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**TRADE DIRECTORATE  
TRADE COMMITTEE**

**TD/TC/WP/A(2004)5/FINAL  
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**Working Party of the Trade Committee**

**OECD REGIONAL TRADE FORUM ON ECONOMIC AND TRADE IMPLICATIONS OF WTO  
ACCESSION**

**DRAFT AGENDA AND ISSUES FOR DISCUSSION**

**Almaty, 3-4 June 2004**

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### **Acknowledgements**

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**TIMETABLE\* AND DOCUMENTATION\*\***

<i>Timetable</i>	<i>Session</i>	<i>Main documents</i>	<i>Background material</i>
<b>3 June</b>			
9.30 a.m. to 10.00 a.m.	Opening Remarks	TD/TC/WP/A(2004)5: Draft Agenda and Issues for Discussion	TD/TC/WP(2004)15: Information Note to Participants
10.00 a.m. to 1.00 p.m.	Session 1: Estimating the Economic and Trade Impact of WTO Accession: Examples of China and Russia	TD/TC/WP(2004)16: Global Economic Impact of China's Accession to the WTO  TD/TC/WP(2004)17: Impact of Russia's Accession to the WTO on the Structure of the Russian Economy  TD/TC/WP(2004)18: Impact of Russia's Accession to the WTO on its Labour Market	CCNM/TD(2003)2: Review of Studies on the Impact of Accession to the WTO on Russia's Economy
3.00 p.m. to 6.00 p.m.	Session 2: Exploiting the Synergies between Multilateral Disciplines and Regional Integration Initiatives	TD/TC/WP(2004)19: The Role of Multilateral and Regional Trade Disciplines in the Central Asian Countries  TD/TC/WP(2004)20: The Role of Multilateral and Regional Trade Disciplines: Experience of the Kyrgyz Republic  TD/TC/WP(2004)21: The Role of Multilateral and Regional Trade Disciplines: Experience of Uzbekistan	OECD Development Centre Policy Insights #1: "Towards an East Asia Free Trade Area" by Shujiro Urata (OECD, 2004)
<b>4 June</b>			
10.00 a.m. to 12.30 a.m.	Session 3: Maximising the Benefits from Integration into the International Trading System	TD/TC/WP(2004)22: Building Capacities to Carry Out WTO Obligations: Main issues	Trade Policies in Russia: The Role of Local and Regional Governments (OECD 2003).  CCNM/TD(2003)3/FINAL: OECD Expert Meeting on Developing Governmental Analytical Capacities in the Trade Policy Area: Proceedings and Implications for Russia
12.30 a.m. to 1.00 p.m.	Concluding Remarks		

(\*) Some flexibility in the allocation of time may be possible throughout the meeting. The list of main speakers and discussants will be distributed to the participants at the beginning of the meeting.

(\*\*) All documents are available at the following website: [www.oecd.org/ech/meetings/almaty](http://www.oecd.org/ech/meetings/almaty)

Username: kazakhstan

Password: almaty

## **Introduction and the objectives of the meeting**

1. The Regional Trade Forum is organised by the Trade Committee within the OECD work programme concerning non-member countries. It draws together several regional and country specific activities: the common programme for Transition Economies of Europe and Central Asia, the Russia Programme, and the China Programme. It has also been prepared in co-operation with the World Bank and the U.S. Agency for International Development. The event, co-hosted by the Ministry of Trade and Industry of Kazakhstan, has benefited from a voluntary contribution from the Government of Switzerland.

2. The meeting will examine the experiences of countries at different stages of integration into the international trading system: some, like the Kyrgyz Republic, joined the WTO several years ago; others, like China, became WTO members only recently; most, including Russia and the other Central Asian countries, are in various phases of accession negotiations. The main objectives of the meeting are to share experiences with the implementation of multilateral and regional trade disciplines, exchange views on the relevance of different methods for analysing changes in trade policy, such as WTO accession, and consider alternative approaches employed by governments to implement WTO commitments and maximise the benefits of integration into the international trading system.

3. Participants in the Forum will include trade officials and experts from both OECD and non-OECD countries, including Russia, China, Central Asia and other Asian countries (Cambodia, Laos and Vietnam), as well as officials from international organisations and representatives of the business community.

4. The meeting will address three sets of issues:

- How to estimate the economic and trade impact of WTO accession: Examples of China and Russia.
- How best to exploit the synergies between multilateral and regional integration initiatives. And,
- How best to maximise the benefits from integration into the international trading system.

### **Session 1: Estimating the Economic and Trade Impact of WTO Accession: Examples of China and Russia**

5. The objective of this session is to present examples of analytical methods for making quantitative estimates of the economic effects of WTO accession for selected countries. Two papers submitted for discussion in this session use different methodologies to analyse the effects on China and Russia. Participants will consider the general advantages and drawbacks of these two methodologies and discuss their relevance to the specific conditions of China and Russia and their potential use for analysing the effects of WTO accession on other countries.

6. The study on “Global Economic Impact of China’s Accession to the WTO” [TD/TC/WP(2004)16] employs a model that captures linkages through both trade in goods and services and capital flows between China and its trading partners. Most important, the model facilitates an analysis of the effects of changes in flows of foreign direct investment (FDI) to China. The study concludes that the major effect of WTO membership for China is to increase its reliability as a supplier to world markets and therefore stimulate FDI inflows (diverting some FDI from other Asian countries). Associated with considerable technological spill-over effects, increased FDI brings major improvements in productivity and large welfare gains to China’s economy.

7. Available studies that have estimated the impact of WTO accession on Russia usually show relatively modest gains for Russia, reflecting its export structure, which is dominated by raw materials (that are affected only marginally by improvements in access to foreign markets) and a more limited potential for attracting FDI. Other studies conclude that, given the progress already achieved in opening its domestic market, Russia has reaped most of the potential benefits from trade liberalisation [see CCNM/TD(2003)2: Review of Studies on the Impact of Accession to the WTO on Russia's Economy].

8. The study on "Impact of Russia's Accession to the WTO on the Structure of the Russian Economy" [TD/TC/WP(2004)17] employs a global computable general equilibrium model (the comparative static GTAP model), using the database that has been modified to take account of increasing returns to scale in several key sectors such as oil and gas extraction, ferrous and non ferrous metals industries, and motor vehicles. It examines the impact of complete elimination of tariffs and compares this with the more modest tariff reductions currently being proposed by Russia. As the liberalisation of services constitutes an important aspect of Russia's negotiations, the study also analyses the impact of services liberalisation in telecommunication and business and financial services sectors. The results indicate that in the short run changes in Russia's aggregate welfare are quite small. However there are considerable structural implications resulting from trade and services liberalisation. Expansions are expected in investment, the services sectors, motor vehicles and construction, while output of Russia's traditional export commodities declines. These implications are found to be sensitive to the extent to which trade is liberalised and whether entry/exit is allowed in those industries, which are subject to increasing returns to scale.

9. The paper on "Impact of Russia's Accession to the WTO on its Labour Market" [TD/TC/WP(2004)18] provides a useful complement to the previous study. It confirms that while the WTO accession is expected to have a limited impact on the overall employment level in Russia both in the short- and medium-term perspective, its effects on the employment at sectoral and regional levels might be significant. The WTO accession can also facilitate necessary adjustments in Russia's labour market, in particular by encouraging the shifts towards export-oriented and more productive sectors, prompting further liberalisation of labour-related legislation and increasing mobility and flexibility in the Russian labour market.

10. The following issues are suggested for discussion:

- a) Do the assumptions in the study on China accurately reflect the changes in trade policy induced by WTO accession? Do Chinese trade officials agree with the main conclusions of the study, particularly the conclusion that, by stimulating FDI inflows, WTO accession will bring major economic gains to China? How do the results compare with analyses carried out by Chinese researchers?
- b) Does the study estimating the WTO impact on Russia's economy adequately take into account the changes in trade policy that Russia is undertaking to accede to the WTO? Are the conclusions of the study generally consistent with official Russian expectations about the effects of WTO accession? Based on these estimates and expected implications for Russia's labour market, what kind of policy responses should be taken by the Russian authorities? Are there other issues concerning Russia's future WTO accession that could be explored using the GTAP model?
- c) Do officials and experts from other represented countries consider this kind of quantitative analysis useful for their trade policy decision-making? Which features of the two methodologies presented in this session appear most promising for analysing the implications of the WTO accession for other countries?

## **Session 2: Exploiting the Synergies between Multilateral Disciplines and Regional Integration Initiatives**

11. The second session will focus on regional integration initiatives involving Central Asian and neighbouring countries and raise more general issues concerning the interaction between multilateral and regional trade liberalisation strategies. Following the disintegration of the former Soviet Union, regional integration initiatives have proliferated, especially in the context of the Commonwealth of Independent States (CIS), but their implementation record in terms of revitalising regional trade and investment links remains poor. One objective of the discussions will be to understand the main reasons for these disappointing results and to consider ways of improving regional co-operation in Central Asia or in a larger regional context. Another objective will be to consider ways to ensure that multilateral and regional integration initiatives are consistent and mutually reinforcing.

12. The first study submitted for discussion in this session [The Role of Multilateral and Regional Trade Disciplines in the Central Asian Countries, TD/TC/WP(2004)19] examines recent trade policy developments in the five Central Asian countries — Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan. It shows in particular that, despite some progress in diversifying the geographical and commodity composition of trade, regional trade developments remain constrained by a variety of non-tariff barriers and infrastructural impediments. Regional integration initiatives, often with overlapping membership and highly ambitious goals, in practice have had a limited economic and trade impact.

13. Because effective regional trade preferences have not been established, there are likely to be few significant departures from the basic WTO principles on regional integration. On the one hand, the absence of regional trade preferences can be beneficial in economic and trade terms, allowing these countries to avoid additional trade distortions and take advantage of the most efficient international trade opportunities. On the other hand, some forms of regional co-operation might be worthwhile to pursue. Regional co-operation can address some of the most harmful impediments to intraregional and international trade, especially by making trade regimes more predictable and transparent for neighbouring trading partners, facilitating transit and encouraging countries in the region to work together to make the region collectively more attractive for foreign investors.

14. The second study for this session assesses the experience of the Kyrgyz Republic, which became a WTO member in 1998 while at the same time taking part in regional initiatives [The Role of Multilateral and Regional Trade Disciplines: Experience of the Kyrgyz Republic, TD/TC/WP(2004)20]. The most important conclusion of this study is that the country's recent trade and investment developments have been less influenced by the changes in its trade regime (resulting from its WTO accession) than by the country's initial conditions, other economic policies (*e.g.* exchange rate policy, foreign aid and debt) and its high sensitivity to exogenous shocks (*e.g.* variations in world prices for its main export commodities, the 1998 Russian financial crisis and its regional consequences). Since Kyrgyzstan depends heavily on the region's transportation infrastructure and access to markets of neighbouring countries, the failure of regional co-operation initiatives to create more favourable trade and investment climate has also contributed to its recent economic difficulties.

15. The representatives of Central Asian countries, especially Kazakhstan and Uzbekistan, will comment on recent developments in their trade policies, in particular the importance and possible problems related to their integration into the multilateral trading system and their participation in regional integration initiatives.

16. The following issues are suggested for discussion:

- d) Do participants agree that existing trade agreements involving Central Asian countries have not been effective in promoting regional trade and investment flows? What have been the main reasons for this disappointing outcome?
- e) Are new forms of regional integration/co-operation needed to enhance regional trade and investment flows? What measures are needed to improve current regional co-operation efforts?
- f) What are the likely effects of WTO membership on existing or future regional integration initiatives?
- g) Since its accession to the WTO, China has begun to explore regional trade agreements with a number of its trading partners. What steps have its trade negotiators taken to ensure that such agreements create new regional trade opportunities while conforming to WTO rules?

### **Session 3: Maximising the Benefits from Integration into the International Trading System**

17. The third session will examine the steps to be taken by governments to carry out their WTO obligations. It is clear that, once they accede to the WTO, governments face new challenges: they must not only enact legislation that is compatible with WTO rules, but also ensure that new laws and regulations are widely understood and implemented. They must carry out extensive reporting requirements to the WTO and stay abreast of issues in dispute settlement and in ongoing trade negotiations. These tasks require governments to maintain a staff of highly trained specialists and to devote sufficient resources to informing society about WTO matters.

18. In China and Russia, for example, one of important tasks has been to ensure that international commitments are applied at the regional and local levels of government. Russia has made considerable efforts to clarify the legal responsibilities in the trade policy area at different levels of government, though some implementation problems persist (see OECD publication: Trade Policies in Russia: The Role of Local and Regional Governments). China has also made a major effort to increase general awareness of WTO-related issues among regional trade officials and the business community. The work of the Shanghai WTO Affairs Consultation Centre, which provides extensive training, research and information resources on WTO matters to local officials, businessmen and other stakeholders, is one example of China's program to ensure that WTO commitments are carried out at the local level.

19. Another important issue to be considered in relation to WTO accession is the capacity of governments to communicate effectively with different stakeholders inside and outside of the government and building consensus on the implications of integration into the international trading system. The increasing interrelationship between trade and domestic policies also means that the interest and involvement of the business community and public at large in trade policy issues are much stronger. Governments should be able to present sound arguments, based on economic analysis, to support their trade policy decisions, especially in such a potentially sensitive issue as WTO membership.

20. To be timely and pertinent, the government's analysis of trade policy should be based on reliable data, which are still not available in some countries. Thus, governments should devote sufficient financial and human resources to improving data collection. The growing sophistication of trade policy analysis, illustrated by the examples of quantitative analysis discussed in the first session of this meeting, means that governments need to develop their in-house analytical capacities in the trade policy area. In addition, they should rely more extensively on the expertise available in national and foreign research institutes [see OECD Expert Meeting on Developing Governmental Analytical Capacities in the Trade Policy Area: Proceedings and Implications for Russia, CCNM/TD(2003)3/FINAL ].

21. *The following issues are suggested for discussion:*

- h) What are the most important issues that have arisen in national debates over WTO accession? What methods of communications with stakeholders on WTO issues have proven to be most effective?
- i) What steps have governments taken to ensure that officials in regional and local governments understand their obligations under WTO accession agreements?
- j) To what extent can available analytical instruments and quantitative analysis be useful in explaining the implications of WTO accession and how should they be used? What other instruments do governments have at their disposal to enhance the support of the business community and the public at large for the process of integration into the international trading system?
- k) How can OECD governments and international organisations help the governments in the region to develop their analytical capacities in the trade policy area, and support their efforts to build up the consensus for the integration into the international trading system?