation. The aim of the meeting was: i) to enable SPECA countries to identify their specific trade-related needs and to facilitate an informed exchange of views on future issues and ii) to discuss the issues of special interest for transition economies in the current trade negotiations and the implementation of commitments by Recently Acceded WTO Members (RAMs). The meeting was attended by representatives¹ of SPECA countries, economies in transition, as well as international organisations such as UNECE, World Bank and IDEAS Centre.

II. SPECA Initiative: *New Prospects for Cooperation*

2. Mr Marton Krasznai, Senior Adviser, UNECE, in his presentation identified the major problems faced by the countries of Central Asia, which include, *inter alia*, poverty, high level of unemployment and unbridled growth of a parallel economy. To overcome these difficulties, SPECA was launched in 1998, to strengthen the sub-regional economic cooperation in Central Asia and to assist the countries in the region to integrate into the world economy. The countries currently involved are Azerbaijan, Afghanistan², Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Some of the main issues targeted by SPECA

¹ The participants expressed their views in their personal capacity.

² See *Decision 1* of the Special Meeting of National Coordinators of the UN Special Programme for the Economies of Central Asia, 27 May 2005, Astana.

include water management, energy, transport and environmental problems. Similarly, in Astana, other programmes were initiated on the ways and means of enhancing cooperation and achieving greater complementarities and synergies between SPECA and other ongoing international programmes in Central Asia, such as Central Asia Regional Economic Cooperation (CAREC) and Transport Corridor Europe Caucasus Asia (TRACECA).

3. Mr Mario Apostolov, Regional Adviser, Trade Development and Timber Division, UNECE, elaborated on some trade-related projects of SPECA aimed at development and growth by improving trade facilitation, regional cooperation, integrated management of trade information flow, standardisation of documents and harmonisation of procedures. The project related to the WTO accession focused on the capacity-building of SPECA Member States for their accession to the WTO and their subsequent negotiations, as well as the establishment of an Informal WTO Forum within SPECA.

4. Mr Carsten Fink, Senior Economist of the World Bank Office in Geneva, commented on the asymmetries in the WTO accession process. Some of the newly acceded members had been requested to radically reform their trade policies, which had led to a mismatch between the expectations created by their WTO membership, the price they had to pay for it, and the ultimate outcome following accession. In this respect he cited that there is a World Bank study on the impact of China's accession to the WTO, but unfortunately no research has been carried out so far on the economies in transition. Mr Fink highlighted that the accession process involves matters that go far beyond the national Ministries of Trade and should include all the potential stakeholders. He pointed out that the World Bank provides countries with analytical resources on request.

III. Transition Economies: Issues of Specific Interest in the Current Multilateral Trade Negotiations

5. HE Dr Dencho Georgiev, Ambassador of the Permanent Mission of the Republic of Bulgaria to the WTO, stated that there is no official category of "transition economies" in the WTO. He pointed out that generally the economies in transition have not been very active in the WTO in the past³. They have tabled only three official negotiating proposals within agriculture negotiations: two on domestic support⁴ and one on non-trade concerns (NTCs)⁵. The reasons could be attributed to the following factors: few transition economies in the WTO; different level of economic development among them; political reasons sometimes

³ In services negotiations, transition economies tabled one submission: S/CSS/W/18/Corr.1*, *Note on Assessment of Trade in Services in Certain Transition Economies*: Communication from Slovenia, Bulgaria, the Czech Republic, Poland and the Slovak Republic, 5 December 2000.

⁴ WT/GC/W/217, *Preparations for the 1999 Ministerial Conference, Domestic Support - Concerns of Transition and Post-Transition Economies*: Communication from Bulgaria, the Czech Republic, Hungary, Latvia, the Slovak Republic and Slovenia, 28 June 1999.

G/AG/NG/W/56, *WTO Negotiations on Agriculture: Domestic Support - Additional Flexibility for Transition Economies*: A negotiating proposal by Albania, Bulgaria, Croatia, the Czech Republic, Georgia, Hungary, the Kyrgyz Republic, Latvia, Lithuania, Mongolia, the Slovak Republic and Slovenia, 14 November 2000.

⁵ G/AG/NG/W/187, *Aspects of NTCs In (Post)Transition Economies*: Technical paper by Bulgaria, the Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and the Slovak Republic, 5 December 2001.

overshadowing their trade interests; the “psychological” factor relating to maintaining their identity and the economic impact consequent to the drastic changes and reforms. As a result, these countries preferred to identify themselves as “transition” and “post-transition” economies.

6. Concerning the issue of groupings within the WTO, Dr Georgiev stressed the importance of like-minded countries coming together to have their voices heard in the WTO on issues of common concern, as different transition economies have conflicting interests in a given sector. He further elaborated on the particular challenges faced by the economies in transition, especially in agricultural negotiations and non-agricultural market access (NAMA) negotiations, where economies in transition have varying interests in different areas. The other issues include competition, restructuring of ownership, unstable prices and the issue of food aid because some countries felt it would lead to over-dependence and undermine the potential and perspectives of development in the beneficiary country.

7. With regards to the major restructuring accomplished by these economies, certain supplementary issues, should also be addressed in the current Doha Work Programme. On accessions, Dr Georgiev felt that the current acceding countries may be required to provide further significant concessions in comparison to the RAMs. Concurrently, the transition economies which are already WTO members are in difficult positions vis-à-vis developing country members having similar economic concerns. In conclusion, the Ambassador underlined that the membership in the WTO is not merely a political issue; rather, it is a major economic issue which necessitates a prospective member to strategically estimate the long-term goals and the impact of accession for its economy.

IV. Discussions

8. Opening the floor for discussions, Dr Esperanza Durán, Executive Director of AITIC, underlined the achievement the RAMs, including low-income transition economies such as Georgia and the Republic of Moldova, have made by having their special needs explicitly referred to in the Doha Declaration and encouraged participants to exchange their experiences and give their opinions.

9. During the discussions, the participant from Georgia pointed out that his country’s accession to the WTO depended more on the existing market conditions and the outcome of the negotiating process rather than on the self-declared status of “developing country”. He felt that frequently, due to political pressure the acceding countries made commitments which they later found difficult to meet. These countries realised ex post facto that they had no space to move forward in reducing tariffs, since there was no gap between applied and bound rates, as the latter were already very low. The commitments requested from transition economies were more stringent than those of other similar low-income developing economies. He reiterated that special flexibilities in relation to certain elements of the negotiations (such as the level of tariff reductions, *de minimis* threshold, etc) depended on the status of the economy; therefore, for these purposes the country needed to understand the importance of identifying itself as either a RAM or a low-income economy in transition or otherwise.

10. Dr Durán in her reply recalled that no additional sub-categories could be created in the WTO and admitted that many economies in transition were low-income countries, such as Tajikistan, which has a negligible per capita income, as compared to other least-developed countries (LDCs). She mentioned two other topical issues such as tariff escalation and preference erosion and invited the participants to exchange their views on it.

11. HE Mr Dumitru Croitor, Ambassador of the Republic of Moldova to the WTO, reconfirmed the interest of small low-income transition economies in the current round of negotiations. He informed the participants about the two proposals prepared by Armenia, Georgia, the Kyrgyz Republic and the Republic of Moldova, requesting the same flexibilities agreed for LDCs and other vulnerable developing countries in agriculture and NAMA to be granted to all small low income economies in transition recently acceded to the WTO. He stressed that taking into account the level of their economic development, the extremely difficult transition period and the high level of commitments undertaken under their accession, these countries need additional, temporary flexibilities to brace their economies for international competition. Responding to the question from the World Bank representative on the reasons for the decline of the agricultural sector in these countries, Mr Croitor referred to the collapse of the Soviet Union in 1991 which led to the disintegration of all the economic ties with former Soviet republics, huge cuts in tariffs and difficulties associated with land reform. All these factors caused a severe setback to the manufacturing industry, enormous budget losses and thereby the impossibility of supporting the agricultural sector.

12. Mr Sergio Delgado, Senior Trade Affairs Adviser, AITIC, compared the situation of some of the economies in transition with that of Mexico in NAFTA and noted that the agricultural sector cannot always be explained in theoretical terms of comparative advantage. Regarding specificities and flexibilities, Mr Delgado reiterated the use of the “variable geometry” concept and of grouping countries together according to their specific needs and interests. He reminded the participants that there is no clear-cut category of developed or developing countries in the WTO, and that the new “negotiate and see” approach started with China’s accession.

13. Mr Nicolas Imboden, Executive Director, IDEAS Centre, underscored the point that those transition economies which acceded to WTO owing to political decisions were later confronted with the economic realities. It was, therefore, crucial that a country should efficiently put forward its case not as an exception, but by demonstrating its systemic significance to the WTO, keeping in mind the possible implications of a proposal on other more advanced and “richer” developing economies.

14. The participants thanked AITIC for providing a platform for the informal roundtable discussions and the other international organisations such as UNECE, IDEAS Centre and the World Bank for their efforts. They requested further AITIC’s assistance in keeping them up-to-date on the current WTO negotiations status. Mr Delgado, closing the seminar, thanked all the participants on behalf of AITIC for the constructive and substantive discussion during which some significant problems were identified. The participants urged AITIC to organise such meetings in the future to enable them to deliberate on the issues identified.