

Committee on Trade and Development

**WTO MINISTERIAL TRADE CONFERENCE
FOR CENTRAL AND SOUTH EAST EUROPE**

ZAGREB, CROATIA
11-12 June 2002

The WTO Secretariat would like to circulate to Members and Observers for their information the Report^{*} of the above-mentioned meeting.

REPORT

I. BACKGROUND

1. A WTO Ministerial Trade Conference for Central and South East Europe was held in Zagreb, Croatia, 11-12 June 2002 in cooperation with the host country, Croatia. This summary report has been prepared by the WTO Secretariat for the information of Conference participants and Members.

2. The main objectives of the meeting were to assist countries to better participate in the multilateral trading system and the current negotiations. These objectives were pursued through sessions focused on the following broad topics :

- WTO Technical Cooperation/Accessions;
- The Multilateral Trading System in a Post Doha Framework: New Issues Emerging from Doha, Challenges Ahead;
- Trade Rule-Making and Liberalization: Regionalism and the WTO in Light of Doha; and
- Challenges and Opportunities in the Multilateral Trading System: Trade and Investment.

3. This was the first high-level WTO Ministerial Conference of its kind in the region. It provided a unique opportunity for participants to exchange information and experiences of the WTO and share ideas as to how all actors could work together for the advancement of the region. Ministers, Deputy Ministers and high level government officials from 18 countries were invited. These included

^{*} *This document has been prepared under the Secretariat's own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO.*

Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Estonia, Former Yugoslav Republic of Macedonia, Federal Republic of Yugoslavia, Latvia, Lithuania, Moldova, Poland, Romania, Slovak Republic, Slovenia and Turkey.

4. Also invited to the meeting were bilateral donors (the United States, the Commission of the European Union and Japan), the diplomatic corps in Croatia, regional and international organizations and bodies (the World Bank, IMF, UNDP, ITC, the Black Sea Economic Cooperation (BSEC), International Chamber of Commerce, Joint Vienna Institute (JVI), OECD, OPIC, OSCE, EBRD, UNCTAD, UNECE, WIPO, ESCAP, the World Economic Forum and the Stability Pact), as well as some NGOs.

5. Background documentation, including reports and specific topical briefing notes, prepared by the WTO Secretariat, were provided to participants at the Conference.

II. OPENING OF THE CONFERENCE

6. The Minister of Economy, H.E. Mr. Hrvoje Vojkovic, welcomed participants to the Conference. In his remarks, the Minister stressed the importance of trade liberalization as a tool to assist countries to further integrate into the global economy and he called for strong support for countries in accession. He further highlighted the Doha negotiations would be beneficial in generating economic development and growth.

7. The keynote address was delivered by the First Deputy Prime Minister, H.E. Mr. Drazen Budisa, who underlined the key importance of the WTO for Croatia's economic development. Economic growth in Croatia had accelerated since it joined the WTO in the year 2000 and the future outlook was positive. Major structural economic and legal reforms resulting from accession to the WTO had contributed to human and institutional capacity building and had strengthened domestic policy-making. Croatia's membership of the WTO had thus been a critical element in its integration into the global economic system, both in terms of enhancing trade and also in pursuing sound economic policies generally. The Deputy Prime Minister welcomed the Doha Development Agenda, which he stressed would help add impetus to continued trade liberalization and economic growth.

8. Mr. Mike Moore, Director-General of the WTO, formally opened the Conference and outlined its overarching objectives. First, the Conference aimed to assist countries from the region, which are either in the process of joining the WTO or had recently joined, to participate successfully in the multilateral trading system. Second, the Conference could help identify ways to support countries' preparation for and participation in, the current negotiating process. The Director-General said the Conference presented a unique opportunity to exchange views and share experiences on a broad range of WTO trade-related issues. He further indicated the importance for the WTO Secretariat to learn directly from participants about the challenges countries of the region face.

III. SUMMARY AND MAIN ISSUES EMERGING FROM THE CONFERENCE

9. Participants exchanged views on a broad range of trade-related issues. The program (attached) was structured around four main themes. The discussions of each session and the main issues raised are summarized below:

Session 1: WTO Technical Cooperation/Accession

10. This session was moderated by Mr. Paul-Henri Ravier, Deputy Director-General of the WTO. He emphasized, at the outset, that the Doha Declaration had reaffirmed technical assistance as a core WTO activity spanning the full range of negotiating topics. As a result of the Doha outcome, significant changes had been made to the delivery of technical assistance. The concept of technical assistance had been considerably broadened, with more emphasis on training and human and institutional capacity building. Technical assistance is better focused on assisting countries to take full advantage of WTO rules rather than simply explaining them. Mr. Ravier highlighted that the WTO now has a broad and effective range of tools at its disposal to assist countries.

11. Mr. Ravier explained the Doha Development Agenda mandate on technical assistance by briefly reviewing the eleven operative paragraphs on technical cooperation and capacity building contained in the Doha Declaration. He discussed the Secretariat's strategic responses to the Doha mandate and reviewed the results to date. In particular, he highlighted the progress that has been made on the implementation of the Technical Assistance Plan for 2002, the Doha Development Agenda Data Base, which was currently being developed in partnership with the OECD, and the Doha Development Agenda Global Trust Fund. Participants were also reminded by Mr. Ravier that their technical assistance priorities and requests for 2003 had to be notified to the Secretariat by July 2002.

12. The need for deeper inter-agency co-ordination of technical assistance activities was stressed by Mr. Ravier. Reference was made to WTO cooperation with regional development banks, as well as with inter-governmental institutions on specific topics (FAO, WCO, WIPO, UNECE, UNCTAD, UNIDO, ITC, standard setting bodies etc.). Coordination with bilateral donors had been strengthened to help avoid duplication and overlap.

13. Mr. Ravier highlighted the need for more training to overcome the human capacity constraints faced by developing countries. He referred to the new initiatives by the Director-General to conduct the Geneva-based WTO trade policy courses at specialized training institutes in Morocco and Kenya. He noted that the possibilities for implementing this idea in Central and South East Europe were also currently being explored with the Joint Vienna Institute, with which the WTO has a long-standing working relationship.

14. In the discussions, the following main points were stressed:

- Technical assistance had gained considerable importance since Doha and would greatly facilitate countries participation in the multilateral trade negotiations;
- The establishment of the Doha Development Agenda Global Trust Fund was welcomed. Several participants referred to the financial contributions their countries had made to the fund;
- Technical assistance needed to be well targeted and focused on specific demands;
- While the demand driven approach remained valid, an adequate level of supply of technical assistance needed to be assured through training courses and regional seminars;
- Technical assistance was of critical importance to all developing countries, as well as to economies in transition, including acceding and recently acceded countries;

- Technical assistance should focus particularly on institutional and human capacity building, accession, and specific subjects such as agriculture, services, TRIPS, geographical indications, dispute settlement, rules (anti-dumping, safeguards), market access and 'Singapore issues' ;
- Analytical studies and research on product and market development strategies should be conducted;
- Technical assistance was required for specific areas such as:
 - drafting and harmonization of domestic legislation;
 - meeting notification obligations;
 - scheduling commitments in the area of services (GATS);
 - tabling requests and offers for goods and services;
- Technical assistance should be provided to train trade policy makers and trainers, to reach out to parliamentarians and civil society, and also to create public/private sector partnerships;
- Technical assistance should be provided through seminars, conferences and workshops to build support for the WTO, explain benefits of WTO membership, and to help raise private sector and public awareness;
- Donor countries need to coordinate their respective technical assistance activities with the participation of the WTO Secretariat;
- Several Members expressed their readiness and willingness to share their national experiences with acceding countries, to provide assistance in areas requested by these countries and to put national experts at their disposal;
- International agencies and bilateral donors provided detailed explanations on current and potential assistance provided to participants.

15. There was also considerable focus on accessions, the second broad theme of Session 1. The following is a summary of the main points made:

- The need for flexibility in the accession negotiations, precise time-frames and commitments that do not exceed those of present members was emphasized by acceding country participants;
- Several Members asked for due consideration to be given to the possible consequences of WTO accession on existing trade agreements among acceding countries;
- Transitional arrangements to implement certain complex WTO Agreements such as TBT, SPS, TRIPS, and Agriculture, should be considered, whenever necessary, in light of the limited resource and administrative capacities of many acceding countries;

- Technical assistance should address expressly the issue of participation in the Doha negotiations. In this respect, there was an immediate and urgent need for capacity building on new issues;
- It was generally acknowledged that the WTO and other international organizations, as well as individual partners, had been providing high quality technical assistance to countries in accession and that these activities should be intensified and greater use made of synergies and complementarities between agencies;
- Technical assistance should be continued after accession to facilitate the implementation of the agreed commitments including compliance with WTO notification requirements;
- Participating countries were informed that pursuant to the Doha Ministerial Declaration a seminar on accession to the WTO, open to all WTO Members and acceding countries, would be held in Geneva on 15-16 July 2002.

Session 2: The Multilateral Trading System in a post-Doha framework: new issues emerging from-Doha: challenges ahead

16. At this session, participants focused on how countries in the region could better engage in WTO negotiations and how this could be best supported by domestic processes and policy reforms.

17. The moderator/lead speaker, Mr. Mike Moore, Director-General of the WTO, introduced the session and provided an overview of the current state of play in the negotiations. He highlighted the following areas, where progress has been made:

- A Trade Negotiations Committee to oversee the work had been established;
- The structure of the negotiations and Chairs of the various negotiating bodies have been agreed upon;
- The work programs of most of the bodies have been finalized;
- The next Ministerial Conference would be held in Cancun, Mexico, from 10-14 September 2003;
- In support of the negotiations, the WTO Secretariat had been re-organized to re-focus its priorities on the Doha Agenda and Members have agreed to the Technical Assistance Plan 2002.

18. However, he underlined that given the very tight time-frame within which the negotiations had to be conducted there was no room for complacency. Participants in the negotiations should be much more forthcoming about their priorities and submit concrete proposals. He indicated that by the time of the next Trade Negotiations Committee meeting in July, it would be necessary to have a more precise picture of the roadmap to Mexico and beyond, in each sector and in the negotiations overall.

19. The following is a summary of the main views expressed:

- Good progress has been made and concrete steps have been taken following the Doha Ministerial Conference. Members reaffirmed their commitment to the Doha

Development Agenda and stressed that agreed deadlines should be met. Achieving a successful outcome to the Doha negotiations is a responsibility that all Members share;

- Modalities for conducting the negotiations and technical assistance would be critical in securing the full participation of countries from the region;
- For many countries, the conclusion of their accession negotiations and the implementation of WTO obligations, following accession, were critical issues. Technical assistance was also required to assist countries to implement WTO obligations and commitments;
- Concerns were expressed about recent trade policy measures taken in the areas of steel and agricultural subsidies. These developments could negatively influence the overall negotiating climate;
- Detailed explanations were provided by participants on areas of interest to their countries, including market access, tariff negotiations for non agricultural goods, TRIPs, agriculture, services negotiations, dispute settlement, rules, transparency in government procurement, trade facilitation, investment, competition policy, and trade and environment;
- The importance of trade liberalization initiatives at the regional level, such as the ones undertaken in the context of the Stability Pact, was emphasized;

Session 3: Trade-rule-making and liberalization: regionalism and the WTO in light of the Doha mandate

20. The lead speaker, Mr. Clem Boonekamp, Director of the Trade Policy Review Division of the WTO, introduced the subject. He noted that WTO Members recognized the significant role regional trade agreements could play in promoting trade liberalization, in enhancing trade opportunities and ultimately, in fostering economic development. Mr. Boonekamp highlighted that a basic distinction between regional arrangements and multilateral trade agreements was that the former were by definition discriminatory. He explained that according to WTO rules, regional trade agreements were allowed if certain conditions were met, but interpreting the wording of these rules had proved controversial and had hindered the work of the Committee on Regional Trade Agreements. Only one regional arrangement (Czech-Slovak Customs Union) had been found to be in full accordance with the WTO rules (Article XXIV of GATT, Article V of GATS and the Enabling Clause). WTO rules are not sufficiently clear on the criteria for RTA conformity to WTO provisions.

21. Reviewing the WTO disciplines has become a more pressing challenge. There has been a rapid expansion in the number of RTAs. Nearly all WTO Members and acceding countries are parties to regional agreements or are considering concluding them. There are currently over 250 RTAs in existence and of these some 80 apply to countries in the region. One main concern with the proliferation of RTAs was the overlapping scope of these agreements. Moreover, unlike the past, RTAs tend to have provisions on areas such as investment, competition policy, labor and the environment, creating potential regulatory conflict. In the Doha Declaration, Members agreed to address some of the main concerns and negotiate a solution. Mr. Boonekamp noted that the issues he had addressed were further elaborated in a Secretariat paper that had been circulated to participants.

22. The following is a summary of the views expressed:

- Participants underscored the primacy of the multilateral trading system and agreed that regional trade agreements were second best to multilateral trade rules. However, it was often easier, more effective and less time-consuming to agree on specific issues at the regional level than at the multilateral level. MFN trade liberalization could be complicated and lengthy, whereas domestic interests could be better served through regional trade liberalization. The growing prominence of RTAs thus reflected an economic and political realities;
- The importance of regional trade agreements for countries in the region was underlined and participants expressed their continued support for furthering regional cooperation to facilitate trade. It was also noted that regional trade could enhance multilateral trade. Participants also stressed that the key principles of multilateral rules, especially on transparency, should be followed closely,
- It was underlined that regional preferential trade agreements could help, inter alia, to accelerate growth, increase bargaining power and alleviate external shocks. Furthermore, it could be an essential step for countries to integrate into the multilateral trading system;
- Participants noted that administering regulations and implementing the provisions of regional agreements, in addition to ensuring adherence to multilateral trade rules, could have important implications for domestic policy-making and could over burden national administrations;
- Representatives of the main regional bodies and leading donors in the region gave detailed reports on the achievements of the major trade initiatives in the region. They also outlined existing cooperation between the regional bodies and the WTO and how these could be strengthened in future;
- Participants called for stricter and clearer rules on RTAs to solve problematic issues and uncertainties in GATT Article XXIV and to provide clear definitions on the key principles contained in the WTO provisions.

Session 4: Challenges and Opportunities in the Multilateral Trading System: Trade and Investment

23. Some of the key issues addressed in this session were how countries could:

- benefit from new market opportunities;
- open their markets further;
- participate better in the globalization process;
- ensure coherence of trade policy measures with other economic policies;
- draw from the body of WTO law and rules to assist domestic policies;
- build human and institutional capacity to better understand the multilateral trading system and participate therein; and

- ensure a continuous inflow of FDI to enhance new economic opportunities.

24. The moderator, Mr. Lago, Deputy Chief Economist of the EBRD, made an introductory statement emphasizing that sound domestic policy-making was a *sine qua non* for facilitating trade. He stressed that distortions were primarily found in the domestic sphere and needed to be corrected first. In that regard, he mentioned five dimensions in policy-making that would influence trade and finance flows:

- enhancing domestic liberalization in trade and services;
- ensuring domestic efficiency relating to finance;
- creating investment opportunities and industrial policy;
- ensuring an appropriate and adequate domestic regulatory framework; and
- ensuring macro-economic stability.

25. Mr. Lago explained the main functions of the EBRD, which was investing in 27 countries, including in all the countries present at the meeting. He highlighted that roughly 10 per cent of all FDI occurring in the region was mobilized by the EBRD. The EBRD was very active in supporting trade facilitation and had a dedicated program in this area. The EBRD also assisted in facilitating trade through infrastructure projects, including road works, energy plants, etc.

26. Short and focused country presentations were made by several participants on their countries' economic performance, the domestic trade and finance situation, new investment opportunities and the current regulatory and macroeconomic conditions. The main challenges faced by countries, in light of developments in the multilateral trading system and the global economy, were also highlighted. Some of these challenges encompass how domestic policies could enhance cross border trade, foreign direct investment and capacity building. Other challenges relate to establishing mechanisms for enhancing transparency, non-discrimination and the stability of trade and finance policies. Statements were also made by agencies including the World Bank, ITC, OPIC, UNECE and the Soros Foundation.

27. The following is a summary of the main views expressed:

- Overall, FDI expanded rapidly in 2000 but contracted sharply in 2001. It was noted that FDI requires transparent, predictable and stable conditions and is adversely affected by inflation, policy instability, lack of predictability and time consuming burdensome administrative regulations;
- The contribution of FDI to the development of national economies was underlined. In this regard, particular reference was made to privatization programs, the economic restructuring process and green field investments;
- Participating countries summarized the legislative reform programs that have been put in place to implement the WTO Agreements and drew attention to the economic sectors requiring incentives for foreign investment and foreign private capital;
- The question of whether investment incentives could be considered efficient tools for attracting FDI was discussed. Different views, addressing the issue from short and long term economic perspectives, were expressed;
- Several participants indicated that they had bilateral investment agreements but supported initiatives underway to develop multilateral disciplines on investment,

which could contain such key elements as transparency, predictability and non-discrimination;

- The experience of many countries was that trade liberalization together with the implementation of the WTO Agreements and other financial and economic policies, were *sine qua non* conditions for economic development and attracting FDI;
- Regional institutions could assist economies in transition by providing a regional framework to consider their domestic reform priorities and concerns.
- Representatives of international organizations and regional bodies outlined their activities in the region and noted that recent studies confirmed that economic development and trade liberalization were complementary. Participating countries agreed that close cooperation among international organizations providing technical assistance was necessary in view of their different mandates, expertise and resources.

28. Following the Director-General's concluding remarks, Deputy Director-General Mr. Ravier presented a summary of the proceedings of the various sessions.

29. The Minister of Economy, H.E. Mr. Hrvoje Vojkovic made the closing remarks, after which the Director-General formally closed the Conference.

30. Many useful ideas and insights on how best to assist the region to integrate into the multilateral trading system had emerged from the Conference. It was generally felt by the participants that this Conference was a first step that should be followed-up by further activities in the region. The Director-General undertook to circulate a Secretariat report on the Conference to all participants and the WTO membership for information.
