



**Agency for International Trade
Information and Cooperation**

June 2006

Regional Workshop on WTO Negotiations

**30 May-1 June 2006
Chisinau, Moldova**

I. Introduction

1. AITIC held a regional *Workshop on WTO Negotiations*¹ in Chisinau, Moldova. An overview of the WTO negotiations was presented by experts and supplemented by country representatives with their national perspectives. The meeting was attended by delegations of 7 CIS countries², the International Monetary Fund (IMF) and the World Bank. The Programme and List of Participants are attached to this report.

2. In his opening remarks, HE Mr Igor Dodon, Vice-Minister of Economy of the Republic of Moldova, highlighted the importance of the workshop. Moldova had recently marked five years in the WTO. Active during the current phase of the negotiating process, her experience was useful for other economies in transition (ETs) – both WTO members and acceding countries. In her welcoming speech, Dr Esperanza Durán, Executive Director of AITIC, emphasised that although the immediate objective of the workshop was to gauge the state of play of the negotiations under the Doha Work Programme (DWP), it was more important to discern what steps could be taken by the ETs in the long term.

II. “Five years in the WTO: Achievements and Lessons Learned – the Experience of the Republic of Moldova”

3. Ms Inga Ionesii, Deputy Head of the WTO Division in the Ministry of Economy of the Republic of Moldova, highlighted that accession to the WTO was a national priority, and its main advantage was to advance the country’s strategic economic interests. Ms Ionesii mentioned reform of the domestic legislation, access to the dispute settlement mechanism of the WTO, enhanced relations with bilateral and multilateral donors, improved investment climate in Moldova, and participation in WTO negotiations as some of the most important results of WTO membership.

¹ As a part of AITIC’s 2006 Programme on Low-income Economies in Transition (ETs).

² Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Tajikistan, and Uzbekistan.

4. Negative effects are, however, felt at the micro level. Significant tariff cuts for a number of industrial products resulted in difficulty to protect local producers. The average tariff rate for non-agricultural products is much lower than that in Moldova's main trading partners. Important income losses led to the inevitable increase of VAT, excise and other duties. However, Ms Ionesii pointed out that accession to the WTO is only one element of the whole globalisation process. Assessed from a long-term perspective, it is perceived as beneficial for the national economy.

5. During the debate, the participant from Kyrgyz Republic referred to the difficulties faced by her country in ensuring effective participation in the negotiations due to the lack of human and financial resources. In this context, Dr Durán recommended defining countries' priorities within the WTO and focussing on issues of paramount importance.

III. Doha Work Programme: State of Play after Hong Kong

6. Dr Durán gave a general overview of the ongoing negotiations at the WTO. She pointed out that unfortunately all the areas are interlinked. The issues of agriculture and NAMA remain the central elements and seem to drag down the overall progress. Among the most important outcomes of the Hong Kong Ministerial Conference, Dr Durán mentioned 2013 as the agreed end date for the elimination of all forms of export subsidies in agriculture. Wide differences still exist, however, between the main players, and this is why progress was relatively modest.

7. On Special and Differential Treatment, Dr Durán recalled that only two official categories (developing and least-developed countries) currently exist within the WTO. The ETs are not recognised as a category and are in a difficult position vis-à-vis other members with similar economic concerns but benefiting from numerous flexibilities. Two countries, namely Georgia and the Republic of Moldova, were mentioned among the Recently Acceded Members (RAMs), which made extensive market access commitments upon accession. Yet, it is still unclear what kind of flexibilities will be granted and for which members of this "group".

8. Mr Sergio Delgado, Senior Trade Affairs Adviser, AITIC, mentioned two submissions in agriculture and NAMA by Armenia, Kyrgyz Republic and the Republic of Moldova³. Mr Delgado stressed the difficulties to negotiate these proposals and the need to establish strategic alliances with other WTO members with similar concerns. He also recalled the right of acceding ETs to fully participate in the negotiating process and to join the above-mentioned proposals.

9. Responding to a question from the representative of Azerbaijan on criteria for defining a developing country, Mr Delgado mentioned that there is no clear definition of developing country, and significant differences exist among developing members at the WTO. He gave the example of China, which

³ See *Market Access for Non-agricultural Products Communication from Armenia, Georgia, Kyrgyz Republic and Republic of Moldova Revision WTO, TN/MA/W/56/Rev.1, WTO, 6 July 2005* and *Communication from Armenia, Georgia, the Kyrgyz Republic and the Republic of Moldova, WTO, TN/AG/GEN/10, WTO, June 2005.*

negotiated a number of flexibilities only in some of the Agreements, whereas all the WTO Agreements contain provisions for developing countries. Dr Durán added that taking into account that accession to the WTO will mark a country's further participation, acceding ETs could declare themselves as developing countries or RAMs, or even small and vulnerable economies (SVEs).

III. Agreement on Agriculture: Challenges and Opportunities for Low-Income Economies in Transition

10. Dr Durán gave a detailed description of the main pillars of the Agriculture Agreement and presented recent developments in the negotiations, with particular attention to the proposal made by Armenia, Kyrgyz Republic and the Republic of Moldova. On market access, these countries, in view of their substantially low tariffs, request to be exempted from tariff reduction commitments, and to be granted access to all instruments that would be available to other members at the same level of development. On domestic support, they require exemption from reductions in total AMS levels, and the possibility for a time-bound increase of *de minimis* up to 10% of domestic production.

11. The debate was devoted to countries' positions and interests in agriculture negotiations. This sector, which employs the majority of their populations, is vital for these countries. Participants from the Kyrgyz Republic and the Republic of Moldova shared the difficulties faced by their governments with the implementation of commitments assumed upon accession, and emphasised that new ones could have devastating effects for their agriculture.

12. Another important subject of discussions was trade relations with Russia, the main trading partner of these countries. Representatives from Moldova and Georgia expressed deep concerns about the restrictions imposed by Russia on wines, mineral waters and other products originating from these countries. Being WTO members allows these countries to negotiate the elimination of these restrictions as a condition for Russia's WTO membership. Moreover, once Russia becomes a member, they will be able to resort to the WTO Dispute Settlement Mechanism.

IV. Non-Agricultural Market Access (NAMA): State of Play and Perspectives of Negotiations

13. On the second day of the workshop, Mr Delgado described the most important elements of NAMA negotiations currently on the table and presented the results of the Hong Kong Ministerial Conference. Among these results, he mentioned an apparently broad agreement on the application of a non-linear reduction formula. On unbound tariffs, Mr Delgado reported that the Declaration adopted a "non-linear mark-up approach" to establish the base rates for starting reductions. Many differences still exist between developing and developed countries on S&D flexibilities. In this perspective a very important and sensitive question is whether ETs will be able to prove that their markets are already so wide open that they cannot commit to further liberalisation.

14. The representative of the Ministry of Industry of the Republic of Moldova summarised the current situation of the industrial sector into three main elements: low level of economic development, low share in world exports of industrial products and a very high level of obligations assumed upon accession to the WTO. In these circumstances, she emphasised, Moldova cannot assume any further commitments in the current round.

15. The representative of Azerbaijan inquired if it would be possible to have a special coefficient for RAMs in the Swiss formula. In response, Mr Delgado pointed out that one option could be to negotiate the same coefficient as for developing countries; another one would be to obtain a plain exemption from the application of the formula. Another participant argued that difficulties in developing countries and in some ETs do not occur only because of their openness and low tariffs, but rather as a result of inefficient economic management. In response, Dr Durán pointed out that one should not forget that in many developing countries high tariffs are not used exclusively as a trade policy instrument but as a crucial source of public revenues and this is probably one of the reasons of the lack of progress in NAMA negotiations.

V. Trade Policy Aspects of Trade Facilitation Negotiations

16. Mr Dmitri Croitor, AITIC, described the importance of trade facilitation for both the public and the private sector. He succinctly recalled how this subject was added to the WTO agenda and described the main mandate for negotiations. Taking into account the significant potential benefits of trade facilitation for all WTO members, it has been the least controversial issue since the establishment of the Negotiating Group on Trade Facilitation in October 2004. A number of specific “trade facilitation measures” have been identified, for which new rules would have to be adopted. Among the most important results of the Hong Kong Ministerial Conference, the speaker mentioned the recognition of the need to pay special attention to the needs of developing and least-developed countries.

17. Mr Shovghi Mehdizadeh, from the Ministry of Foreign Affairs of Azerbaijan, gave details of the main barriers encountered by the traders at the border of the Republic of Azerbaijan. The exporters face an extremely high level of standards and certification requirements in developed countries, and non-official procedures, corruption and long clearance periods in some of the ETs. On the other hand, the importers face time-consuming procedures and high clearance fees.

18. Mr Sergiu Harea, representing the Chamber of Commerce and Industry of the Republic of Moldova, pointed out that during the last two years Moldova has made a significant step forward in trade facilitation. The most important success was the implementation of the latest e-platform for automation of the full customs process cycle, *ASYCUDA World*, aiming to streamline and harmonise the customs procedures. It will help to reduce the average clearance time to the targeted 15 minutes by the end of 2006 and to implement the “single window”. On all these projects, Moldova is closely collaborating with the World Bank, IMF and ITC.

VI. WTO Accession: Experience of WTO Members and Strategies for Acceding Countries

19. Mr Delgado highlighted that accession is first of all a political decision. It is an expression of a country's choice to step into the process of globalisation. It can, however, have adverse economic consequences in the short term and may require important economic reforms and adjustments.

20. The speaker pointed out that although the WTO is a rule-based system, there are no rules governing the accession process. In such circumstances, countries should carry out sectoral studies and impact assessments in order to identify the level of commitments they are able to assume. He recommended making commitments in weak services sectors to facilitate the inflows of foreign investments in infrastructure. He also advised acceding countries to consult more actively with the Chairman of their Working Group and, once acceded, request the technical assistance needed to implement the assumed commitments.

21. In addition to that, Dr Durán pointed out that coordination between the Ministries involved in the accession process is often inefficient. This is why a commission including all the relevant Ministries should be created from the very beginning of the process. It is also crucial to involve the business sector, parliament, NGOs and civil society, including academia and other potential stakeholders.

VII. Aid for Trade: Possible Strategies for Low-Income Economies in Transition

22. Mr Edward Brown, World Bank Country Manager for the Republic of Moldova, defined *Aid for Trade* as a concept aiming to address adjustment costs and to enhance supply-side capacities. Mr Brown reported that the World Bank has substantively increased its concessional lending for infrastructure development, standardisation, customs modernisation and investment climate improvement. On the potential way forward for the ETs, Mr Brown pointed out that it would certainly depend on the outcome of the negotiations. Nevertheless, very much can be done by these countries themselves: the enhancement of trade-related institutions; the improvement of trade relations with other countries, and in particular with the EU; better business climate and acceleration of structural reforms aiming to attract foreign investment; and further trade facilitation.

24. Mr Johan Mathiesen, IMF representative in the Republic of Moldova, informed the participants about the Fund's activities in the area of Aid for Trade. The IMF is currently delivering its assistance through three mechanisms: i) financial assistance, ii) analytical support and policy dialogue, and iii) technical assistance.

25. Dr Durán recalled that Aid for Trade targets mainly developing and least-developed countries and inquired whether the World Bank and the Fund would be able to extend this initiative to the ETs. In response, both representatives reported that they are trying to treat all their members equally and have numerous projects

in this area for the ETs. However, both recognised the need for a more coherent approach in providing assistance.

26. Closing the seminar, Dr Durán thanked all participants for their involvement in the workshop and suggested the possibility of organising a follow-up workshop to take stock of developments in the WTO.