



Economic and Social Council

Distr.
GENERAL

TRADE/1999/1
26 March 1999

ORIGINAL: ENGLISH

ECONOMIC COMMISSION FOR EUROPE

COMMITTEE FOR TRADE, INDUSTRY AND
ENTERPRISE DEVELOPMENT

Third session, 8-10 June 1999

Item 4 of the provisional agenda

SURVEY OF RECENT DEVELOPMENTS IN INTRAREGIONAL TRADE RELATED COOPERATION

Note by the secretariat

Introduction

1. The purpose of the current survey is to provide a brief review of recent trade-related developments in the UN/ECE region which are of relevance to the Committee for Trade, Industry and Enterprise Development. At the heart of this document are the main trade-related policy events, including new initiatives, which took place between the end of 1997 and March 1999 having implications for intraregional trade. Special attention has been accorded to those trade-policy measures that affect countries with economies in transition.

2. Assisting countries with economies in transition to better participate in the European and international economy is at the heart of the UN/ECE's activities. These activities include various types of support linked to the enlargement of the EU and the creation, extension and application of select parts of the EU's acquis communautaire. In particular, implementing UN/ECE norms and standards throughout the region directly contributes to this important process.

Document structure

3. Chapter I presents the trade-related activities of selected international organizations. This includes accession to the World Trade Organization (WTO), as well as recent activities of the World Intellectual Property Organization (WIPO) and the Organization on Economic Cooperation and Security in Europe (OSCE). Chapter II devotes attention to the relations of the European Union (EU) with countries having economies in transition. The eastern enlargement of EU is considered prior to the presentation of the major developments in the Phare and Tacis programmes. Transatlantic trade relations are dealt with in Chapter III. Chapter IV takes a look at selected subregional cooperation initiatives.

I. INTERNATIONAL ORGANIZATIONS

A. World Trade Organization: Accession of countries with economies in transition 1/

Accession procedure

4. The World Trade Organization (WTO) was established on 1 January 1995. It basically took over and continued the procedures and practices of its parent organization, the General Agreement on Tariffs and Trade. Article XII of the WTO Agreement sets out the guidelines for this process, while Article IX of the WTO Agreement and the decision on its application (Decision-making Procedures Under Articles IX and XII of the WTO Agreement - WT/L/93) lay down the decision-making procedures involved.

5. For a country that wishes to join WTO, the accession process starts with the establishment of a Working Party to prepare: (i) a Report, (ii) Schedules of Concessions and Commitments, and (iii) a Protocol of Accession containing the precise terms and conditions of accession. Following this work, the applicant country may be asked to engage in bilateral market access negotiations on goods and services with individual Members. The entire package of Report, Schedules and Protocol is forwarded to the General Council for decision, after which the Protocol is open for acceptance by the acceding country. It must be remembered that each accession is principally a negotiation between the WTO Member Countries and the applicant Country.

6. An important factor influencing the pace of each accession is the acceding country's capacity to negotiate actively at the bilateral and multilateral level. Even more importantly, success depends on the acceding country's ability and commitment to accept, implement and enforce the necessary legal and administrative infrastructure. This infrastructure is necessary in order to ensure that, following the accession, the country is able to participate fully in the WTO framework of rights and obligations. Accession negotiations aim at achieving the right balance between (a) terms of entry [keeping in mind the capacities of individual acceding countries], and (b) the need to maintain the credibility of the WTO system.

1/ For further information on the Internet <http://www.wto.org>.

7. The WTO had 30 applicants for accession at the beginning of March 1999. Most of these applicants were countries with economies in transition. Many of them face similar problems regarding issues such as transparency, agriculture, trading rights, state trading, legal and administrative structures, industrial subsidies, Trade Related Investment Measures (TRIMs) and Trade Related Intellectual Property Rights (TRIPs). A list of the countries negotiating accession and a brief overview of these problem areas can be found in Annex I.

B. World Intellectual Property Organization

8. Under the auspices of its Working Party on International Contract Practices in Industry, UN/ECE and the World Intellectual Property Organization (WIPO), with the participation of WTO and EU, held a Forum on the "Enforcement and Protection of Intellectual Property Rights in the countries of central and eastern Europe and the CIS", 26-27 October 1998. Over 250 persons participated. The Forum recognized the need for follow-up activities to support institutional capacity-building in the areas of acceptance, use and protection of intellectual property rights in countries with economies in transition. It also endorsed the establishment of an informal advisory group, consisting of both public and private sector participants, to undertake such activities in cooperation with WIPO and WTO.

C. Organization on Economic Co-operation and Security in Europe

9. The Organization on Economic Co-operation and Security in Europe (OSCE) has initiated measures to promote better economic contacts in the region. Relations between UN/ECE and OSCE in the economic dimension continued to be close and productive. UN/ECE participated actively at the annual OSCE Economic Forum, which was held in Prague on 1-5 June 1998 where it contributed a paper on energy policy and security. This report to the Forum was presented by Mr. Yves Berthelot, Executive Secretary of UN/ECE. Many of the activities falling under the auspices of the Working Party on International Contract Practices (WP. 5), are relevant to the work of OSCE in the economic dimension. UN/ECE will continue to cooperate with OSCE in developing projects under the SPECA initiative (discussed below), as well as in the context of the OSCE Economic Forum. The seventh OSCE Economic Forum will be held in Prague on 25-28 May 1999. The Forum topic is the environment and security.

II. THE EUROPEAN UNION 2/ AND COUNTRIES WITH ECONOMIES IN TRANSITION

10. One of the European Union's (EU) answers to the new era of interdependence was the European Commission's document Agenda 2000 for a Stronger and Wider Union of 15 July 1997. It is a medium-term reform plan for EU. Apart from the reinforcement of the Single European Market, Economic and Monetary Union (started for the 11 EU countries on 1 January 1999), in this plan the EU is preparing itself for the future when it is expected to enlarge eastwards.

2/ For information on the Internet, see <http://eurunion.org/infores/euindex.htm>.

11. Any European State may apply to become a member of the EU. 3/ This is the treaty-based sufficient condition for a European country to be considered for full EU membership. In addition, there are several other necessary economic and political requirements for entry. These were formally defined at the Copenhagen summit in 1993. In order to join EU, the potential candidate country must fulfill three conditions:

- the country must have a functioning market economy and the capacity to cope with market competition within the EU;
- the country must have stable political institutions that guarantee democracy, rule of law, respect of human and minority rights;
- the country must have the ability and willingness to take on the obligations of membership including the aims of political, economic and monetary union, i.e, to accept the acquis communautaire (the Community patrimony) in its entirety. 4/

12. Another condition was subsequently added: the EU should be able to absorb new members without slowing down the process of overall integration.

13. The above conditions for entry provide EU with a large degree of discretion in the selection of new members. EU has so far invited five countries with economies in transition (Czech Republic, Estonia, Hungary, Poland and Slovenia) and one market economy (Cyprus) to be partners in entry negotiations, these having started on 31 March 1998. As EU is open to countries that satisfy the entry conditions, it will carry out periodic surveys of the developments in other applicant countries. It will subsequently decide on their eligibility for the start of bilateral entry negotiations.

14. Originally, there was much talk about the costs of eastern enlargement for the EU in terms of lost jobs in "sensitive" manufacturing industries. Owing to the Europe Agreements, sensitive manufactured goods from the acceding countries already enter the EU market free of tariff and quantitative restrictions. The major continuing trade barriers are chiefly anti-dumping measures. In addition, exports of sensitive products from the acceding countries to the EU have not expanded relative to other products since the 1980s. Hence, one would not expect a surge in acceding countries' exports of sensitive manufactured products to the EU as a consequence of further integration of these countries with the EU. 5/

3/ Treaty of Rome: Article 237; Maastricht Treaty: Article O.

4/ Acquis communautaire consists of around 80,000 pages of EU legislation (Agence Europe, 3 December 1998). It includes all policies, laws, practices, obligations and objectives of EU. the acquis communautaire increased in 1998 by 2,866 new EU regulations. However, most of those regulations deal with day-to-day running of the EU and have a limited duration.

5/ P. Brenton and F. di Mauro (1998). "Is there any potential in trade in sensitive industrial products between the CEECs and the EU?", World Economy, p.303.

15. Preparations for EU entry will require adjustments on the side of acceding countries. Short-term priorities on the accession path include the reform of internal markets, improvements in institutional and administrative capacities (including the judiciary) and in the environment. As this will be costly, Agenda 2000 earmarked ECU 45 billion for the period 2000-2006 as pre-accession aid to the acceding countries. 6/ These funds would cover only a part of costs that are necessary to introduce and to enforce the acquis communautaire in these countries. The rest would have to come from other national and international sources. On the other hand, EU itself will have to reform in order to accommodate this new enlargement. It will have to change its decision-making institutions and revise its policies in areas such as agriculture and cohesion.

16. The acquis communautaire is divided into 37 chapters for the purpose of negotiations. Following a successful screening process, substantive enlargement negotiations on the first seven chapters started on 10 November 1998. 7/ A smooth review of this part of the acquis communautaire should have a positive impact on the effective conclusion of negotiations. At the moment, relatively controversial issues such as agricultural reform have been left for negotiations in the future.

A. The Phare 8/ Programme 9/

17. The Phare Programme started a decade ago. Originally, it was a means to coordinate western European aid to Poland and Hungary in their transition process to a market-based economic system, political pluralism and democracy. Subsequently, the country coverage of the Phare Programme expanded to other countries with economies in transition.

18. Since its inception, Phare has undergone at least two major changes. First, its coverage has expanded to include most central European countries so that, in 1999, it covered 13 countries. Second, it was re-oriented towards the exclusive support of the EU enlargement process in 1997.

19. Phare is now the principal channel for the EU's financial and technical assistance to and cooperation with central European countries. Its annual budget in 1997 was ECU 1.27 billion, in 1998 ECU 1.39 billion and in 1999 ECU 1.63 billion and is expected to be 1.5 billion per year during the period 2000-06 (from 1 January 1999, 1 billion = 1 ECU). This demand-driven programme is the single largest source of know-how transfer to the beneficiary countries. Its current objective is to assist in the preparation of countries for accession to the EU. Phare-supported projects are shaped in conformity with the EU priorities identified in the European Commission's Opinions on eligibility to join the EU.

6/ European Commission (1997). Agenda 2000 for a Stronger and Wider Union, Luxembourg, p. 25.

7/ This part of the acquis communautaire has around 20,000 pages (Financial Times, 10 November 1998, p.3).

8/ Poland, Hungary: Assistance for Economic Restructuring.

9/ For further information of the Internet, see <http://europa.eu.int/comm/dgla/phare/index.htm>.

20. Assistance will be directed primarily to two areas in the future. First, support to investments in priority accession-related areas (70 per cent of the Phare budget) is intended to assist candidate countries in adapting enterprises and infrastructure to conform with EU norms. Areas at the heart of these actions include competition, environment, and nuclear and transport safety. Second, the strengthening of institutional and administrative capacity for the implementation and enforcement of the acquis communautaire (30 per cent of the funds). A crucial instrument for institution building is seen to be the secondment of EU experts to the acceding countries.

B. The TACIS 10/ Programme 11/

21. The Tacis Programme was initiated by the EU in 1990, and formally established a year later. Its origin lies in the recognition that economic and social reforms in what was, at that time, the Soviet Union were important for peace and stability in Europe and the rest of the world.

22. Tacis support was offered first to the Soviet Union and, following its disintegration, to the 12 Newly Independent States (NIS) and Mongolia. Because of political problems, Programme activities have been scaled down since 1998 in Belarus and Tajikistan. Assistance has always been based on the recognition that there was a need to support movement toward democracy and a market economy. Support has been given in two forms: know-how and humanitarian aid. The Programme has become the world's largest provider of grant finance to the Newly Independent States. Assistance provided during 1991-97 period was ECU 3.28 billion. The budget for 1997 was ECU 481 million, for 1998 ECU 565 million and for 1999 ECU 590 million.

23. The current Tacis programme will expire at the end of 1999. The new Programme for the seven-year period starting in 2000 will on the average dispose of around 500 million a year. It will also be reformed according to the following principles:

- Instead of providing simple technical assistance, the new programme will support ongoing market-related reforms, motivate investment and strengthen democracy and the rule of law. Cooperation among the beneficiary States should also be promoted.
- The impact of aid will be maximized by a stronger concentration of means on a smaller number of projects that deal with democracy, rule of law, aid to the private sector, economic development, easing of the hardship that comes from transition to the market economy, infrastructure, protection of the environment and the development of rural areas.
- A quarter of the funds are earmarked for the promotion of investment. This will go beyond the previous practice of providing only consultants and studies.
- Up to a quarter of the funds are earmarked for the best projects. The objective is to introduce an element of competition for the available funds.

10/ Technical Assistance for the Commonwealth of Independent States.

11/ For further information on the Internet, see

<http://europa.eu.int/comm/dgla/tacis/index.htm>.

- Differentiated treatment will be given to the beneficiary countries with support allocated according to each country's specific needs. For example, in Russia it would be rule of law, in the western and Caucasian countries it would be the creation of a favourable investment climate, while in central Asia and Mongolia, it would be democracy and public administration.
- Aid would be conditional on respect for human rights and democratic principles.

24. There will be an improved system of management of the programme. This includes the partial disbursement of funds, with each disbursement contingent on the results of use of the preceding disbursement. In addition, partner countries will have to contribute more to the funding of each project in order to become partners in fact, as well as in name.

III. TRANSATLANTIC TRADE RELATIONS

25. Over the past two years, in addition to being the leading participants in international trade, the United States and EU continued to be each other's largest trading partner and most important source and destination for foreign direct investment. The two-way trade of goods and services was over ECU 400 billion in 1997. At the same time, the United States invested over ECU 21 billion in the EU, while EU invested over ECU 37 billion in the United States in 1997. This impressive degree of interdependence was reinforced by a number of important actions.

26. The United States and EU have also carried out a significant political and economic cooperation agenda in the area of trade policy during the last two years. These cooperative efforts have been pursued in the context of the implementation of the New Transatlantic Agenda (NTA) adopted at the EU-United States Summit in Madrid on 3 December 1995. The NTA contains a substantial chapter on economic and trade issues. However, in spite of these developments, there was some friction between the two Transatlantic partners.

27. In shaping the trade and economic work programme set out in the NTA, the United States and EU were able to draw on the recommendations of the business communities on both sides of the Atlantic made under the auspices of the Transatlantic Business Dialogue (TABD). In line with the recommendations of the TABD, the main focus of NTA provisions relating to trade and other economic relations is the strengthening of the multilateral trading system. In this context EU and the United States have worked together in WTO to conclude the Information Technology Agreement and the Basic Telecommunication Services Agreement (which together liberalize around one trillion dollars in trade in goods and services), as well as the Financial Services Agreement. In WTO, the Transatlantic partners have cooperated effectively in the complex accession negotiations for new WTO Members, such as China and Russia. In the Organisation for Economic Co-operation and Development, EU and the United States have contributed to the conclusion of a comprehensive convention to combat corruption.

28. The bilateral section of the NTA has as its centrepiece the commitment to progressively reduce or eliminate barriers to the flow of goods, services and

investment between EU and the United States. Again, in line with the TABD recommendations, particular emphasis has been laid on standards, certification and regulatory issues, calling for cooperation in the international standards-setting process, the conclusion of mutual recognition agreements for testing and certification and enhanced regulatory cooperation.

29. Implementation of the NTA has contributed to various agreements and initiatives since 1997. This shows the breadth and depth of the cooperative relationship between the two partners. These agreements are outlined in annex II.

30. Despite these cooperative efforts, transatlantic trade and investment remain hampered by a significant number of impediments, mainly of a non-tariff kind. In addition, given the importance of economic relations between the two partners it may not come as a surprise that there have also been disputes. For example, the United States' objection to the special EU system for banana imports has resulted in what has been the largest disagreement in a number of years between the Transatlantic partners. However, there are expectations that this issue will be solved within the WTO system. Other problem areas include the impact of different regulatory approaches in sensitive areas such as biotechnology, food safety and data privacy. All this has increased the pressure to raise the level and quality of bilateral cooperation. In addition, the failure of the OECD Multilateral Agreement on Investment discussions to come to a conclusion has left open a number of issues related to FDI.

31. It was with the above situation as background that EU and the United States launched a new initiative in the first half of 1998: the Transatlantic Economic Partnership. The objective of this partnership is to address certain open issues in trade relations in a more comprehensive way.

Transatlantic Economic Partnership

32. At the London EU-United States Summit of 18 May 1998, the Leaders gave additional impetus to efforts towards a further reduction of barriers that hinder transatlantic business. In a joint statement on the Transatlantic Economic Partnership (TEP), they identified a series of multilateral and bilateral actions to strengthen their cooperation, to reduce frictions and to promote prosperity on both sides of the Atlantic. Summit Leaders agreed to establish a Plan, with a timetable for achieving specific results by the end of 1999, as well as to take all necessary steps to allow its early implementation. This Plan was finalised in November 1998. Among other things, the plan will create high-level groups on biotechnology and environment in order to identify potential hazards and set up a rapid alert system for food safety. It will also pave the way for further mutual recognition agreements where both sides accept that laboratories can certify product compliance with the other's standards.

33. In the prevailing situation where more traditional tariff and quota barriers to trade have been almost eliminated, trade and investment flows continue to be hampered by barriers essentially of a regulatory nature. In this context, the goal of the TEP initiative is twofold:

- to cover those trade issues, in particular non-tariff barriers, which really matter for transatlantic business and which, if properly tackled, promise substantial new economic opportunities for firms and consumers;
- to stimulate further multilateral liberalization through pioneering work at the bilateral level and closer EU-United States cooperation in multilateral trade forums, in particular WTO.

34. More specifically, in the multilateral field, TEP foresees the reinforcement of cooperation on multilateral trade issues through the establishment of a multi-faceted regular bilateral dialogue. In the bilateral field, specific common actions are envisaged in the areas of: technical barriers to trade; services; government procurement; intellectual property; consumer and plant health and biotechnology; environment; labour and electronic commerce. In the first four of these areas, cooperation should also take the form of formal bilateral negotiations.

35. While tackling regulatory barriers, special attention is always accorded to a high level of protection of health and safety of consumers and the environment. Furthermore, both EU and the United States are committed to ensuring that the concerns of labour, business, environmental and consumer constituencies are integrated into the TEP process. 12/

36. In the future, constantly evolving and expanding transatlantic trade relations and accompanying agreements may have a much wider, positive spillover effect on international multilateral trade relations.

IV. SUBREGIONAL COOPERATION

A. Southeast European Cooperative Initiative 13/

37. The Southeast European Cooperative Initiative (SECI) is a regional framework in which countries from and around the former Yugoslavia 14/ are working together to resolve technical obstacles to economic development and facilitate their integration into European structures. Conceived on the basis of an agreement between EU and the United States, 15/ SECI held its inaugural meeting in December 1996. Dr. Erhard Busek, former vice-chancellor of Austria, acts as SECI Coordinator. UN/ECE provides SECI with technical and project management support,

12/ Further official information on transatlantic trade policy can be found at: <http://www.doc.gov/>; <http://europa.eu.int/comm/dg01/dg1.htm>.

13/ <http://www.unece.org/seci/>.

14/ Albania, Bosnia and Herzegovina, Bulgaria, Greece, Hungary, Republic of Moldova, Romania, Slovenia, the Former Yugoslav Republic of Macedonia and Turkey. Croatia has not formally adopted the SECI "Statement of Purpose", but participates in the Agenda Committee and several project groups. An invitation to the initial meeting of SECI was extended to FR Yugoslavia and then withdrawn in light of recent events in the country.

15/ SECI is supported by Austria, Italy, Switzerland and the United States. The European Commission participates in the Agenda Committee and many of the project groups.

as well as serving as an underlying intergovernmental forum, in which all Participating and Supporting States are equal members.

38. Each Participating State appoints as its SECI National Coordinator a high-ranking government official who represents the country on the Agenda Committee, SECI's decision making body. It is responsible for identifying common areas of concern related to the region's economy and environment, as well as approving and monitoring the regional projects which form the basis of SECI's activities (e.g. border crossing, cooperation among stock exchanges). The Agenda Committee holds its meetings four times a year at the UN offices in Geneva.

39. One of the primary objectives of SECI, as established in its *Statement of Purpose*, is to encourage involvement of the private sector by creating a regional climate that is conducive to private investment. The Business Advisory Council to SECI, a voluntary body of business leaders from within and around the region, is the primary instrument for implementing this objective.

40. SECI is not intended to be a "grant-in-aid" programme. Its focus is "help for self-help." Experts from Participating States pay their own expenses to participate in project group meetings. This financial obligation has been an obstacle to participation by countries with serious economic difficulties, but has also contributed positively to the "results orientation" of SECI projects. The participation of experts from the UN/ECE secretariat has been possible through extra-budgetary funds from the United States and by orienting part of the UN/ECE's Regional Advisory Services programme to support SECI.

41. As SECI begins its third year, the UN/ECE will supplement its project support with assigned country responsibilities. In addition to providing technical expertise to specific projects, members of the UN/ECE secretariat will assist the SECI National Coordinators, as well as the Permanent Missions in Geneva, with information and advice on different aspects of the Initiative. By virtue of its involvement with other regional initiatives and its ongoing working relations with EU, UN/ECE is in an excellent position to assist various regional groupings, with overlapping country participation, to avoid duplication of effort.

B. United Nations Special Programme for the Economies of Central Asia (SPECA) 16/

42. SPECA is an emerging programme for subregional cooperation. It was initiated by Kazakhstan and supported by all countries of central Asia and the Secretary-General of the United Nations. The Executive Secretaries of UN/ECE and ESCAP discussed SPECA with the Presidents of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan in 1997 and 1998. They have agreed, in general, that SPECA can contribute to regional cooperation and promote smooth economic relations in areas where competing or conflicting interests may create tensions. This is of

16/ <http://www.unece.org/operact/>.

particular importance at this time, when world financial and economic turmoil has put the countries of the region in an especially difficult position. A concept paper on SPECA, presenting organizational details and methods of operation, has been discussed among the participating countries. It is expected to be formally adopted in the near future. The practical work in some of the Project Working Groups (PWG) of the Programme has already begun.

43. The Programme provides for the implementation of agreed projects of regional and national importance in the areas of competence of the regional commissions of the United Nations. Those areas include: transport, energy, trade policy and trade promotion, protection of the environment, development and management of natural resources, industrial development and investment promotion. The projects, to be established by the respective Project Working Groups of the Programme, would contribute to establishing a favourable economic environment with a focus on regional policies. The successful implementation of the projects would lead to increased cooperation among the countries of central Asia and their closer integration into the world economy.

44. The Presidents of Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan, and the Executive Secretaries of UN/ECE and ESCAP signed, on 26 March 1998, the Tashkent Declaration on SPECA where they state their will to adopt and implement the Programme. In order to make SPECA operational, the Heads of States have requested their respective Governments to act jointly with UN/ECE, ESCAP and United Nations resident coordinators in the participating States. They are to develop an agreed organizational structure and establish institutional arrangements for the programme, as well as to explore possible financial arrangements. As soon as the preparatory process is completed, SPECA will be officially presented to the international community. Turkmenistan officially indicated its intention to join the Tashkent Declaration and participate in SPECA projects in September 1998.

45. The Programme will focus, during the first stage of its implementation, on projects in the following areas:

- Development of transport infrastructure and cross-border facilitation (lead country: Kazakhstan);
- Rational and efficient use of energy and water resources of central Asia (lead country: Kyrgyzstan);
- International Economic Conference on Tajikistan and a joint strategy for regional development and attraction of foreign investment (lead country: Tajikistan);
- Regional cooperation on the development of multiple routes for pipeline transportation of hydrocarbons to global markets (lead country: Turkmenistan),
- Industrial restructuring with a view to creating internationally competitive manufacturing industries (lead country: Uzbekistan).

46. Since the adoption of the Tashkent Declaration, the established lead countries and the two United Nations regional commissions have been working on forming Project Working Groups (PWGs) and preparing the background "diagnostic" papers for the first meetings of the PWGs.

47. The PWG on Transport and border crossing held its first session from 20 to 22 October 1998 in Almaty. It considered alternative ideas for the substance of its Programme of Work through 2001. It also agreed to return to cooperation issues after national preparatory work and consultations with various international organizations. The PWG agreed to focus, at the first stage of its work, on border-crossing and transit-facilitation issues. The SECI experience was discussed and will be applied in the SPECA context. The next PWG meeting is scheduled for April 1999.

48. The first session of the PWG on Energy took place in Bishkek on 20 and 21 November 1998. The participants agreed to consider problem issues in the area of rational and efficient use of energy and water resources in Central Asia and to work toward their solution on the basis of international norms, standards and experience. The second meeting of this PWG is scheduled for April 1999.

49. UN/ECE and ESCAP started preparatory work for the first session of the PWG on an International Economic Conference on Tajikistan. A background document for the Conference (a draft of the Medium-term strategy of economic reconstruction, recovery and reform) is in preparation. Provisionally, the first session of the PWG on Tajikistan is scheduled for May 1999.

C. Central European Free Trade Agreement (CEFTA) 17/

50. During the last two years CEFTA countries have strengthened their sub-regional integration, recognizing that certain objectives may be easier to achieve as a group, rather than as individual countries. Regular consultations now take place at all levels. These are crucial for regional cooperation because of the similarity of problems between the countries. Moreover, the EU observes these relations in order to determine the maturity of the accession candidate countries in the area of international cooperation.

51. The main objective of the group is a gradual liberalization of trade and creation of a free trade area. In spite of the fact that CEFTA countries trade mostly with the EU, its membership has expanded to seven countries. The original member countries: the Czech Republic, Hungary, Poland and Slovakia were joined by Slovenia in 1996, Romania in 1997 and Bulgaria in 1998. With its 98 million inhabitants, the consumption capacity of the group is considerable. Without CEFTA, central Europe would lack an expanding free-trade environment. Countries such as Latvia, Lithuania and Ukraine have also expressed interest in joining CEFTA.

17/ <http://www.uvi.si/cefta/eng/informacije/index.html>-12.

Annex I

ENTRY TO THE WORLD TRADE ORGANIZATION

A. WTO Applicants for accession as of 1 March 1999

Albania
Algeria
Andorra
Armenia
Azerbaijan
Belarus
Cambodia
China
Croatia
Estonia
Georgia
Jordan
Kazakhstan
Lao People's Democratic republic
Lithuania
The Former Yugoslav Republic of Macedonia
Moldova
Nepal
Oman
Russia
Samoa
Saudi Arabia
Seychelles
Sudan
Taiwan Province of China
Tonga
Ukraine
Uzbekistan
Vanuatu
Viet Nam

B. Problem Areas

Problem areas on the way to accession to the WTO include:

The need for capacity building

Many countries in central and eastern Europe started their process of transition toward a market-based economic system from a position of relative disadvantage with regard to the institutional (e.g. customs, administrative and legal) framework needed to participate in the international market-based trading system. Although institutions such as chambers of commerce existed in these countries, they were not accustomed to working in a market-based trading environment. The

same is true for the entire legal framework. The establishment of these capacities and institutions may be a time-consuming and costly task, but it is a task that needs to be largely completed prior to WTO accession. At the same time these new institutional capacities can also help a country take advantage of its rights as a WTO member. In this respect, organizations such as the European Bank for Reconstruction and Development are helping to provide part of the resources required for the building of the administrative capacities in the acceding countries.

Agriculture

Agriculture has been a heavily supported and protected sector in all countries throughout the world. Trade-liberalization measures in the international market for agricultural goods were started by the Uruguay Round Agreement. Most countries in economic transition have found negotiations on the Protocol on agriculture very difficult. In certain countries agriculture contributes a significant part of the GDP and employment. In addition, in many countries agriculture may also be passing through a difficult process of deep restructuring, privatization or even outright crisis. In these circumstances, it is not always easy to expose this sector to greatly increased international competition.

Subsidies

Export subsidies are regarded as instruments of economic policy that distort trade and investment flows. Therefore, WTO member countries carefully watch the export subsidies that are made in a direct or indirect way by their trading partners. Commitments on elimination of export subsidies are usually requested from acceding countries. Countries with economies in transition have seven years to phase out export subsidies. However, countries that accede are asked, from the date of accession, not to create any new subsidies.

Foreign investment

The WTO deals with investment in the framework of TRIMs. The investment issue is also considered in bilateral negotiations on services (e.g. the right of establishment of specific service industries). WTO member countries are interested in a reduction and elimination of restrictions on investment, as well as the introduction and development of safeguards for protection of investment. Usually, there is a bilateral request (e.g. by the United States, Japan) to discontinue restrictions from the accession date.

State trading and state-owned enterprises

The WTO accords great attention to state-trading and state-owned enterprises because they tend to distort the free operation of market forces. In order to enter the WTO, state trading has to be brought into compliance with WTO disciplines (state trading is not forbidden as such, but there are certain rules such as notification requirements or the need to operate on commercial

principles. The same holds for any enterprise that enjoys special or exclusive trading privileges. This is a rather difficult task in the countries in economic transition because of entrenched past practices.

Competition

Applicant countries need to introduce and enforce legislation on anti-dumping, countervailing and contingency trade-protection in conformity with the WTO agreements. Other competition-related laws in order to preserve fair competition in internal markets are not explicitly required. However, the spirit of WTO is that state-controlled enterprises and newly privatized firms also need to face "proper" competition in the domestic marketplace.

Internal taxation

WTO applicant countries have different systems and rates of indirect taxation. This has to be aligned with the central GATT principle that imported goods must not be subject to national taxes and excise duties that are higher than those applied to domestic goods.

Intellectual property

WTO examines the legislation of applicant countries in order to determine if it provides sufficient protection of intellectual property rights and searches for evidence of enforcement of those codes. Governments of acceding countries are usually asked to comply fully with the TRIPs Agreement from the date of the accession.

Having completed the accession process, Congo, Mongolia, Panama and Zaire joined the WTO in 1997, Kyrgyzstan did the same on 20 December 1998, while Latvia joined on 10 February 1999. As a result, the WTO had 134 member countries at the beginning of March 1999.

* * *

Annex II

AGREEMENTS INITIATED BY THE NEW TRANSATLANTIC AGENDA
(Period 1997 to March 1999)

- Customs cooperation

The signature at the EU-United States Summit of May 1997 in the Hague of the Agreement on Customs Cooperation and Mutual Assistance in Customs Matters covering, inter alia, simplification of customs procedures, data and personnel exchanges and increased investigative cooperation.

- Mutual Recognition Agreement

The signature at the EU-United States Summit of May 1998 of a Mutual Recognition Agreement covering specific areas (telecommunication equipment, pharmaceuticals, medical devices, electromagnetic compatibility, electric safety and recreational craft). This will allow EU bodies to carry out conformity assessments to United States' requirements, and vice versa, thus eliminating considerable costs related to standards certification on either side of the Atlantic. The Agreement entered into force on 1 December 1998.

- Veterinary Equivalence Agreement

The negotiation of the EU-United States Veterinary Equivalence Agreement aimed at facilitating trade in live animals and animal products was approved by the EU Council of Ministers in March 1998 (the Agreement is not yet in force).

- Positive Comity

The EU-United States Agreement on the application of positive comity principles in the enforcement of their competition laws was signed on 4 June 1998. The Agreement is intended to improve cooperation by complementing the 1991 Agreement between the United States and EC regarding the application of their competition laws, without replacing them.

- Regulatory Cooperation

Regulatory cooperation was undertaken to make regulators more aware of the trade and investment consequences of their decisions. The goal is to discourage the development of divergent regulations, so that issues that might otherwise become the source of a future trade dispute may be addressed at an early stage. Several projects are already ongoing, including in the fields of agriculture, food and biotechnology. At the EU-United States Summit on 5 December 1997, the parties agreed on a Joint Statement on how to strengthen Regulatory Cooperation.

- Electronic Commerce

The examination of key issues raised by the rapid growth of electronic commerce. At the EU-United States Summit on 5 December 1997, the parties agreed on a Joint Statement on how to cooperate on the various aspects of electronic commerce which are now emerging.

- Science and Technology Agreement

A Science and Technology Agreement was signed on 5 December 1997. The Agreement aims at extending and strengthening the conduct of cooperative activities between EU scientific institutions and a range of government research agencies in the United States.
