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## **REPORT\***

### **“The World Trade Organization and Economic Development of the BSEC Member States”**

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## I. INTRODUCTION

1. Since its creation in January 1995 the WTO has expanded its impact deep into regulatory structure of more than 150 states affecting each economic sector of its member states. Being as the unique forum for the trade negotiations between the states, the WTO aims to provide necessary conditions for facilitation of trade cooperation and integration of the regional markets.
2. The need for institutionalized global trade and economic cooperation is conditioned by the trends of second half of 20<sup>th</sup> century that was liberalization of trade, new mechanisms for regulation of trade agreements and settling trade disputes and increasing of competitiveness at the world market. Role of the World Trade Organization (WTO) in the international economic system has gained particular importance due to the abovementioned factors and consequent globalization of the world economy.
3. Since all the BSEC member states accept the WTO standards striving for adjustment their national economies to these standards, an increasing role of the WTO for the BSEC member states is obvious. Current economic challenges facing by the BSEC member states also urge the BSEC member states to comprehensively explore the advantages and possible negative consequences of their membership in the WTO.
4. PABSEC attaches significant importance to the economic integration and sustainable development of the member countries in the context of adjustment to the WTO rules and standards. In 1999 the Assembly adopted Recommendation 37/1999 on “Trade Development in the Black Sea region” calling on the BSEC member states to create the legal framework for the gradual establishment of the BSEC Free Trade Area duly observing the obligations resulting from WTO agreements.
5. In 2002 the PABSEC adopted Recommendation 59/2002 on “Economic Integration in the BSEC region: Current State and Future Prospects”, where Assembly recommends the member states along with pursuing trade liberalization on bilateral and multilateral levels by joining the WTO and concluding Free Trade Agreements (FTA) to consider initiating a Memorandum of Understanding on Trade Liberalization and Facilitation that calls for a network of such FTAs to be reached duly observing from the WTO.
6. Information in Report is based on the documents of the WTO, annual summaries on WTO activities, research and analytical papers, articles and proceedings of the conferences on the issue. Rapporteur is thankful to the delegations of Armenia, Azerbaijan, Greece, Russia and Turkey for the contributions to the Report.

## II. BASIC MECHANISMS AND DEVELOPMENTS OF THE WTO

### *a) Shaping a WTO system*

7. The institutional structure of the world trade order has improved considerably in the context of the WTO regime. The WTO has emerged as a powerful organization with strong enforcement and dispute settlement capabilities. Furthermore, the WTO's role became far more comprehensive, with the range of issues falling under its umbrella expanding considerably. Currently, the organization has 153 members, and more than 30 countries with observer status, including Kazakhstan, Russia and Syria, that are keen to join and are presently involved in the process of accession negotiations. It is estimated that the WTO will approximately have 180 members within the next two decades, and more than 95 percent of the world trade would be under its direct regulation. The expanding nature of WTO demonstrates that, although the regime continues to be confronted with major economic challenges, it still constitutes the most suitable ground for integrating with the world economy and maximizing the benefits from international trade.
8. The WTO, being the successor to the General Agreement on Tariffs and Trade (GATT), is urged to regulate trade and political relations between participating states on the ground of agreements of the **Uruguay Round on multilateral trade negotiations (1986-1994)** that are the legal basis of the contemporary international trade. The WTO system was developed through a series of trade negotiations, or rounds held under GATT. The first rounds dealt mainly with tariffs reductions, but later negotiations included other areas, such as anti-dumping and non-tariff measures. The last round – the Uruguay Round – led to the WTO's creation.
9. The Uruguay Round has laid the following fundamental principles and rules of the WTO: mutual granting of the most favored national treatment in trade, mutual granting of the national treatment to the foreign goods and services, trade regulation by the tariff methods, rejection from quota and other restrictions, transparency of trade policy and settlement of the trade disputes by means of consultations and negotiations. WTO membership presents the following benefits: elimination of discrimination in trade through access to WTO mechanisms on dispute settlement providing for the protection of the national interests in case of impairing them by the partners; possibility for implementation of the current and strategic trade interests through effective participation in the multilateral trade negotiations on elaboration of new rules of the international trade. According to the WTO rules, each country receives guarantees that its exports will be treated fairly and consistently in the markets of other countries, as well as the same rules applies to the imports at their own markets.
10. In total documents of the Uruguay Round contain more than 50 multilateral trade agreements (MTA) that include the Agreement on establishment of the WTO and such basic documents, as the General agreement on tariffs and trade (1994), Agreements on agriculture, textile and clothing, technical barriers in trade (TBT), trade-related investment measures, customs evaluation, rules of origin, subsidies and countervailing measures, import licensing procedures and anti-dumping. The WTO regime set the Dispute Settlement Understanding and Trade Policy Review

- Mechanism. The WTO's procedure for resolving trade quarrels under the Dispute Settlement Understanding is vital for enforcing the rules and therefore for ensuring that trade flows smoothly. The system encourages countries to settle their differences through consultation; judgments are based on interpretations of the agreements and individual countries' commitments. The Trade Policy Review Mechanism's purpose is to improve transparency, to create a greater understanding of the policies that countries are adopting and to assess their impact.
11. The basic stages of the WTO development are considered in the context of Ministerial conferences that is top level decision-making body of the organization. Until now six Ministerial conferences have been held and marked a turning point in the policy of the WTO.
  12. The **first Ministerial conference was held in 1996 in Singapore**, where the Agreement on Trade Liberalization in the Information Technologies was adopted. The Singapore conference also focused on the labor and environmental issues, including commitment of participating states on liberalization of agricultural trade, as well as flexibility on Trade related Intellectual Property Rights (TRIP) and General Agreement on Trade in Services (GATS). The second Ministerial Conference held in Geneva in 1998, summarized the 50 years activity of the GATT/WTO and decided to prepare for a new round of the multilateral trade negotiations was adopted.
  13. The **third Ministerial Conference was held in 1999 in Seattle** and was devoted to analysis of implementation of the Uruguay Round agreements, including starting a new round of negotiations. In the framework of the new round it was planned to initiate the negotiations primarily on the issues that have not been settled during the Uruguay Round, such as agriculture and trade in services (incorporated agenda). Moreover, it was expected to elaborate the recommendations on the WTO activities taking the decisions of previous rounds into consideration with inclusion of the new spheres in agenda.
  14. **In 2001 the fourth Ministerial conference was held in Doha (Qatar)**, where parties decided to start a new round of multilateral trade negotiations that was called Doha Development Round. Doha Round included topics relating to the development, adjustment and supplementation of existing WTO agreements, as well as issues on the reduction of trade barriers and items of "incorporated agenda" giving special emphasis to the reduction of state subsidies on agriculture, environmental issues, competition policy and government procurement.
  15. The **fifth Ministerial conference was held in 2003 in Cancun (Mexico)** to sum up the interim results of multilateral trade negotiations and to determine the format of further negotiations. Nevertheless, due to contradictions between the different states on such aspects, as competition rules, investment policy, transparency in the state procurement and trade facilitation, Cancun conference ended without reaching agreement. Later in 2004 in Geneva the WTO member states signed a framework agreement on the continuation of the negotiations of the Doha round, in which a general consent on the elimination of export subsidies on agriculture was reached.
  16. The **sixth Ministerial conference took place in 2005 in Hong Kong** that played a role of the intermediate stage on elaboration of the full-scale agreements of the Doha round. Declaration adopted by the Hong Kong conference fixes a progress reached at the negotiations and determines the guidelines on completion of the

round in 2006. Along with that the Hong Kong conference adopted following important decisions: a) elimination of all export subsidies on agriculture by 2013; b) elimination of cotton subsidies by 2006; c) obligation of the developed states to guarantee a free access on their markets for more that 95 % of goods from 32 least developed states.

*b) Parliamentary dimension of the WTO*

17. Establishment of the **Parliamentary Conference of the WTO** was a joint undertaking of the Inter-Parliamentary Union and the European Parliament. It is aimed at strengthening democracy at the international level by bringing a parliamentary dimension to multilateral cooperation on trade issues. The conference took place in Geneva on 17-18 February 2003 initiated by parliamentarians participating in the Fourth WTO Ministerial Conference in Doha in November 2001, where they adopted a Declaration calling for strengthening the transparency of the WTO by more close association of Parliaments with the activities of this organization.
18. The Conference provided the parliamentarians with an opportunity to examine the main issues arising from the Doha Development Round and to obtain first-hand information on the subject from the new WTO leadership. The Conference also offered opportunities to exchange views and experiences among the parliamentarians, interact with governments representatives directly involved in the process of multilateral trade negotiations, and engage in dialogue with representatives of leading international agencies carrying out programs of technical assistance and capacity-building in the field of international trade.
19. The Final Declaration adopted by the Parliamentary Conference of the WTO in February 2003 states that inter-parliamentary process within the WTO would evolve around regular parliamentary meetings held on the occasion of WTO Ministerial Conferences and its objective would be to oversee and promote the effectiveness of WTO activities.

### **III. BSEC REGION AND WTO**

*1) BSEC framework of cooperation with the WTO*

20. The Organization of the BSEC, since its establishment in 1992, has focused on a wide range of issues relating to the trade facilitation in the Black Sea region. BSEC Economic Agenda determines that the BSEC should encourage adoption by the member states of steps towards trade liberalization in compliance with WTO regulations. In February 1997 the Ministers of Foreign Affairs and the Ministers responsible for economic affairs of the BSEC member states adopted the Declaration of Intent for the establishment of a BSEC Free Trade Area. The BSEC member states agreed to start examination of the ways and means to establish progressively a BSEC Free Trade Area as a part of the European architecture through free trade agreements between the BSEC member states, as well as through similar future arrangements and existing links between the BSEC member states and the European Union, taking into account the European Agreements and relevant provisions of the Partnership and Cooperation

- Agreements between them, duly observing the obligations resulting from WTO and other international organizations and arrangements.
21. With regard to the trade facilitation, the Plan of Action for the establishment of BSEC Free Trade Area comprehensively defines concrete measures to be taken by the BSEC aiming at the reduction of tariff and other barriers. Thus, BSEC's efforts to this end could involve: a) the revision of member states' legal provisions, which currently constitutes barriers to efficient trade; b) promoting the selective reduction of such barriers, while taking care to avoid undue damage to the private sector in individual countries; c) studying the possibilities for providing selective incentives to key sectors in each member state so as to enable them to eventually become competitive.
  22. Declaration on the Occasion of the 15<sup>th</sup> Anniversary of the BSEC adopted on 25 June 2007 stipulates that the Heads of Member States and Governments "reaffirm their devotion to jointly devised initiatives that would help remove trade barriers, in conformity with the objectives set out in the Doha Development Agenda of the WTO, and to further facilitate trade through concluding legal instruments that would lead to the gradual harmonization of trade legislation and customs procedures in the BSEC region. The accession of all BSEC Member States to the WTO will contribute positively in this respect".
  23. Activity of the BSEC Working Group on Trade and Economic Development can be considered as a certain contribution to the trade liberalization in the region in conformity with the WTO regime. In this context, the Working Group is in the process of elaboration of the Plan of Action containing the issue of non-tariff barriers on trade, and measures to remove them, trade facilitation through various means, including joint projects and programs with interested organizations and expanding relations with World Trade Organization. In the framework of the BSEC Working Group there are several proposals forwarded by the Republic of Turkey, as a country coordinator. These are the proposal on establishing an Appropriate Mechanism for Elimination of Non-Tariff Barriers on trade in the BSEC region and project proposal "Black Sea Economic Cooperation Trade Center" aimed at developing and facilitating trade between the BSEC member states.

*b) BSEC Member States and WTO*

24. Since BSEC member states in their economic policy aim at integrating to the world trade system by facilitation and liberalization of trade, they consider the WTO regime as a contribution to strengthening the regional trade. Nine BSEC member states are the full-fledged members of the WTO, while Azerbaijan, Russia and Serbia are in the process of negotiations for accession. As it is seen, accession to the WTO gives the opportunity to the BSEC member states to remove, through the necessary legal provisions, many of the numerous tariff and non-tariff barriers and to develop significant supporting measures, which will contribute to the formation of favorable conditions for mutual access of their goods and services to their internal markets, as well as to the EU and the international markets. Many of the BSEC countries have presented after their accession to WTO a large increase in the volume of their external trade, which is owed at the suppression of the external trade obstacles.

25. BSEC member states - Bulgaria, Greece and Romania, being the members of the European Union, are bound by the EU trade regulations and rules that are correlating with the WTO regime. Moreover, the EU is a WTO member and coordinates its trade policy with WTO performing as an exponent of all its 27 members' position on trade issues.
26. Taking into consideration the fact that almost many of the BSEC member states have a developing country status (DSC), it envisages granting special rights for those countries for accession. The GATT/WTO Agreements ensure providing differential and more favorable regime for DCSs embracing the following advantages: a) providing more period and time (in most of WTO agreements) for DCSs to conform to the requirements of WTO agreements and perform undertaken obligations; b) exercising special approach to DCSs while adopting certain rules (anti-dumping, technical obstacles to trade etc.) within WTO regime; c) providing assistance and support of different nature (animal and plant health standards, technical standards, telecommunications etc.) to DCSs; d) fixing the minimum restriction limit on agricultural subsidization at 10% for DCSs; e) providing the possibility to use restrictions on trade in services in the solution of problems in connection with DCS payment balance pursuant to the GATS; f) permitting to restrict import aiming at improving foreign capital status; g) taking into consideration specific needs of DCS while developing and implementing technical rules, standards, quality assessment procedures, developing and implementing sanitary actions; h) envisaging technical support for DCSs in agreements on TBT and TRIPs.

#### *Albania*

27. Trade liberalization in Albania has been one of the main pillars of economic stabilization and reform along with price liberalization, exchange liberalization, fiscal control, monetary restraint and rapid privatization of agricultural land and small enterprises. In short period Albania has vigorously pursued in privatization of state property, when 96 % of the agricultural land, 100 % of the services, 100 % of agricultural mechanics, 100 % of road transport have been privatized. After accession in WTO in 2000 during the next years country showed stable GDP growth at 8% level. Other important indicators showed that the macroeconomic stability program has been successful, were relatively stable and low rates of inflation and stable exchange rates that strengthened the national currency. Budget revenues have increased as a result of tax collection, when its share in GDP has increased to 12.5 %; for the first time current expenditures were covered by revenues, before accession this figure was at 12.9% and increased to 15.3% in the next years. The results of the monetary policy of government measured through the realization of three quantitative monetary objectives, i.e: maintaining a floor on net international reserves of the Bank of Albania, maintaining a ceiling on the net domestic assets of the Bank of Albania and maintaining a ceiling on the net credit of the banking system. With regard to the investment regime, the Government seeks to attract a private sector investment, both foreign and domestic, with a view to achieving diversification by gradually reducing dependence on agriculture as the dominant source of income by promoting the development of manufacturing, fisheries and tourism.

## *Armenia*

28. Armenia became the 145<sup>th</sup> member of the WTO on 5 February 2003. Currently, the legislation of the Republic of Armenia conforms to the requirements of the WTO agreements, including a number of conventions relating to the intellectual property rights that gave a possibility for the high level of protection of the copyrights. Policy of sustainable economic development and significant liberalization of economic relations carried out by Armenia creates favorable conditions for the foreign and domestic investment and stable GDP growth. In 2007 a foreign investment in the real sector of economy was increased by almost four times in comparison with 2003 and there are prerequisites for preserving this tendency in the future. Especially, a high level of the GDP growth is impressive: in 2003 and it was at the level of 14 %, in 2004 - 10,5%, in 2005 – 14 %, in 2006 – 13,4 and in 2007 - 13,7%. Accession in WTO contributed to the export-import increase of Armenia with other WTO member states. In 2007 a common trade volume was increased by three times in comparison with 2003, at that a share of other WTO members is steadily increasing here. Particularly, in 2007 a share of the WTO member states in common export volume was 86% and 70% in common import volume. Armenia has gained a status of the country with predictable economic policy and low level of risk, being among the countries with most open and liberal trade regime. In accordance with international and European standards and directives more that 50 technical regulations with regard to the goods and services requirements have been elaborated, and since 1 January 2007 Armenia acquired a status of the partner to the European Committee on Standardization.

## *Azerbaijan*

29. On 23 June 1997 Azerbaijan submitted an application on accession in the WTO declaring its purpose to accelerate the integration process into the world economic system. Agriculture is the basic factor in Azerbaijan-WTO negotiations due to the leading position of this sector in the country economy, well-established traditions of the agrarian sector, availability of favorable agro-climate for the development of this sphere and living of more than half of the country population in rural areas. Another important matter in the negotiation process is an adjustment of legislation to the WTO rules. According to this, the President of Azerbaijan Republic issued the Instructive Order on Approval Action Plan on bringing the national legislation into conformity with the requirements of the WTO within the accession process of the country to the organization (2 August 2006). The last session of the state commission on negotiations with the WTO held in November 2007 was devoted to the following issues: customs tariffs and offering them to WTO members in a single form, status of the country at membership to this organization (developed or developing country status), joining sectoral initiatives, as well as amounts of subsidies to be allocated for agriculture.

## *Bulgaria*

30. Bulgaria is member of WTO since 1 December 1996. Significant dependence on foreign trade is a factor traditionally peculiar to the Bulgarian economy. Since the beginning of the 1990ies, the Government of Bulgaria has embarked on a comprehensive macroeconomic stabilization and structural reform program with support from the international financial institutions. The program aimed at two main policy objectives. First, to achieve progress towards a sustainable external position, including the revival of foreign trade, the diversification of external markets and an improvement in Bulgaria's international reserves position, as well as progress towards resolving Bulgaria's external debt situation. Second, to move towards restoring macroeconomic equilibrium through the appropriate mix of fiscal, monetary and incomes policies. A key step in this regard was to reduce the size of the fiscal deficit, to tighten the monetary supply and credit expansion and to limit the uncontrolled income growth. Important reforms have been undertaken towards price liberalization, liberalization of the trade regime and the process of privatization, as well as in the financial sector and agriculture. In the financial sector a two-tier banking system was established, while the national currency has attained internal convertibility for current account transactions. Within these processes, the main reforms were in place as follows: elimination of the state monopoly on foreign trade, free access to foreign exchange for current account transactions, central role of the tariff and the virtual removal of quantitative restrictions on imports, rationalization of the taxation regime, decentralization of the state-owned sector and the transfer of productive property to the private sector.

## *Georgia*

31. Georgia applied for the accession in WTO in 1996 starting to carry out reforms both at the legislation and at institutional levels. In addition to basic legislation such as the Constitution, Civil Code, Tax and Customs Codes, Georgia was introducing a new legislation in key trade-related areas such as maritime and air transport, intellectual property, standardization and certification, government procurement, privatization, and business legislation. Country has strengthened its tax and customs administration to improve revenue performance, and maintained a restrained expenditure program with emphasis on health and education. The principal taxes levied in Georgia were value added tax, profit tax, income tax, a fixed tax on small enterprises, excises, customs duty, social security levy, medical tax and employment fund tax levied on enterprises and employees, property tax, and agricultural and urban land tax. Having signed the protocol on accession to the WTO, Georgia joined full package of Agreements of the organization, as well as taking commitment on coherent tariffs and special commitment in the field of trade and services. In 2000 Georgia became the member of WTO and during the accession period, many amendments to the legislation took place for harmonization of Georgian legislation with the WTO requirements. Commitments under these requirements refer to wide range of issues such as entrepreneurship and licensing of export-import, taxation system, standardization, certification,

sanitary and phyto-sanitary measures, subsidies, trade-related aspects of the intellectual property rights, etc.

#### *Greece*

32. Greece, along with the E.U obligations, is committed to all principles of the WTO trading system, being a member of the organization since 1995. Regarding a non-discriminatory trade, Greece adheres to the Most-Favored-Nation clause of the WTO Agreement and is bound to grant no less favorable treatment to products of other members than that accorded to the products of any other country. As far as the multilateral trading system is concerned, Greece, as a member of the WTO, favors the promotion of a business environment, which is stable and predictable, largely by eliminating tariffs or custom duties and by adopting the principle of transparency of domestic laws, regulations and practices. State maintains the objective of the integration of developing countries and the least - developed ones into the international trading system that is assured through the E.U. policy of improving market access of products originating from those countries. Greece's contribution to the existence of secure and predictable market accessibility is determined through the Common European Trade Policy exercised through the WTO framework with the aim of reducing tariffs and custom duties.

#### *Moldova*

33. Moldova has been a member of the WTO since 2001 and has created adequate legal base in compliance with the WTO rules, moving toward lower tax rates, strengthened tax administration, higher transparency and simplified business regulations. Agriculture is Moldova's most important sector with its contribution over 20% to total GDP of the country. Taking into consideration this fact, Moldova within its negotiations with the WTO was granted a right to keep state subsidies on agriculture with obligation to reduce them to 16% during four years. The wine industry, being a strategic agricultural sphere of the country, underwent a number of changes, which allowed widening the deliveries geography to the world markets. After accession in the WTO, a food safety and agricultural management system based on WTO principles and good practice for market economies has been improved. It increased the country's competitiveness and allowed agricultural sector to diversify into more price-attractive markets. As a result, stable growth of the production volume (around 20% in 2001-2005) in the agricultural sector, as well a two-fold increase of the country's export, has been observed.

#### *Romania*

34. Romania has actively participated in all stages of negotiations in the Uruguay Round, aiming at a more transparent, predictable and stable multilateral trading system to facilitate improved market access for Romanian products. At the end of 1994, the Parliament of Romania ratified the Agreement Establishing the World Trade Organization, becoming thus, as from 1 January 1995, a founding WTO Member, together with other 83 countries. The fundamental changes in the politic,

social and economic regime of Romania after 1989, allowed an active participation of the country in the final stage of multilateral trade negotiations of the Uruguay Round. Romania accepted the entirety of legal instruments negotiated during the Round and has taken a large number of commitments, correlated with its development needs and objectives, on trade liberalization on goods and services. The economic reforms implemented by Romania in that period helped to increase its GDP having a relatively diversified economy, with services being the most important sector in terms of contribution to GDP (about 54%). Manufacturing accounts for around 23% of GDP, and over 80% of the total value of merchandise exports. Agriculture is a key sector of the economy, contributing 13% to GDP and employing more than 30% of the labor force.

### *Russia*

35. Russian Federation started the negotiations on accession in WTO in 1995 pursuing the following goals: improvement of existing conditions for access of Russian products to foreign markets and provision of non-discriminatory treatment for Russian exporters, access to the international dispute settlement mechanism, expansion of opportunities for Russian investors in the WTO member-countries, particularly, in the banking area, creation of conditions for growth of domestic production' quality and competitiveness as a result of increased flows of foreign goods, services and investments to the Russian market, participation in negotiations of the international trade agreements taking into account national interests, improvement of the image of Russia as a competent international trade participant. The basis of the current accession negotiations between Russia and WTO is formed of four major issues. First, these are the negotiations on access to the goods market, where the main subject is setting forth of the maximum level of import customs duties, which Russia will have the right to apply to after WTO accession. Second, these are the negotiations on agricultural issues, alongside the tariff aspect, include discussions of the levels of domestic support for the agricultural sector and agricultural and food export subsidies. Third, the negotiations on the services market access aimed at coordinating positions on the access of foreign services and services suppliers to the Russian services market. Fourth, negotiations on systemic issues aimed at setting forth the measures, which Russia is to implement in the legislation and its application as a WTO member. Presently, a majority of the issues were already agreed within the accession negotiations, including tariff quotas, customs evaluations of goods, application of quantitative import restrictions, system of import licensing, tariff quotas, custom duties on import and export of goods and industrial policy. In October 2007 five more issues have been considered within the multilateral format, regarding trade-related investment measures, pricing policy, registration requirements, government purchases and custom duties. In April 2008 meetings with the delegations of the USA and Canada were held in Washington and Ottawa, where unresolved systematic issues were discussed. It is necessary to point a fact here that within the accession negotiations Russia has discrepancies with its main trade partners – USA and EU on the issues of export duties and commitments on the terms of state enterprises activities. Besides, bilateral talks on access to the goods and services markets and multilateral talks

on sanitary and phyto-sanitary issues were held in June-July 2008 within accession negotiations of Russia in WTO.

### *Serbia*

36. Serbia submitted an application for WTO membership in 2004 and adopted legislative action plan outlining the various reforms to be undertaken by Serbia to its trade regime. In short period Serbia has achieved a progress in the field of liberalization and harmonization of legislation with WTO principles by adopting a fast-paced and comprehensive plan of privatization of public companies and passing a package of legislation reforms. The key economic achievement was strengthening basic macroeconomic stability and continued tight fiscal and monetary policy succeeded in further reducing inflation. Basic challenges identified within the negotiations with WTO include import licensing, quantitative restrictions on import, internal taxation and duty suspensions. Presently Serbia has engaged in on-going market access negotiations with 10 WTO members.

### *Turkey*

37. The objective of Turkey's trade policies is to effectuate the principle of "free and fair trade" in its commercial and economic relations. The WTO, which regulates the course of the multilateral trade system, and the ongoing Doha Development Round negotiations are considered as invaluable platforms by Turkey to voice its concerns and endorse its interests. The Customs Union established with the European Community in 1995, which came into force in 1996 right after the completion of the Uruguay Round, has also been a cornerstone in Turkey's trade policies. The European Union's influence in Turkey's trade relations has intensified even more with the beginning of the full membership process. Turkey also makes efforts to achieve a liberalized world trade and works to enhance its commercial and economic relations with its neighbors, as well as with its global partners. Turkey expects its trade policy to contribute to the economic and political stability in its region. Towards that end, Turkey also pursues similar trade agendas in regional organizations like BSEC. Since its accession in the WTO in 1995 Turkey has been implementing an ambitious reform program, notably on the fiscal, privatization and social security fronts. The program has been successful in stabilizing the economy, and has contributed to annual average real GNP growth, a reduction in the inflation rate and a fall in the overall fiscal deficit. The WTO Agreements and Turkey's current trade relations with the EC are the main factors influencing the Turkish trading system. Over the last few years, Turkey has amended its legislation to seek conformity with its obligations under the EC *acquis communautaire*. Export promotion is one of the main objectives of Turkey's trade regime, where the incentives system comprises finance, marketing assistance, and promotion. Along with that, Turkey has made progress in enforcing its TRIPS legislation over the last few years. Turkey is taking steps to move towards a competition-based and consumer-welfare oriented economy to overcome the deep dualities between its highly productive and low-productivity enterprises. Country is pursuing a strategy of trade liberalization through negotiations at the multilateral, regional, and bilateral levels, actively

participating in the Doha Development Agenda. Nowadays, agenda of reforms in Turkey contains such issues, as an acceleration of structural reforms, including completion of the privatization agenda, sectoral reforms (e.g. labor, education, and health), extension of the scope of tariff binding commitments, reduction of bound rates, and further tariff liberalization.

#### *Ukraine*

38. Ukrainian government applied for the WTO membership in 1993, resulted in its accession on 16 May 2008 that was an integral part of overall domestic economic reform and a major component of Ukraine's economic policy. Within this process, country has enacted a Customs Code and a Land Code, established an effective regime for the protection of intellectual property, and advanced significantly the harmonization of standardization and certification systems, sanitary and phyto-sanitary requirements, and government procurement in accordance with WTO principles and rules. Government attached priority to building and maintaining a broad consensus to support continued economic reform and market liberalization, instrumental in raising living standards and the development of Ukraine's unique industrial, agricultural, scientific, technological, intellectual and cultural capacity and potential. It is expected that the Ukrainian economy has to improve further through a combination of accelerated investment, small and medium sized enterprise development, and capital shifting from the informal to the formal sectors of the economy. A tax reform, involving lower tax rates and abolition of privileges and subsidies, was underway to support this trend. Ukraine's ambitious trade reform program, improvements in the legal structure and the broad-based push for economic reforms were encouraging first steps in accession process.

#### **IV. CONCLUSIONS**

39. The WTO, being as the major institution at the center of the international trading order, followed the successful conclusion of the Uruguay Round replacing the GATT in 1994. Undoubtedly, WTO is optimal and well-functioning international regime with effective mechanisms and regulations that contribute to the establishment of interdependent and coherent global trade governance structure. Increase in the volume and value of trade, removal of trade and non-trade barriers, widening of the scope of trade governance from trade in goods to trade in services, intellectual property and investment, more enforceable rules and mechanisms relating to dispute settlement, inclusion of developmental policies on the agenda are the main achievements of WTO system.
40. Nevertheless, WTO system is facing various challenges in terms of its both institutional capacity and political performance. In this regard, ministerial conferences became crucial momentum in further development of the organization revealing certain weakness in finding well-balanced solution on number of issues. Cancun Ministerial Meeting and post-Hong Kong negotiations, together with the failure to bring the Doha Round to a successful conclusion, was the basic indicator of this reality. Such issues, as inability to achieve full liberalization of trade in agriculture, textile and other strategic sectors, absence of policy relating to environmental protection and labor rights, contradictions in

- granting status to the country within accession process, failure in effective implementation of special and differential treatment demand gradual solution in perspective.
41. In spite of the fact that nine BSEC member states are the WTO members along with rest three states that are actively involved in the accession process, a full compliance of the BSEC region into the free world trade regime is pending due to certain reasons. Integration of the BSEC region itself is a first prerequisite for the successful adherence to the WTO system that would open a number of advantages in terms of trade liberalization and economic growth of the member states. In this connection, the Declaration of Intent for the establishment of a BSEC Free Trade Area is an important aspect on the way towards the elimination of trade and other barriers. Since the implementation of the provisions of the Declaration was suspended due to the number of objective and subjective factors, current approach to the Declaration should be more realistic with consideration of possible challenges and level of political will of the member states.
  42. Unresolved political problems seriously impede the economic integration of the region, and absence of economic links between some member states undoubtedly suppresses setting overall relations within the WTO. Economic aspect, apart from the political one, has to be taken into consideration basing on the WTO rules, primarily with regard to implementation of the negotiations mechanism within organization.
  43. Obviously, WTO regime brings serious negative tendencies with regard to the protection of domestic production, competitive policies, strict subsidy rules and price policy in the strategic sectors (agriculture, energy, textile etc.) of the national economies. Additionally, BSEC member states are at the different level of economic development and market reforms that consequently requires more individually concrete approach in adjusting to the WTO rules.
  44. Accession negotiations with three BSEC countries - Azerbaijan, Russia and Serbia, can be estimated as successful and progressive so far. Along with that, the peculiarities of the national economies of these countries should be carefully researched in order to provide for more smooth adaptation to the WTO regime. At the same time negotiation process can be intensified, taking into consideration also the most crucial issues in the negotiations of these countries with WTO.
  45. As far as all the BSEC member states are strongly interested in entering the world's largest common trade regime, consolidation of the past achievements in trade liberalization and taking concrete measures on further integration in the WTO regime will increase the trade volume between the member states. BSEC region plays an important role in the world economic system and it needs more stable and predictable trade and economic regime that is possible through progressive implementation of multilateral trading principles in frames of the WTO.