EF.IO/15/05
24 May 2005

ENGLISH only

WTO and the OSCE Participating States: An Overview

(Preliminary Version)

Paper prepared for the review of implementation of OSCE commitments in the economic and environmental dimension
Key-issues: "Integration, Trade and Transport"

Thirteen OSCE Economic Forum
(Prague, 23-27 May 2005)

by

Daniel Linotte and Amalija Pavic
Senior Trade Advisers
Policy and Legal Advice Centre (PLAC)
Project funded by the EU through the European Agency for Reconstruction

Content

This paper presents selected aspects of the WTO legal and institutional framework, including commitments of member parties (mainly) in the field of non-agricultural products and services, with a focus on OSCE participating States and, for some of them, the accession process is briefly reviewed. Tables and figures are provided in the annex.

I. From GATT to WTO

WTO is the successor of GATT, namely the General Agreement on Tariffs and Trade which was signed in 1947 and entered into effect on January 1st 1948.

1. The importance of GATT

GATT was a multilateral agreement setting rules for fair conduct in international trade. It was used as a forum for negotiating the progressive reduction of trade barriers, including the cutting of customs tariffs and the elimination of import and export quotas.

a. GATT principles

The basic principles of GATT, which were taken over in the WTO, are:

Non-discrimination

GATT contracting parties must treat all other contracting parties equally in their trade relations with them – this corresponds to the so-called "**most-favoured-nation (MFN) status**". Non-discrimination also applies to **national treatment**, which means that imported commodities cannot, after having crossed the border, be subject to any discrimination as compared with domestic products.

Reciprocity

When a GATT contracting party makes a concession, the other parties should offer equivalent concessions on a reciprocal and mutually advantageous basis.

Prohibition of barriers other than tariffs

Trade restrictions (such as quotas, abusive technical barriers to trade, etc) other than customs duties and similar protective levies on imports are prohibited by GATT. This supports the principle of transparency, which calls upon the GATT contracting parties to publish all commerce regulations.

b. Eight rounds of negotiations

Following the seven major rounds of international trade negotiations that took place within the framework of GATT between 1947 and 1979 (see Table 1), import tariffs were reduced considerably. As indicated by Figure 1, tariffs cuts corresponded to a formidable expansion of trade.

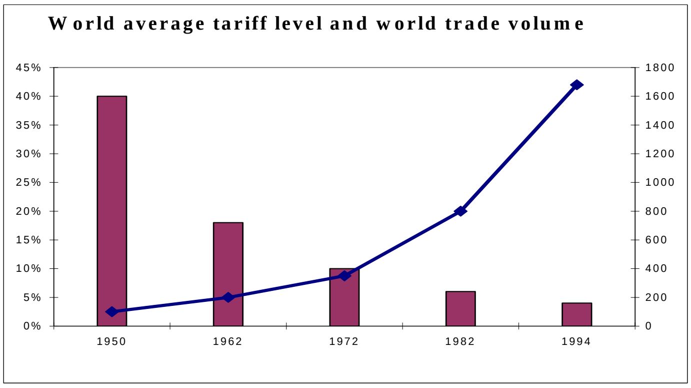
The eighth and latest round of trade negotiations, called the Uruguay Round, lasted for more than 6 years. Its key-objectives were to support the progressive removal of protectionist measures on trade in goods and measures violating GATT. New issues, such as trade in services, intellectual and industrial property rights (copyrights, patents, trademarks, etc) and trade-related investment measures, were included in the negotiation agenda. The length of the Uruguay Round partly reflected the difficulty of addressing agricultural policies in the negotiation process.

Table 1: GATT Trade Rounds

Year / Location	Subjects covered / Main issues	Number of countries
1947 Geneva	Tariffs	23
1949 Annecy	Tariffs	13
1951 Torquay	Tariffs	38
1956 Geneva	Tariffs	26
1960-1961 Geneva (Dillon Round)	Tariffs	26
1964-1967 Geneva (Kennedy Round)	Tariffs and Anti-dumping Measures	62
1973-1979 Geneva (Tokyo Round)	Tariffs, non-tariff measures and "framework" agreements	102
1986-1994 Geneva (Uruguay Round)	Tariffs, non-tariff measures, services, intellectual property rights, dispute settlement, textiles and clothing, agriculture, establishing the WTO.	123

Source: WTO.

Figure 1: World Average Tariff Level and World Trade Volume



Source: WTO.

c. The benefits of the Uruguay Rounds

According to some estimates, the implementation of the Final Act of the Uruguay Round was expected to increase world GDP by almost USD 200 billion, on a yearly basis (see also Annex I for findings about the linkages between trade, growth and poverty reduction).

The US and the EU should be the main beneficiaries of trade liberalization. Developing countries also benefit. However, outcomes are uneven among developing countries (Annex II).

2. The World Trade Organization

The conversion of GATT into WTO on 1st January 1995 was one of the main outcomes of the Uruguay Round. WTO is a fully-fledged organization with member countries whereas GATT was a multilateral agreement between contracting parties, and an *ad hoc* secretariat to implement the agreement.

d. Main functions

- To provide a code of conduct for managing barriers to trade and to eliminate discrimination in international trade.
- To administrate and implement the new and old trade agreements.
- To be a forum for dispute settlement.
- To be a forum for further trade liberalisation negotiations.
- To monitor the trade policies of the member countries.

e. Organizational structure

- The MINISTERIAL CONFERENCE is the highest organ that meets every two years. It is composed of high ranking governmental representatives – responsible for foreign trade policy – and it has supreme authority over all matters.
- The GENERAL COUNCIL is composed of representatives of all member countries, normally the heads of national delegations based in Geneva. It is the main engine of WTO between the meetings of the Ministerial Conference. It acts as the Dispute Settlement Body and the Trade Policy Review Body.
- There are three separate COUNCILS with specific responsibilities: trade in goods, trade in services, and intellectual property rights.
- There are also a number of COMMITTEES, the main ones being: trade and development; balance of payments restriction; budget, finance and administration; trade and environment.
- The head of the WTO is the DIRECTOR-GENERAL, who is in charge of the SECRETARIAT.

f. Decision-making

Consensus was a GATT tradition. In the WTO, unanimity is required for amending general principles and rules. A three-quarters majority vote is required for the interpretation of the provisions and the waiver of a member's obligations. Otherwise, consensus is the rule unless specified otherwise in the Marrakech Agreement.

g. Main areas of action

Several mechanisms and substantive agreements come under the aegis of WTO:

<u>Multilateral agreements</u>

- Market Access, along the lines of GATT(94)
- Agriculture

- Least Developed and Net Food-Importing Developing Countries
- Sanitary and Phytosanitary Measures
- Textile and Clothing
- Technical Barriers to Trade
- Trade-Related Investment Measures (TRIMs)
- Anti-Dumping
- Customs valuations
- Pre-Shipment Inspection
- Rules of Origin
- Import Licensing Procedures
- Subsidies and Countervailing Measures
- Safeguards
- Trade in Services (GATS)
- Intellectual Property Rights (TRIPS).

<u>Plurilateral agreements (non-automatic participation)</u>
- Civil Aircraft
- Government Procurement.

<u>Mechanisms</u>
- Dispute Settlement
- Trade Policy Review.

h. Trade defense measures

WTO members retain the right to use trade defense instruments such as safeguards, antidumping measures and countervailing duties, provided certain strict conditions are met.

i. Dispute settlement mechanism

One of the achievements of the Uruguay Round was the creation of a dispute settlement mechanism. It covers a unified system for all the agreements and is characterized by codified procedures, including measures to avoid "blocking" which occurred with the previous decision-making rules.

j. Five Ministerial Conferences

Five Ministerial Conferences took place since the establishment of WTO:
- Singapore (December 1996)
- Geneva (May 1998)
- Seattle (November 1999)
- Doha (November 2001) and
- Cancun (September 2003).

The next ministerial conference shall take place in Hong Kong at the end of this year (13-18 December).

k. The Doha agenda and the "July 2004 Package"

The 2001 Doha Conference was a success. It ended with an ambitious agenda, focusing *inter alea*, on the linkages between development and trade and the need to provide adequate support (with expended trade-related technical assistance – TRTA) to developing countries and, as a result, facilitate their integration in the global economy.

In July 2004, a new "package" was adopted covering a wide range of issues, including:

- Improved market access for agricultural products (Box 2).
- A coherent "framework for establishing modalities in market access for non-agricultural products".
- Recommendations for trade in services.

Box 1: The WTO "July 2004 Package" – Important Items

After the September 2003 Cancún Ministerial Conference ended in deadlock, WTO members in Geneva began efforts to put the negotiations and the rest of the work programme back on track. Work intensified in the first half of 2004, with the new target date of reaching agreement on a package of framework agreements by the end of July.

Decision adopted by the General Council on 1 August 2004

"The General Council reaffirms the Ministerial Declarations and Decisions adopted at Doha and the full commitment of all Members to give effect to them. The Council emphasizes Members' resolve to complete the Doha Work Programme fully and to conclude successfully the negotiations launched at Doha."

Agricultural products

"The long-term objective of the Agreement on Agriculture to establish a fair and market-oriented trading system through a programme of fundamental reform ... The Doha Ministerial Declaration calls for 'substantial reductions in trade-distorting domestic supports' … The Declaration calls for a "reduction of, with a view of phasing out, all forms of exports subsidies' … The particular concerns of recently acceded members will be effectively addressed through specific flexibility requirements".

Non-agricultural products

Negotiations on market access shall aim at: reducing or as appropriate eliminate tariffs, including the reduction or elimination of so-called "tariff peaks", high tariffs, and tariff escalation, as well as non-tariff barriers.

A **formula approach** is key to reducing tariffs and the following **elements** shall be taken into account:
- Product coverage shall be comprehensive.
- Tariff reductions/eliminations shall be made from the bound rate, after full implementation of current concessions.
- The reference base year shall be 2001.
- All non-*ad valorem* duties shall be converted to *ad valorem* equivalent on the base of a given methodology and bound in ad valorem terms.
- Negotiations shall commence on the basis of the HS96 or HS2002 nomenclature.
- The reference period for the import data shall be 1999-2001.

Services

- Initial offers for the further liberalization of trade in services should be proposed as soon as possible.
- Considering liberalization, there should be no a priori exclusion of any service sector or mode of supply.
- Liberalization should take into account national policy objectives.

Source: WTO website.

II. Commitments within the WTO framework

There are several commitments within the WTO framework. Mainly commitments on non-agricultural products and services shall be briefly commented.

3. Non-agricultural products

l. Tariffs cuts and bindings

Following its incorporation into the outcomes of the Uruguay Round, the legacy of GATT 1947 is important. One of the main results of the Uruguay Round was to reduce further tariffs and push for more tariff levels bindings (that can never be overtaken under normal circumstances).

Box 2: THE ORIGINAL MANDATE
Article XXVIII bis of the General Agreement on Tariffs and Trade (GATT 1947)

Tariff Negotiations

1. The contracting parties recognize that customs duties often constitute serious obstacles to trade; thus negotiations on a reciprocal and mutually advantageous basis, directed to the substantial reduction of the general level of tariffs and other charges on imports and exports and in particular to the reduction of such high tariffs as discourage the importation even of minimum quantities, and conducted with due regard to the objectives of this Agreement and the varying needs of individual contracting parties, are of great importance to the expansion of international trade. The CONTRACTING PARTIES may therefore sponsor such negotiations from time to time.

2. (*a*) Negotiations under this Article may be carried out on a selective product-by-product basis or by the application of such multilateral procedures as may be accepted by the contracting parties concerned. Such negotiations may be directed towards the reduction of duties, the binding of duties at then existing levels or undertakings that individual duties or the average duties on specified categories of products shall not exceed specified levels. The binding against increase of low duties or of duty-free treatment shall, in principle, be recognized as a concession equivalent in value to the reduction of high duties.

(*b*) The contracting parties recognize that in general the success of multilateral negotiations would depend on the participation of all contracting parties which conduct a substantial proportion of their external trade with one another.

m. Measuring protection

Measuring protection for trade in goods is essential for negotiations and assessing concessions.

WTO data provide the following information for MFN applied and bound tariffs:

- **Binding coverage**; the wider the coverage, the more predictable the trade regime.
- **Simple average**; this indicates the non-trade weighted nominal rate of protection; ***ceteris paribus***, the more diversified trade, the more representative the indicator.

- **Share of duty free HS subheadings**; the higher the share, the freer market access.
- **Share of non-*ad valorem* duties**; the higher the share, the more difficult measuring protection in percentage terms.
- **Maximum ad valorem duty**; the higher the duty, the more protection.
- **Share of national peak duties**; the higher the share, the more protection.

Box 3: Nominal versus effective protection

Most tariffs statistics provide (or allow to derive) so-called "nominal rates" of protection. These data do no provide the extent of real protection, namely in terms of value-added (or returns to factors; wages + profit + interest + rent).

What is needed for that is the the effective rate of protection (or ERP), which is a summary measure of the total protective effect of the overall tariff structure. Tariffs on final goods improve the returns to factors employed in producing them, whereas tariffs on intermediate goods reduce the returns to those same factors.

Source: http://info.wlu.ca/~wwwsbe/faculty/rwigle/ec639/ref/terms.htm

n. Commenting figures

Annex table 1a provides bound and actual tariffs for OSCE participating States that are members of the WTO and several others. The US and the EU15 have rather low tariffs for both non-agricultural and agricultural products. Thus, for the former, applied/actual rates are below 5%. Considering reported figures, Norway and Switzerland appear also as liberal countries. Overall, before joining the EU, the 10 new members had higher protection than EU members. Candidate countries like the Russian Federation and the Ukraine have rather low apparent protection. However, tariff equivalents that take into account direct and hidden subsidies (with low energy pricing) could show quite different estimates. Bulgaria and Romania have relatively high tariffs which should be reduced considerably when joining the EU. It should be noted that countries that have high bound tariff levels – such as Cyprus or Turkey – do not necessarily have high applied tariffs.

4. Services

o. GATS

Following the Uruguay Round, WTO member took measures to liberalize services according to their commitments and exemptions on a number of sectors

After the Uruguay Round, sectoral negotiations took place in the WTO on:
- the movement of natural persons (1995),
- on telecommunications (1997) and
- financial services (1997).

During the sectoral negotiations, participating countries took new commitments specifically in those sectors. These new schedules replaced the corresponding section in the original schedules.

p. Assessing liberalization

In the case of services, measuring protection is also difficult and, to some extent, it can be a matter of personal appraisal. Services sectors are far from being homogenous. For each service sector or sub-sector, as indicated in Box 5, there are four modes of supplies that can be (more or less) liberalized, which is reflected in domestic legislation. In addition, statistics on services are not well developed. In other words, there is no single measure of services liberalization that is comparable to a tariff equivalent, which does not facilitate international comparisons and actual levels of concessions.

Box 4: Statistics on international traded services

International organizations are making progress to develop analytical tolls and data covering internally traded services. The Interagency Task Force on Statistics of International Trade in Services (Task Force), which is authorized by the United Nations Statistical Commission, has developed a *Manual on Statistics of International Trade in Services* (*Manual*) that provides international guidelines for the compilation of statistics related to international trade in services. The final *Manual* is now available at http://unstats.un.org/unsd/tradeserv/manual.asp. The Task Force was established by the United Nations Statistical Commission in 1994. Membership comprises the Statistical Office of the European Communities (Eurostat), the IMF, the Organisation for Economic Co-operation and Development (OECD), the United Nations Statistical Division (UNSD), the United Nations Conference on Trade and Development (UNCTAD), and the World Trade Organisation (WTO), with OECD as chair and secretariat. The Task Force is now is now focusing towards guidance and assistance to countries in the implementation of the recommendations contained in the *Manual*, with particular emphasis on the compilation of statistics on foreign affiliates trade in services.

The *Manual* describes four modes through which services may be traded internationally. “Mode 1” or *cross-border supply*, applies when suppliers of services in one country supply services to consumers in another country without either supplier or consumer moving into the territory of the other. Mode 2, *consumption abroad*, describes the process by which a consumer resident in one country moves to another country to obtain a service. Further, enterprises in an economy may supply services internationally through the activities of their foreign affiliates abroad. This mode of supply, mode 3, is called *commercial presence*. The last of these modes of supply, mode 4 or *presence of natural persons*, describes the process of supply of service when the producer moves to the country of the consumer in order to provide the service.

Source: http://www.imf.org/external/np/sta/itserv/methdev.htm

Hoekman’s methodology

B. Hoekman was perhaps the first expert to propose estimates of the liberalisation of trade in services. His methodology is straightforward. GATS covers 155 sub-sectors (in 12 branches) and for each sub-sector there are four modes of supply that can be liberalized. If a mode of service supply is fully liberalized, the value “1” is given. Partial liberalization corresponds to “0.5”. “Zero” means no liberalization at all. If all 155 sectors were fully liberalized for all four modes of supply, the levels of liberalization, as measured by Hoekman, would be (155 x 4 =) 620. A very limited liberalization would correspond to a low figure. Intermediate liberalization is limited to one single value – “0.5” – which could in fact correspond to different situations.[1]

[1] For more details, B. Hoekman, “Assessing the General Agreement on Trade in Services”, in W. Martin and A. Winters (Editors), *The Uruguay Round and the Developing Countries*, The World Bank, 1996.

Telecommunication services

An openness index for telecommunication services has been proposed by A. Mattoo, R. Rathindran and A. Subramanian. It relies on three items: market structure (the more competitive a market, the better), ownership (the more FDIs, the better) and regulation (the existence of an independent regulator is better than none).[2] In all, in the best possible case (competitive markets, FDIs fully allowed and there is an independent regulator), the liberalization index value is "9". In the worse case, the corresponding value is "1". Adjustments are made to take into account the distinction between local calls, long distance domestic calls and international calls.

Financial services (all sub-sectors)

A. Mattoo, R. Rathindran and A. Subramanian also proposed to measure the liberalization of financial services by using a methodology similar to what they did for telecommunication services. Corrections were made to reflect the fact that limited commitments within the GATS framework do not preclude liberal policies and competitive markets as measured by the degree concentration of economic activities and the importance of foreign banks.

[Financial services (specific sub-sectors)

Another methodology was designed for measuring liberalization of separate specific financial services, taking into account (i) the relative importance of each mode of supply and (ii) the relative restrictiveness of different trade measures. For the relative importance of supply modes, the reference for banking and securities services is the US, where commercial presence is more important than cross-border trade. Considering cross-border supply and consumption abroad, the former require free capital movements and, therefore, can be seen as a higher level of commitment. Considering commercial presence, there are different levels of restrictiveness (minor restrictions only, ceiling to foreign equity at less or more than 50%, no new entry). All restrictions are weighted and summed up in a sub-sectorial liberalization index: the higher the index value, the more liberal trade.[3]]

q. Some estimates

All sectors

B. Hoekman estimated the level of liberalization in trade in services (see Annex tables 2a and b. On average (for the mid-1990s), levels of liberalization are much higher in high income countries than in low and middle income countries. For the EU and the US, when considering the four modes of supply, about the two-thirds of services sub-sectors have been fully liberalized. In less affluent countries, figures can be much lower. For instance, in countries like Algeria and Bangladesh, there was virtually no liberalization. Considering transition countries, as indicated by the scores of Hungary and Poland, there are also significant differences.

Telecommunication services

[2] A. Mattoo, R. Rathindran and A. Subramanian, Measuring Services Trade Liberalization and Its Impact on Economic Growth, August. 2001.

[3] Ph. Harms, A. Mattoo and L. Schuknecht, Explaining Liberalization Commitments in Financial Services Trade, World Bank Policy Research Paper 2999, March 2003, Table 4, page 35.

Considering figures provided in table 2c, least developed countries are characterized by very limited levels of liberalization of telecom services. Most OSCE countries are very liberal. As indicated by the examples of Hungary and Poland, transition countries might have been more restrictive than others, especially bigger countries like the US, Germany, France and UK. Nevertheless, one should also notice that small economies such as Greece, Iceland, Malta and Portugal were also more restrictive than others in the OSCE region, particularly those with very high incomes *per capita*.

Financial services (all sub-sectors)
On average and for the reference period (late 1990s), the higher the GDP *per capita*, the (relatively) more liberalized financial markets. With the exception of Hungary, all OSCE PP reported in Annex table 2c are fully liberalized. The comparison of Hungary and Poland is interesting: whereas Poland seemed less liberal than Hungary when considering all sectors, it was much more open than Hungary for financial services, which underlines the limitation of aggregate figures.

[Financial services (specific sub-sectors)
Overall, high incomes OSCE PP have quite open financial sectors for lending, depositing, securities trading and securities issuance. As indicated in Annex table 2d, so-called “developing countries” are on average much less open than “developed countries”. Even Chile, a country that had been praised as a model of liberalization, is still far below the US and the EC. Norway seems to be the most liberalized in the group of 33 reference countries.]

The analysis of financial services liberalization is far from being systematic and still relies on isolated research work. Following the work of UN bodies and the IMF, one may expect that new data and indicators, more comparable across countries, shall be made available soon.

III. Accession to WTO

5. Old and new members of GATT/WTO

Most countries belong to WTO. Following the collapse of former command economies, with the exception of Turkmenistan, all transition countries became candidates for WTO membership. Some of them already concluded their negotiations with success and became members of the organization.

6. A formal process

The WTO accession process is conducted following a rather strict procedure that involves preparing and submitting relevant documents by the applicant. These documents are to serve as the basis for bilateral and multilateral negotiations within the framework of a Working Party. The Final Working Party Report is submitted to the General Council of the WTO for adoption.

r. Documents and negotiations

The **official documents** to be prepared and submitted by the applicant in the course of the accession are the following:

(1) The **Memorandum on the Foreign Trade Regime – MFTR.** It is a comprehensive overview of the trade regime and the economic system of the applicant, along with copies of relevant legislation.

(2) **"Questions and Replies - Q&Rs".** WTO members will raise questions for the sake of clarification and additional information on specific issues. Since questions may be based on the MFTR and ACC documents (see hereafter), there may be several "rounds" of questions. The applicant shall reply to the questions as a part of further factual examination of the trade regime.

(3) **ACC documents – ACC/4, ACC/5, ACC/8 and ACC/9**

a) **ACC/4 -** overview of domestic support and export subsidies in agriculture in the last three years and their compliance with the Agreement on Agriculture;
b) **ACC/5** - overview of policy measures affecting trade in services and their compliance with GATS;
c) **ACC/8** - overview of policy measures with respect to SPS and TBT issues, and their compliance with mentioned agreements;
d) **ACC/9** - overview of policy measures related to the TRIPS Agreement.

Along with MFTR, ACC documents or at a later stage, the applicant has to submit the **legislative action plan** outlining the legislative work programme underway, as well as target dates for completion.

(4) Two key documents for **Market Access Negotiations**:

a) **Offer on goods** - basic document for bilateral negotiations on concessions and commitments covering trade in goods. In addition, if the applicant has not submitted the applied tariffs schedule and import data on each tariff line (with a break-down by country), along with MFTR, it has to submit them with the offer on goods.

b) **Offer on services** - basic document for bilateral negotiations on concessions and commitments covering trade in services.

s. Domestic aspects of negotiations

The negotiations that take place during the accession processes have domestic dimensions in both acceding countries and WTO members. Both groups of countries have always domestic interests to preserve or promote. Specific interests are quite often very organized within associations and chambers of commerce and industry. Political parties and trade unions are also important organizations that have peculiar agendas for gaining support in their constituencies and members.

Despite the existence of associations defending the interests of consumers, the fact that trade liberalization generally corresponds to lower prices for many goods is rarely mentioned in political arenas. Most of the discussions seem to concentrate on the negative aspects of globalization and liberalization, with more focus on minority/peculiar interests than on the benefits for the majority. In the worse possible cases, very small groups can capture and influence political leaders and decision makers, which may undermine democracy itself.[4]

Box 5: The Lobbying Problem in a Democracy

There is a real problem with the lobbying process in democratic societies. Even though lobbying is a legitimate process of information transfer between constituents and government decision-makers, it also produces some obvious disparities. Whenever policy actions generate concentrated benefits and dispersed costs, the incentives and abilities to lobby are significantly different across groups. Potential beneficiaries can often use the advantage of small group size and large potential windfalls to wield disproportionate influence on decision-makers. Potential losers, whose numbers are large and expected costs per person quite small, have almost no ability to lobby the government effectively. Thus, in a democratic society in which lobbying can influence decisions, decisions are likely to be biased in the favor of those policies which generate concentrated benefits and dispersed losses.

Source: Steven Suranovic, ***International Trade Theory & Policy Analysis***, ©1997-2004, internationalecon.com/v1.0/ch105/105c070.html

7. Aspects of accession for transition countries

    t. The length of negotiations

The length of the accession process to WTO varies from country to country. Overall, considering the evidence (Annex table 4a), the bigger and the more complex an economy the more time seems to needed to complete the negotiation process.

Small economies like those of the Baltic countries, the Kyrgyz republic, Moldova, Georgia and Macedonia could conclude their negotiations in rather short periods of time whereas larger economies, such as Russia, Ukraine, Kazakhstan and Uzbekistan, are still negotiating.

Large economies might have more sectorial issues to consider. For these economies, there might be more pressures from domestic producers to lobby for their interests and ask for more protection of the domestic market.

De facto, for most small economies, at the early stage of the liberal transition process, there was little domestic expertise on trade policy and WTO matters. As a result, for some of them, there was a strong reliance on external technical assistance, mainly from the EU and the US, which could help mobilize high level expertise and boost the accession process that was successfully completed within a few years.

[4] For more details, see the seminal work of M. Olson, *The Logic of Collective Action*, Harvard University Press, 1971.

Bigger transition countries have more resources to develop their own expertise which can delay accession.

u. Sectorial issues

Agriculture, customs systems, industrial subsidies and trade-related aspects of industrial property are some of the major outstanding bilateral issues during negotiations for accession.

Box 6: Examples of WTO-related concerns and issues

Russia

Key-concerns in the negotiations include: customs formalities and administration, including customs valuation; standards and conformity assessment; import licensing and other non-tariff barriers; transparency and publication of trade regulations; fees and charges on imports; intellectual property protection; judicial review of administrative decisions; consistency of sub-federal measures with the WTO.

Source: Australian government website; www.dfat.gov.au/trade/**negotiations**/ accession/**wto**_russia.html

Ukraine

"Negotiations (cover) a variety of subjects. For example, Norway, requires further tariff concessions for 4 tariff lines (fish, finished canned mackerel, fats and oils, navigation instruments), Australia requests market access for sugar cane, an increase in the size of the global quota for sugar cane and elimination of minimum prices for sugar and beets. Problem areas in negotiations with the USA are market access for audiovisual services and elimination of restriction on opening of direct affiliates of non-resident foreign insurance companies. The agricultural sector remains the most disputable issue in plurilateral negotiations on Ukraine's accession to the WTO. Countries which are members of the Working Group do not agree on the level and base period of domestic support."

Source: Nataliya Y. Mykolska and Viktor M. Dovhan, Ukraine: On Its Way to the World Trade Organization, *Ukrainian Journal of Business Law*, April 2005.

Uzbekistan

"The government of Uzbekistan's policies of import substitution and infant industry protection ensure that some form of export subsidy would apply to local industries. Export subsidies exist in the automotive sector, where local manufacturers are exempt from taxes, including value-added tax (VAT), customs duties and profit tax, totaling approximately 65 percent of their assumed profit."

Source: US Government;
www.ustr.gov/.../2004/2004_National_Trade_Estimate/ 2004_NTE_Report/asset_upload_file327_4803.pdf

v. Commitments on goods and actual tariffs

Annex table 1b provides information about tariff schedules of transition countries that are "old" and new WTO members. As illustrated by Bulgaria and Latvia, with respectively 46.7% and 33.3%, the simple averages of MFN bound tariffs for agricultural products underline that protection within the WTO framework can reach very high levels.

With respectively 30.8% and 23.8%, Romania and Bulgaria also exhibit high MFN bound rates for industrial products.

In several cases, actual rates are significantly lower than bound rates. That is obvious for Estonia that started its transition process with (almost) applied “zero-tariffs”. That country had to increase actual MFN tariffs to comply with EU-membership requirements. Latvia displays similar features, with applied tariffs on industrial products that are, on average, less than 30% the level of bound rates.

Over time, actual protection may fall drastically, reflecting commitments within the framework of bilateral relations with the EU. It should also be noted that in some cases, the lowering of tariffs was partly compensated by additional NTBs, including lengthy formalities and procedures at the borders.

Morever, it should be mentioned that on average bound and actual rates of protection are lower in transition countries than in developing countries that have comparable *per capita* GDP levels.

w. Services

Overall, when considering various measures, transition countries can be seen as rather liberal, especially when they are compared with developing countries that have about the same levels of GDP *per capita*. It should also be noted that for developed countries, the big move toward more liberalization of trade in services is relatively recent.

8. “The costs of late accession?”

Delaying accession may create additional burdens for candidate countries in terms of concessions and the adoption of essential laws and institutions required for boosting market oriented reforms, promoting good governance and comply with WTO rules, which may have negative impacts on economic growth and the welfare of the people.

At the same time, the adoption of liberal schedules of commitments facilitates the accession process and might send the right signal to the business community and potential investors, in the country and abroad.

Annex I: Trade, growth and poverty reduction

Seizing the opportunities of globalization

D. Dollar and A. Kraay, "Trade, Growth and Poverty", *Finance and Development*, IMF, September 2001, Vol. 38, No. 3.

"The integration of the world economy over the past twenty years has been dramatic. The experiences of the post-1980 globalizers show that the process can have great benefits, contributing to rising incomes and falling poverty and enabling some of the poorest countries in the world to catch up with richer countries.

The real losers from globalization are those developing countries that have not been able to seize the opportunities to participate in this process."

http://www.imf.org/external/pubs/ft/fandd/2001/09/dollar.htm

Trade Liberalization and Poverty: A Handbook (October 2001)

Authors: Neil McCulloch (Institute of Development Studies) and L Alan Winters (University of Sussex and CEPR) with Xavier Cirera (Institute of Development Studies).

- "International trade is almost always **good for growth** and growth good for the poor, but the effects vary from case to case. Policy and research should focus on understanding the reliability of these links and how to make them stronger. Gains from trade liberalization have been estimated at $US 171 billion or 0.7% World GDP. However, more gains will be accrued from obtaining previously unavailable products."
- "The **liberalization of services** presents a major opportunity for growth and can help poverty reduction if care is taken to ensure access to key services for the poor."
- "Improved **international labour mobility** has huge potential for poverty reduction, especially if it focuses on the less skilled. We calculate this form of liberalization could lead to gains as large as $300 billion a year. Therefore, resolving the practical and political difficulties of achieving this should be a priority."

http://www.cepr.org/press/P144.htm

Recent overview of linkages between trade liberalization and economic performances

See: L.A. Winters, "Trade Liberalization and Economic Performance: an Overview", *The Economic Journal*, 114 (February), F4-F21, 2004.

www.wif.ethz.ch/resec/teaching/ seminar_aussenwirtschaft_wt_04_05/**winters_**EJ.pdf

Annex II: The Uruguay Round and the developing countries

“The following text presents the main conclusions of a report on a 19-country study of the impacts of the Uruguay Round on developing countries, commissioned by Canadian International Development Agency (CIDA) from the Centre for the Study of International Economic Relations at the University of Western Ontario.

Impacts by region and country are uneven

Combining separate sources of gain and loss suggests that the impacts of the Round across regions, and even across countries within regions, are uneven. This contrasts with a World Bank portrayal of the results of the Round as "prizes for nearly everyone".

The largest gains appear to accrue to the **Asian** economies, since they are rapidly growing exporters of manufactures who are currently barrier restrained. These gains largely arise from the removal of restraints on textiles and apparel, but even here individual Asian economies may lose. The Asian economies are also likely to be more subject to domestic policy pressures as a result of the Round. These will come primarily as a result of new disciplines in intellectual property and trade-related investment measures (TRIMs).

African and Caribbean economies tend to not be barrier restrained in exports, but rather restrained by domestic supply bottlenecks and capacity; and many of them have preferential trade arrangements of various kinds (Lomé, GSP) which will be eroded by the decisions in the Round. These go beyond tariff preferences, and include rights to ship various products (i.e., sugar, beef, rice, bananas and other commodities) at well above world prices to various markets. The Round's decisions will likely limit these in various ways. Most of the net food importers are also in this group of countries and they will also lose due to expected increases in agricultural prices. Finally come the **Latin American** economies who probably have less to gain on the access side, but have fewer preference-related concerns. They are also more diverse in their individual country interests, and hence impacts from the Round, than is true of project countries in other regions.

Ambiguities Over Size of Access Benefits to Developing Countries

The study also suggests a surprising degree of ambiguity as to how significant the effects from the Round could be for developing country export prospects, both in aggregate and at an individual country level. OECD tariff cuts are from a low base, and carefully calculated to give the appearance of large percentage cuts; tariffication in agriculture may have raised rather than lowered some barriers and hence liberalization in agriculture may not mean that much, especially in rice; liberalization in textiles will effectively be delayed ten years, and whether real liberalization of textiles and clothing will actually come about has even been queried because of the possibility of new restrictive measures being used instead. Basing a growth strategy on export orientation on the argument the Uruguay Round will open new markets abroad in a big way for developing countries, may thus be a risky strategy.

This picture of the impact of the Round is different from that in earlier model-based studies, which have received major attention. These analyses have largely been limited to aggregated regional blocs, and to a subset of quantifiable issues from the Round (textiles, agriculture, tariffs). They claim that overall nearly all developing countries will gain from the Round, with only small losses for Africa. Our more country-specific analyses reveal no uniform impact of the Round on project countries; the situation varies by region, by size, and by level of development. There are examples of economies which face significant negative effects due to a concentrated economic structure (ie. Guyana, Jamaica, Bangladesh). Adjustment problems for such economies we see as correspondingly larger than currently recognised, and little studied (i.e. Guyana). We also see a substantial concentration by country of access benefits that will occur in textiles and apparel with the elimination of the Multi-Fibre Arrangement (MFA), with the majority accruing to the quota constrained East Asian apparel exporters, and principally China and India."

References

http://www.acdi-cida.gc.ca/cida_ind.nsf/0/df8ed60f78ade8bf852565520071847f?OpenDocument

Martin, W., and A. Winters, eds. 1995. *The Uruguay Round and Developing Countries*. Washington, DC: World Bank.

III: Annex Tables

Tariffs

Annex table 1a: MFN tariffs for OSCE Participating States members of WTO

Annex table 1b: Bound and Applied Import Tariffs in Selected Transition Economies

Commitments on services

Annex table 2a: Level of liberalization of services within the WTO framework

Annex table 2b: Sub-sectoral liberalisation indices in banking

WTO membership

Annex table 3: WTO members and candidates for accession

Accession negotiations

Annex table 4a: The length of the WTO accession process

Annex table 4b: Major outstanding issues during bilateral negotiations (30 Sep 98)

Annex table 4c: On going accessions – Summary (February 2005)

Annex table 1a: MFN tariffs for OSCE Participating States members of WTO

Country	Non-agricultural products		Agricultural products	
	Bound	Actual	Bound	Actual
Albania	6.6	7.2	9.4	9.0
Andorra				
Armenia	7.5	2.3	14.7	7.2
Austria / EU15				
Azerbaijan				
Belarus		10.1		9.0
Belgium / EU15				
Bosnia and Herzegovina		6.2		4.9
Bulgaria	23.0	8.8	35.6	18.1
Canada	5.3	4.2	3.5	3.1
Croatia	5.5	4.3	9.4	10.0
Cyprus	38.6	4.6	58.8	20.5
Czech Republic	4.2	4.1	10.0	10.0
Denmark / EU15				
Estonia	7.3	0.1	17.5	12.2
EU15	3.9	4.0	5.8	5.9
Finland / EU 15				
France / EU15				
Georgia	6.5	10.4	11.7	11.9
Germany / EU15				
Greece / EU 15				
Holy See				
Hungary	6.9	7.0	27.0	26.2
Iceland	9.6	10.9	43.4	2.4
Ireland / EU 15				
Italy / EU 15				
Kazakhstan		9.5		9.0
Kyrgyzstan	6.7	4.6	12.3	5.9
Latvia	9.4	2.2	36.4	11.8
Lichtenstein				
Lithuania	8.4	2.4	15.2	9.7
Luxembourg / EU15				
Malta	49.1	5.9	34.3	4.3
Moldova				
Monaco				

Netherlands / EU15				
Norway	3.1	0.7	1.2	6.9
Poland	9.6	10.1	32.9	39.8
Portugal / EU 15				
Romania	31.6	15.8	98.4	24.1
Russian Federation		10.1		8.9
San Marino				
Serbia and Montenegro		13.2		22.3
Slovak Republic	4.2	4.3	10.0	10.0
Slovenia	23.7	9.3	23.3	11.3
Spain / EU15				
Sweden / EU15				
Switzerland	0.0	0.0	0.0	0.0
Tajikistan		8.1		9.6
The FYROM	6.2	11.7	11.3	19.1
Turkey	17.5	5.0	60.2	42.9
Turkmenistan		3.8		13.5
Ukraine		6.8		10.8
United Kingdom / EU15				
United States of America	3.2	3.7	6.9	5.1
Uzbekistan		11.1		10.2

Source(s): WTO, *World Trade Report 2004*.
Note(s):

- Figures are for the years 2000, 2001, 2002 or 2003, depending on available in reported countries.
- Actual rates are reported for some non-members of the WTO.

Annex table 1b: Bound and Applied Import Tariffs in Selected Transition Economies

Country	Simple Average Bound Tariff		Simple Average Applied Tariff	
	Agricultural Products	*Industrial Products*	*Agricultural Products*	*Industrial Products*
Albania	10.6	6.0	10.7 (01)	7.0 (01)
Bulgaria	46.7	23.8	27.2 (97) 26.8 (98) 23.6 (99) 23.2 (00) 21.9 (01)	15.5 (97) 15.3 (98) 12.6 (99) 11.0 (00) 10.0 (01)
Croatia	10.4	5.2	13.8 (01)	5.1 (01)
Czech Republic		4.3		5.6 (96) 5.3 (97) 5.0 (98) 4.5 (00)
Estonia	21.2	7.1	0.0 (96) 0.0 (97) 0.0 (98) 0.0 (99) 13.8 (00) 13.8 (01)	0.1 (96) 0.1 (97) 0.0 (98) 0.0 (99) 0.0 (00) 0.0 (01)
Hungary		7.4		8.7 (96) 8.2 (97) 7.8 (98) 7.4 (99) 7.3 (00) 7.1 (01)
Latvia	33.3	9.4	16.4 (98) 14.0 (99)	2.7 (98) 2.6 (99)
Poland		10.4		10.5 (00)
Romania		30.8		17.5 (99)

Source: M. Bacchetta and Z. Drabek, Effects of *WTO Accession on Policy-Making in Sovereign States: Preliminary lessons from the recent experience of transition countries*, Staff WP DERD-2—2-02, April, 2002, Table 1.
http://www.wto.org/english/res_e/reser_e/derd200202_e.doc
Note: The figures in brackets refer to dates. The data in the first two columns may not be fully comparable due to different methodologies applied in the computations.

Annex table 2a: Level of liberalization of services within the WTO framework

Country	All services	Financial Services		Telecom Services
			Adjusted	
Albania				
Andorra				
Armenia				
Austria	412	8	8	9
Azerbaijan				
Belarus				
Belgium		8	8	9
Bosnia and Herzegovina				
Bulgaria				
Canada	352	8	8	9
Croatia				
Cyprus	36	8	8	1
Czech Republic	304			
Denmark		8	8	9
Estonia				
Finland	328	8	8	9
France		8	8	9
Georgia	333.5			
Germany		8	8	9
Greece		8	8	5
Holy See				
Hungary	336	3	3	5
Iceland		8	8	5
Ireland	372	8	8	5
Italy		8	8	9
Kazakhstan				
Kyrgyzstan				
Latvia				
Lichtenstein	312			
Lithuania				
Luxembourg		8	8	7
Malta	28	7	7	5
Moldova				
Monaco				

Netherlands		8	8	7
Norway	360	8	8	9
Poland	212	8	8	5.33
Portugal		8	8	5
Romania	176			
Russian Federation				
San Marino				
Serbia and Montenegro				
Slovak Republic	308			
Slovenia				
Spain		8	8	9
Sweden	320	8	8	9
Switzerland	400	8	8	9
Tajikistan				
The FYROM				
Turkey	276	8	8	1
Turkmenistan				
Ukraine				
United Kingdom		8	8	9
USA	384	8	8	9
Uzbekistan				
European Union	392			

Source(s):

B. Hoekman, "Assessing the General Agreement on Trade in Services", in W. Martin and A. Winters (Editors), *The Uruguay Round and the Developing Countries*, The World Bank, 1996.

Quoted by D. Jinjolia and D. Linotte, "Appendix 3: Georgia's Specific Commitments in Trade in Services – A Short Comparison to Other Countries", Georgian Economic Trends, Georgian European Policy and Legal Advice Centre (GEPLAC), Programme Tacis of the European Union, 2000, No. 2, Appendix III (Tables 2).

http://www.geplac.org/publicat/economic/archives/get00n2e.pdf

A. Mattoo, R. Rathindran and A. Subramanian, *Measuring Services Trade Liberalization and Its Impact on Economic Growth*, August. 2001.

http://www.sice.oas.org/geograph/services/mattoor.pdf

Note(s): For an explanation of calculation methods, see main text.

Annex table 2b: Sub-sectoral liberalisation indices in banking

	Lending	Securities	Depositing	Issuance
Canada	0.6125	0.6675	0.475	0.6125
EC	0.6125	0.6675	0.6	0.8
Malta	0.625	0.575	0.75	0.625
Norway	0.8	0.88	0.6	0.8
US	0.6125	0.6675	0.6	0.8

Source: Ph. Harms, A. Mattoo and L. Schuknecht, Op. cit., Table 4, page 35.

Annex table 3: WTO members and candidates for accession

Country	Member on 1 January 1995	Member after 1 January 1995	Candidate: start date of accession process
Albania		8 September 2000	
Andorra			July 1999
Armenia		5 February 2003	
Austria	X		
Azerbaijan			June 1997
Belarus			September 1993
Belgium	X		
Bosnia and Herzegovina			May 1999
Bulgaria		1 December 1996	
Canada	X		
Croatia		30 November 2000	
Cyprus		30 July 1995	
Czech Republic	X		
Denmark	X		
Estonia		13 November 1999	
Finland	X		
France	X		
Georgia		14 June 2000	
Germany	X		
Greece	X		
Holy See			
Hungary	X		
Iceland	X		
Ireland	X		
Italy	X		
Kazakhstan			January 1996
Kyrgyzstan		20 December 1998	
Latvia		10 February 1999	
Lichtenstein		1 September 1995	
Lithuania		31 May 2001	
Luxembourg	X		
Malta	X		
Moldova		26 July 2001	
Monaco			
Netherlands	X		
Norway	X		
Poland		1 July 1995	
Portugal	X		
Romania	X		

Russian Federation			June 1993
San Marino			
Serbia and Montenegro - Serbia - Montenegro			 December 2004 December 2004
Slovak Republic	X		
Slovenia		30 July 1995	
Spain	X		
Sweden	X		
Switzerland		1 July 1995	
Tajikistan			May 2001
The FYROM		4 April 2003	
Turkey		26 March 1995	
Turkmenistan			
Ukraine			November 1993
United Kingdom	X		
United States of America	X		
Uzbekistan			December 1994
European Communities	X		

Source: WTO website.

Table 4a: The length of the GATT/WTO accession process

Country	Beginning	Membership	Length (Months)
New members			
Albania	Nov 1992	Sep 2000	95
Armenia	Jan 1993	Feb 2003	122
Croatia	Sep 1993	Nov 2000	87
Estonia	Mar 1994	Nov 1999	69
FYROM	Dec 1994	Apr 2003	101
Georgia	Jun 1996	Jun 2000	49
Kyrgyzstan	Feb 1996	Dec 1998	35
Latvia	Nov 1993	Feb 1999	64
Lithuania	Jan 1994	May 2001	77
Moldova	Nov 1993	Jul 2001	81
Candidates			
Andorra	Jul 1999		71
Azerbaijan	Jun 1997		96
Bosnia and Herzegovina	May 1999		73
Belarus	Sep 93		141
Kazakhstan	Jan 1996		113
Montenegro	Dec 2004		6
Russian Federation	Jun 1993		144
Serbia	Dec 2004		6
Tajikistan	May 2001		49
Ukraine	Nov 1993		139
Uzbekistan	Dec 1994		126

Source: WTO website.
Note: Length of the accession process for candidate countries: as of May 2005.

Annex table 4b: Major outstanding issues during bilateral negotiations (30 Sep 98)

	Armenia	Belarus	Georgia	Kazakhst.	Moldova	RF	Ukraine
Agriculture	X	X	X	X	X	X	X
Customs	X	X	X	X	X	X	X
Industrial subsidies	X	X	X	X	X	X	X
State trading	X	X	X		X		X
SPS / TBT	X	X	X	X	X	X	
TRIPS	X	X	X	X	X	X	X
Barter trade		X					X
Transparency		X	X	X	X		
Price controls				X			
Import licensing and NTBs				X	X	X	X
Taxation and national treatment		X	X		X	X	X
TRIMs						X	
Services				X	X	X	X

Source: UNECE, *Economic Survey of Europe*, 1999, No. 1.

Annex table 4c ONGOING ACCESSIONS - Summary (February 2005)

	Application	Working Party Established	Memorandum	First Meeting of Working Party	Number of Working Party Meetings *	Goods Offer		Services Offer		Draft Working Party Report **
						Initial	latest*	initial	latest*	
Andorra	Jul 1999	Oct 1997	Feb 1999	Oct 1999	1	Sep 1999		Sep 1999		
Azerbaijan	Jun 1997	Jul 1997	Apr 1999	Jun 2002	2					
Belarus	Sep 1993	Oct 1993	Jan 1996	Jun 1997	6	Mar 1998	May 2004	Feb 2000	Sep 2004	Jul 2004 (FS)
Bosnia and Herzegovina	May 1999	Jul 1999	Oct 2002	Nov 2004	2	Oct 2004		Oct 2004		
Kazakhstan	Jan 1996	Feb 1996	Sep 1996	Mar 1997	7	Jun 1997	May 2004	Sep 1997	Jun 2004	Sep 2004 (FS)
Montenegro	Dec 2004	Feb 2005								
Russian Federation	Jun 1993	Jun 1993	Mar 1994	Jul 1995	25	Feb 1998	Feb 2001	Oct 1999	Jun 2002	Oct 2004
Serbia	Dec 2004	Feb 2005								
Tajikistan	May 2001	Jul 2001	Feb 2003	Mar 2004	1	Feb 2004		Feb 2004		
Ukraine	Nov 1993	Dec 1993	Jul 1994	Feb 1995	13	May 1999	May 2002	Feb 1997	Jun 2004	Sep 2004
Uzbekistan	Dec 1994	Dec 1994	Oct 1998	Jul 2002	2					

Source: WTO.