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**WORK OF THE REGIONAL ADVISORS
IN TRADE AND INVESTMENT PROMOTION AND TRADE FACILITATION**

MAY 1999 – MAY 2000

Note by the secretariat

I. WORK OF THE REGIONAL ADVISER ON TRADE AND INVESTMENT PROMOTION

HIGHLIGHTS OF ACTIVITIES, MAY 1999-MAY 2000

Role and objectives

1. The objectives of the Regional Adviser's services in trade and investment promotion are threefold:

- (a) To provide high quality advice and support to the investment and trade promotion activities of member States, focusing on the areas covered by the expert advisory groups established under the Working Party on International Legal and Commercial Practice (WP.5), namely, infrastructure (transport, energy, water and telecommunications), high technology and innovative industries and real estate (land and commercial and residential buildings).
- (b) To promote WP.5 work in institution building, and market and private sector development and its subgroups (Build Operate Transfer (BOT), Real Estate Advisory Group (REAG) and Intellectual Property (IP)) through developing common programmes and activities within UN/ECE's sub-regional programmes, such as the Central European Initiative (CEI), South Eastern European Cooperation Initiative (SECI), and Special Programme for the Economies of Central Asia (SPECA).
- (c) To raise resources and funding for the above programmes in order to develop operational activities inside the member countries and to respond to increasing demands for the services of these groups from member States.

2. The common element in this work is to promote productive partnerships between the public and private sectors. These partnerships will promote foreign direct investment (FDI) into those sectors and sub-sectors e.g. infrastructure and high technology where the economic benefits will be particularly important.

Private Investment in Infrastructure

3. The BOT Group has made much progress. It has increased its membership, provided high quality advice, prepared a guide for civil servants on negotiating concession contracts, and established expert task forces to develop pilot projects. Specifically, these activities refer to the following:

- Information on the best practices for developing public-private partnerships (PPPs) in infrastructure. The Group has recruited two editors to finalize their manual for public-private partnerships and they have now reached the final stages of this work. This manual will be published in the first instance in English and in Russian: The Group has drawn up a programme to ensure its effective dissemination and will develop its own website.
- Consultative Meetings: the Group continues to hold meetings with Governments on the ways and means of promoting PPPs. The latest meeting was held with the Government of Bangladesh in a technical assistance project sponsored by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

- Training of civil servants in concession contracts: following the seminar held during the Southeast European Cooperative Initiative Forum in Sofia on 19 October 1999, it was agreed to develop a programme for civil servants to help them negotiate concession contracts with foreign investors. ESCAP provided funding to the group to write a 'Negotiating platform for civil servants.' as a preparation for its meeting with the Government of Bangladesh in February 2000. The guide will be available shortly for UN/ECE member States.
- Pilot projects: In order to demonstrate how BOT approaches can be of value to Governments, the BOT Group at its meeting of 5 April 2000 at the Palais des Nations (Geneva) decided to establish a task force to undertake pilot projects. One of the pilot projects chosen was a customs terminal at the border between Poland and Belarus. The site is 30 kms north of Brest at a place called Kouzlovichi 2. This request for assistance came through the Prime Minister of Belarus. The task force will examine the feasibility of constructing a customs terminal using a BOT model. If successful, the project will help to remove an important barrier to trade between central Europe and the Commonwealth of Independent States.
- Seminars: the Group has participated in a series of meetings related to its topic throughout Europe. It will hold, for example, a seminar at the next 'Bridging the Gaps', Euro-Atlantic Conference to be held in Slovenia (23-25 June 2000)

Attracting investment in real estate (land and buildings)

2. The Group continues to promote activities that can improve the environment for real estate investments and the development of viable real estate markets. Real estate markets are too narrow (too focused on the wealthier groups in society) and undeveloped in most transition economies. The Group is thus identifying real estate projects that require support from the public and private sectors which will deepen real estate markets and make them more accessible to the mass of the population. These projects relate to housing for low income groups, business sites for SMEs and mortgage banking facilities. REAG held a seminar on building public and private sector support for real estate projects at the CEI Economic Summit Forum that took place in Prague in November 1999. The meeting was opened by the Mayor of Prague, Mr. Jan Kasl.

Promoting investment in high technology and innovative industries.

3. It has been observed that the transition economies need to attract significant amounts of FDI in innovative and high technology industries if their economies are to catch up with the west in the long run. However, FDI in high technology and innovative industries has been limited. In some cases companies have acquired plants and chosen to close R&D centres and to consolidate them at their headquarters in the west¹. One of the barriers to the transfer of technology and investment in innovative industries is the weakness of the enforcement of intellectual property rights (IPRs), as reflected in the high incidence of copying and piracy, and in the low awareness among almost all sectors, including enforcement agencies, of the importance of IPRs including their commercial use and the need for IPR protection for local rights holders.

¹ See the case of the German chemical company Linde in Bohata, Marie, "Linde Technopolyn a.s." in Eastern European Economics, Vol 36, No.4, July-August 1998, p 95.

4. Given that the Group contains representatives of many of the world's leading high-tech companies the IP Group has become an important means by which the UN/ECE can build an intellectual property capability amongst the local business community. The European Union, for example, has indicated its willingness to financially support a UN/ECE Euro project for developing the awareness of intellectual property amongst the domestic business sector in Bulgaria, Poland and Estonia beginning the autumn of 2000.

Guidelines on best practises

5. The Working Party 5 held its annual Forum in Brno in the Czech Republic on 2 and 3 December 1999 on "New Trends in Competition Law and their Implications for Business". The meeting attracted around 140 participants, many of whom came from the competition authorities of the region. The Forum received support from representatives of the private sector and from the CEI. It established working groups on specific topics, such as harmonization of law with that of the European Union, making subsidies more transparent and liberalising public procurement. The Forum discussed these issues and agreed on a set of Guidelines which will be finalized and sent for publication in the autumn of 2000.

6. The Forum further agreed to hold regular annual meetings to exchange views and experiences on best practices under the auspices of the UN/ECE and in cooperation with other international organizations, the United Nations Conference on Trade and Development (UNCTAD) and the Organisation for Economic Co-operation and Development (OECD) as well as with the European Union. A follow-up seminar will be held at the CEI Economic Forum in Budapest in November 2000. The Competition Authority of Slovakia has kindly agreed to host the next Forum on this topic in Bratislava in March 2001.

Future work orientation

International Forum

9. The next WP.5 Forum on Public-Private Partnerships for Infrastructure will take place at the Palais des Nations, Geneva, (4-5 December 2000). The purpose of the Forum is to launch the BOT Group's Guidelines and to implement these Guidelines by the creation of a UN/ECE Public-Private Alliance. The alliance will support the implementation of the BOT Group's best practices. It will consist of senior representatives of UN/ECE Governments and private companies. Under this alliance the BOT Group will continue to foster in a pragmatic way the development of projects and the raising of resources for Governments to effectively implement best practices. The Group will cooperate with relevant international organizations in the carrying out of this work, notably the European Bank for Reconstruction and Development (EBRD), the World Bank and the United Nations Industrial Development Organization (UNIDO).

10. Resources: Many of these advisory services have proved their worth because of the development of networks that bring together the public and private sectors. This has been most visible to date in the BOT Group whose network is undertaking highly valued technical work and whose professional members are motivated to put time and effort into the work. Much can be done with few resources. However, there is now a demand for the Group to do more in the countries where needs are greatest. To respond positively to these requests, the Group will need more resources; and to achieve these goals it will develop closer links with other international agencies and bodies. It will present a work programme to the above-mentioned Forum on 4 December 2000.

11. Sub-regional activates: It is important that in carrying out this work that the groups become more active within the UN/ECE's various sub-regional programmes such as SECI, SPECA and the CEI.
12. Local businesses and SMEs: To date, large western firms have been the main supporters of these activities in the transition economies. It is, however, the goal that local companies and banks will benefit and become involved in these UN/ECE networks of experts.
13. Involvement of UN/ECE member States: Governments can benefit from these services by participating in their activities. Membership in WP.5, the IP and the BOT groups is open to representatives of all member States. Governments can also benefit by offering to host the meetings of these groups in their countries which will allow greater contact between the local experts and the experts from the Group. Under these arrangements, it is customary for the Government to be responsible for local costs, e.g. providing meeting rooms. The experts from the Groups will normally travel to countries at their own expense.
14. The Regional Adviser on trade and investment promotion is assisted by other members of the Trade Division in fulfilling these tasks.

II. WORK OF THE REGIONAL ADVISER ON TRADE FACILITATION

HIGHLIGHTS OF ACTIVITIES, MAY 1999 – MAY 2000

15. During the past 12 months the UN/ECE's Regional Advisory Services have been heavily concentrated on southeast Europe. In the aftermath of the Kosovo conflict the European Union inaugurated the Stability Pact for South Eastern Europe. This political commitment to identify measures and projects that can contribute to the stability and development of the region comes in addition to the Southeast European Cooperative Initiative (SECI), which the UN/ECE has been supporting since it was launched in December 1996.

Southeast European Cooperative Initiative

16. One area in which SECI continues to achieve results is "border crossing facilitation." This term reflects a combination of trade facilitation and transport facilitation, together with a focus on operational activities at border crossing points. The collapse of centrally planned economies in southeast Europe and the break-up of the Yugoslav Federation led to radical changes in the traffic flows and the creation of new frontiers and border controls. This has resulted in long waiting times at the borders, costly and unreliable transport services, shortfalls in Customs revenue collection, smuggling and corruption. The UN/ECE's experience with trade facilitation as well as Customs issues concerning transport has enabled it to support the efforts of countries in the region to develop common approaches to dealing with these problems.
17. Of the 11 States Participating in SECI, 10 have implemented UN/ECE Trade Facilitation Recommendation No.4 for the establishment of national committees to facilitate trade. Recognizing that there are different dimensions or perspectives to facilitating the cross-border movement of goods, these committees continue the practice of calling themselves "PRO Committees" to reinforce the idea that the objective is to simplify procedures. It also helps to minimize fruitless debates over whether the emphasis should be on trade facilitation, transport facilitation, transit facilitation, etc. This more generic approach to facilitation has also been reflected in the recent revision of Recommendation No. 4 by UN/CEFACT.

18. The association of southeast European PRO Committees, SECIPRO, meets quarterly to discuss issues of mutual interest. The UN/ECE Regional Advisor for Trade Facilitation acts as Coordinator of the association. Among the "SECI Supporting States", Italy participates regularly through ItalyPRO. AustriaPRO and the Czech Republic's FITPRO have proposed cooperation on specific projects.

Trade and Transport Facilitation in Southeast Europe

19. Based upon the SECI-inspired application for financial assistance to make improvements in physical infrastructure at selected borders, the World Bank also took note of the SECI project group's conclusion that improvements in physical infrastructure alone are insufficient to resolve border crossing delays. Unless procedures are modernized, documentation simplified and border crossing personnel better trained in their duties, investments in infrastructure will not increase efficiency.

20. The World Bank has therefore expanded the original request for loan finance into a more comprehensive Trade and Transport Facilitation in Southeast Europe (TTFSE) project. This project combined the loans for infrastructure improvements with grant assistance for Customs modernization and trade facilitation support to private sector trade operators. To ensure that the TTFSE project has strong support from the participating Governments, a Memorandum of Understanding has been signed by the countries that established a Regional Steering Committee (RSC), comprised of ministers of finance and Customs directors general. The UN/ECE Regional Advisor on Trade Facilitation serves as the RSC secretariat.

Stability Pact

21. The umbrella body of the Stability Pact is the South Eastern Europe Regional Table, made up of representatives of Governments, international organizations and institutions. It is organized through three groups, or 'Working Tables', which build upon existing expertise, institutions and initiatives in the following areas:

- Democratization and human rights (Working Table I)
- Economic reconstruction, development and cooperation (Working Table II)
- Security issues (Working Table III).

In order to facilitate broader trade liberalization, a Working Group on this issue was established at a meeting in Skopje on 13 January 2000. The Group is chaired by the former Yugoslav Republic of Macedonia and the participants comprise most members of southeast Europe and several international institutions. The UN/ECE is represented by the Regional Advisor on Trade Facilitation.

22. The objectives and scope of the work of the group are the liberalization and facilitation of trade through the reduction and elimination of tariff and non-tariff barriers to trade, in line with internationally agreed multilateral rules and principles in the framework of the World Trade Organization (WTO), and in the context of future integration of the countries of the region into the European Union.

23. To avoid duplication of effort, the Stability Pact Working Group on Trade Liberalization and Facilitation recognized that the national PRO Committees and the SECIPRO association are already addressing a series of trade facilitation issues. The Working Group agreed to refer to SECIPRO on trade facilitation questions, while at the same time serving as link between the SECI PRO Committees and Working Table II for purposes of obtaining support for future project proposals that the PRO Committees will develop.

Southeast European Center to Combat Crime and Corruption

24. The original SECI Border Crossing Facilitation project group recognized that it was not possible to facilitate legitimate trade in the region without taking measures against crime and corruption. An expert from the United Nations International Drug Control Programme participated actively in the project group. One consequence of this interaction is that the Regional Advisor on Trade Facilitation has been designated the UN/ECE liaison of the UN Office for Drug Control and Crime Prevention in Vienna.

25. A separate SECI project group considered the problems of cross-border crime and recommended the formation of a regional center to support the exchange of information among Customs administrations and national police services. This center has been created in Bucharest and will be staffed by liaison officers from SECI Participating and Supporting States. The "SECI Center" is governed by a Joint Cooperation Committee (JCC), consisting of representatives of the designated authorities of the Participating States, with each Party having one vote in the Committee. ICPO-Interpol and the World Customs Organization serve as permanent advisers to the JCC, with Supporting States and Institutions having observer status. The UN/ECE participates in the JCC through the Regional Advisor on Trade Facilitation.

26. Through the combined responsibilities as SECIPRO Coordinator, secretary of the TTFSE Regional Steering Committee, observer to the SECI Crime Center's Joint Cooperation Committee and member of the Stability Pact Working Group on Trade Liberalization and Facilitation, the UN/ECE Regional Advisor on Trade Facilitation is able to contribute to the effective integration of the several trade facilitation related activities in southeast Europe and ensure that the trade facilitation instruments developed within the framework of the UN/ECE are utilized to best possible effect.

Central Asia

27. Together with the Economic and Social Commission for Asia and the Pacific (ESCAP), the UN/ECE has been supporting the Special Programme for the Economies of Central Asia (SPECA). One of the SPECA project working groups, hosted by Kazakhstan, is addressing transport and border crossing facilitation issues among the five central Asian republics. While there are admittedly many differences between southeast Europe and central Asia, there are also enough common characteristics of the problems under discussion for SPECA to benefit from the SECI experience. This SPECA project is supported by the regional advisors for transport, economic policy and trade facilitation.

Cooperation with the Czech Republic

28. The Trade Division continues its cooperation with FITPRO, the Czech national trade facilitation body, to assist countries in developing institutional support for trade. Given the increased demands upon the Regional Advisor for support to activities in southeast Europe, the Economic Affairs Officer from the Trade Facilitation Section responsible for simplification of procedures and documentation has assumed a leading role in continuing the support from the UN/ECE secretariat, thanks to the continued financial support from the Czech Ministry of Industry and Trade. The Economic Affairs Officer was the keynote speaker at the first conference on Trade Facilitation and Electronic Commerce held in Ukraine. She also joined FITPRO in the first joint trade facilitation mission with FITPRO to Belarus.

29. The Trade Division also conducted a seminar in the Czech Republic on development cooperation, under contract from the United Nations Development Programme. As part of its membership in the Organisation for Economic Co-operation and Development, as well as future accession to the European Union, the Czech Republic is obliged to make the transition from a “beneficiary” to a “donor” country. While the UN/ECE is not a technical assistance organization, members of the Trade Division secretariat have previous experience from other organizations and the seminar was well received by the participants, who came from a cross-section of Czech Ministries.

Mediterranean Initiative

30. At the request of the trade facilitation focal point for Malta, the Trade Division undertook a mission to assess the possibilities for future trade facilitation promotion activities in the Mediterranean. The recommendations from this mission are currently under consideration by the Government of Malta.

31. More recently an Interregional Advisor has been appointed by the United Nations Headquarters to develop a coordinated programme among the three Regional Commissions with Member States bordering the Mediterranean Sea. A preliminary project proposal has been prepared, building upon the initial experience in Malta, and further action is expected in the course of 2000.