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REVIEW OF MAJOR ASPECTS OF WTO MULTILATERAL TRADE NEGOTIATIONS OF SPECIAL INTEREST TO TRANSITION ECONOMIES, TRANSITION COUNTRIES

Note by the secretariat

1. Background

At the invitation of the World Trade Organization, the UN/ECE secretariat participated in the WTO Ministerial Conference in Seattle (30 November – 3 December 1999) and submitted two papers for circulation among the delegates of the conference. These papers, entitled “Transition countries and the WTO” and “Trade facilitation - the role played by the United Nations in setting global rules”, are attached as Annexes I and II to this note.

The UN/ECE has always been strongly committed to the support of economic cooperation in Europe and North America. We believe that such cooperation, which also implies the liberalization of trade and the development of production links among countries, is a vital prerequisite for economic prosperity and, consequently, political stability and security in the European region. The integration of central and eastern Europe and the CIS into the European and world economy, including their full participation in the WTO, is of utmost importance for the attainment of these goals. This is even more evident in the light of the urgent need many of them have to restructure and upgrade their economic potential, and to curb imbalances in their foreign trade resulting from lagging international competitiveness.

2. Current situation with regard to WTO membership

The degree to which transition economies have established formal links with the WTO and, hence, could potentially reap benefits from liberalized trade among WTO members varies considerably. Three broad, though not very homogeneous groups of countries can be distinguished in this regard:

(a) Members of the WTO (10-11 countries)

To date, WTO membership has been extended to nine central and eastern European transition economies (Czech Republic, Estonia, Hungary, Poland, Slovenia, Bulgaria, Latvia, Romania and Slovakia). These countries have maintained relatively liberal trade regimes and are generally more advanced in implementing market reforms. Among the WTO members from transition economies is also the only CIS country that has so far succeeded to become a member - Kyrgyzstan. In addition, negotiations have been concluded with Georgia which will formally accede to the WTO upon ratification of the agreements in the country itself.

(b) Countries currently negotiating WTO membership (13 countries)

Most of the remaining transition economies have applied for WTO membership and are currently at different stages of the negotiation process. Two Balkan countries (Albania, Croatia), Lithuania and some smaller CIS countries (Armenia, Republic of Moldova) are already fairly advanced in this regard and it is expected that they could join the WTO relatively soon.

However, the negotiation process will apparently be more timeconsuming for candidates from the other transition countries, either due to the size and, at times, painful implications of the reforms required, political instability or a lack of clarity within the country as to the balance between costs and benefits of WTO membership. Additional obstacles are the limited resources, and the limited analytical, policy-making and negotiating experience in the government institutions of most applicant countries, irrespective of the stage of their negotiations for WTO accession. Among countries that have applied but whose membership will probably take longer are Azerbaijan, Belarus, Bosnia and Herzegovina, Kazakhstan, the former Yugoslav Republic of Macedonia, Russian Federation, Ukraine and Uzbekistan.

(c) Countries that have not yet applied for WTO membership (3 countries)

This is a limited group of three transition economies – Yugoslavia, Turkmenistan and Tajikistan. The decision to apply for WTO membership has been delayed by internal political difficulties or slower progress of market reforms. Nevertheless, Tajikistan has already signalled its intention to apply soon. It can therefore be expected that this group could gradually be integrated into the preceding one. Therefore, the problems faced by these three countries in relation to the WTO are likely to be similar to those in the previous group.

3. Transition countries and their policies in relation to the WTO

Those transition countries that are already members of the WTO and are now applying for EU membership (Czech Republic, Estonia, Hungary, Poland, Slovenia, Bulgaria, Latvia, Lithuania, Romania and Slovakia) see EU accession as their top political priority. It is therefore likely that they will align themselves to the EU position in any future round of WTO negotiations.

For countries not yet considered eligible for EU membership, the WTO represents another avenue towards integration into the world trading system. Consequently, it is likely that they will conduct their accession negotiations

with a view to resolving substantive issues as quickly as possible, thereby opening the door for full WTO membership.

Past experience shows that the negotiation process tends to be relatively long (the average period for most transition countries exceeds five years). In order to accelerate the progress of accession, it has been suggested that a “fast-track” procedure be used. However, the success of this approach will largely depend on the capability of candidate countries to align themselves quickly to the existing WTO rules. In these efforts, despite their commitment to proceed faster with necessary policy changes and institutional reforms, applicant countries will continue to be faced with a lack of resources to implement the required changes and effectively to conduct WTO negotiations.

4. Assistance in WTO negotiations

The WTO Secretariat has resource constraints in responding to all the requests from developing and transition countries for technical assistance on the implementation of existing agreements, accession issues and, in the future, also negotiations concerning new areas that could be taken up in the next WTO round. At the same time, the UN/ECE has accumulated, in its various divisions, considerable expertise in many areas that are or may become topics of WTO negotiations. Among them are trade and transport facilitation, technical barriers to trade (in particular, activities linked to standards in different sectors), protection of intellectual property rights, investment, and trade aspects of environmental issues.

The Committee for Trade, Industry and Enterprise Development is therefore asked to confirm the willingness of the UN/ECE, working in cooperation with other international organizations and in sectors in which it has developed specific expertise, to support its member countries in the process of accession to the WTO, implementation of WTO rules and participation in the next round of multilateral trade negotiations.

UN/ECE member States engaged in accession negotiations or, in the future, new WTO rounds, are invited to make full use of the UN/ECE’s competence and also seek advice from those transition countries which participated in previous rounds of WTO negotiations or which have successfully completed the accession procedure in recent years. The pool of experts available in these countries could be used to give advisory services in specific areas, in collaboration with respective national Governments and under the guidance of the UN/ECE.

Annex I

TRANSITION COUNTRIES AND THE WTO

Note from the UN/ECE secretariat to the WTO Ministerial Conference in Seattle
30 November-3 December 1999

Executive Summary

Trade liberalization can stimulate growth and employment but not all countries have been able to benefit from open trade, nor have all restrictions to trade been eliminated. The UN/ECE has long been active in supporting development of trade in Europe and it is vitally interested in extending WTO membership to all countries in the region. Many transition countries are not yet WTO members, mainly because they have been unable to effectively conduct accession negotiations and fulfil institutional and policy conditions required for membership.

The process of extending WTO membership to non-member transition countries should be accelerated through adopting a "fast track" procedure and through extending technical assistance and advice to candidate transition countries. Non-member transition countries should be invited to participate in the new round of multilateral trade negotiations as participants-observers. The UN/ECE is ready to provide, in collaboration with other international organizations and member governments, necessary technical assistance in the accession process and in the new round negotiations.

Trade liberalization stimulates growth and employment…

The present ministerial conference of WTO member countries provides an important opportunity to assess progress to date in the area of trade liberalization. It also gives the member countries a chance to improve further the international trading system. Many countries have yet to benefit significantly from open trade and many feel increasingly marginalized from the mainstream of the globalizing world economy. The United Nations Economic Commission for Europe (UN/ECE) has a special responsibility as an advocate for the interest of its Member States with economies in transition. It is with this goal in mind that the UN/ECE secretariat submits this paper to the WTO Ministerial session in 1999 in Seattle.

Liberalization of international trade can stimulate growth and employment through expansion of markets, better allocation of resources across countries and regions, and improved efficiency of production capacity utilization. The last several decades have seen impressive progress in removing trade barriers and making national trade policies more transparent and less restrictive. The changes have allowed for an unprecedented expansion of international trade, contributing to accelerated economic growth and more prosperity throughout the world. The key role in this process has been played by GATT/WTO through initiating, preparing and implementing a series of multilateral trade agreements aimed at stimulating free trade and investment.

…but not all restrictions to trade have been eliminated…

But not all restrictions to trade have been eliminated, nor have all the countries been able to take full benefits from trade liberalization. Agricultural trade remains severely distorted because of protectionist measures imposed by many industrialized countries, while trade in various services, such as finance, insurance, and telecommunication, is still controlled by national policies. Access to markets of industrialized countries for many manufactures is restricted because of various contingent protection measures, including anti-dumping procedures and safeguards clauses. Competition in international markets is seriously hampered by the absence of internationally recognized rules of state aid, public procurement and protection of intellectual property. Social protection measures and environmental standards differ widely across countries. Implementation of many WTO agreements leaves much to be desired, as demonstrated by the very slow progress in phasing out restrictions under the Multi-Fiber Agreement.

As a result of these and other distorting policy measures, the benefits of progressive trade liberalization have not only been smaller than they could possibly be, but also they have been unevenly distributed among individual countries. It has been now widely recognized that the impact of trade liberalization on developing countries and on those with economies in transition and their growth performance has been in many cases rather disappointing. It is also believed that important trade concessions granted by developing countries under the Uruguay Round agreements have not been matched by sufficiently improved access to markets of industrialized countries. Moreover, the benefits of trade liberalization have not been shared by a large group of countries that are not WTO members. WTO membership, now extended to some 135 countries, is still far from universal. There are currently some thirty developing and transition countries that wish to join WTO, but the accession has been long and difficult.

Clearly, there is an urgent need to further develop and improve the international trading system. In this context, the UN ECE fully supports the WTO initiative to launch a new round of multilateral trade negotiations, aimed at further reducing barriers to trade and investment and ensuring better and more equitable distribution of gains from free trade among nations and within them.

At the same time, the UN/ECE believes that more attention should be devoted to fully including the transition countries of central Europe and the CIS in the WTO system. The debate on the agenda for the future round of multilateral trade negotiations has been dominated by two opposing perspectives. Industrialized countries are mainly interested in further liberalization of trade in services and in imposing universal labour and environmental standards. Developing countries, by contrast, seek better market access through special and differentiated treatment clauses. These are both legitimate issues and should be addressed seriously if a balanced outcome is to be expected from the new round.

But there is a risk that under such an agenda some specific needs and interests of transition countries may not receive sufficient attention. First, many transition countries are not WTO members and their voice may not be heard. Second, those who are members are likely to face serious difficulties in pursuing their legitimate objectives in the new round. For political

reasons, and being associated with the European Union, many transition countries are likely to realign their positions with that of the EU and OECD countries. However, their economic interests could be better served by supporting the proposals to strengthen and consolidate traditional GATT/WTO trading rules in areas such as contingent protection measures, agricultural subsidies or tariff spikes. Unless these issues are included high on the agenda, the vital interests of transition countries may not be secured in the new round.

…and the UN/ECE has long been active in supporting development of trade in Europe.

The UN/ECE is a regional organization with a strong commitment to support economic cooperation in Europe and North America. We firmly believe that prosperous growth of nations crucially depends on developing unrestricted trade, production links and other economic contacts among nations. International economic cooperation and integration is also an important factor contributing to political stability and security.

The fall of communism in 1989-1991 and the universal adoption of free market reforms and democratic principles in the countries of the former Soviet block opened up a unique opportunity to expand cooperation across the two parts of the continent and to build a united and prosperous Europe. But this is still only a prospect. A lot has been done during the last decade, but the continent remains divided. While several more advanced transition countries are making rapid progress in integrating their economies with international markets and are likely to join the European Union within a few years, many others are still struggling to restore elementary stability and overcome recession. Large disparities in the level of economic and institutional development still persist among European countries. These are worrying symptoms. We see an urgent need to make more efforts to strengthen cohesion and avoid the emergence of new dividing lines on the continent. Supporting economic cooperation, removing trade restrictions and extending WTO membership to less successful transition countries of south-east Europe and the CIS would be an important step in this direction.

The UN/ECE has always been involved in promoting trade and investment across the region. Over many years, our organization has made important contributions in the field of trade facilitation and development. These include a variety of programmes to improve the regulatory environment and institutions supporting trade in areas such as customs and statistics, effective use and implementation of intellectual property rights, cross-border trading, standardization, development of international trade partnerships and, more recently, electronic trade. In those and other areas UN ECE has supported and supplemented work of other organizations, such as WTO, OECD, UNCTAD and the EU.

Benefits from trade liberalization depend on the number of countries participating in multilateral trade arrangements under WTO…

It is well known that benefits from trade liberalization under a multilateral trade arrangement depend on the scope of its geographical coverage. The more countries participate, the larger are potential benefits, because trading partners can exploit advantages of larger markets and more

production opportunities. WTO membership has increased substantially during recent years, but still, many developing and transition countries are not WTO members. Non-member countries do not participate in the existing trade agreements, nor are they able to promote new initiatives or spell out their preferences and concerns.

Including non-member countries in the WTO system and ensuring their participation in the new round of trade negotiations would serve well their economic development objectives. It has been recognized that WTO membership offers a number of important benefits: it strengthens domestic policies and institutions for the conduct of international trade, it improves access to export markets and it offers access to an efficient and unbiased dispute settlement mechanism for trade issues.

But making WTO membership more universal would also contribute to further expansion of world trade. It is in the interest of the incumbent member countries to extend WTO membership to as many countries as possible in order to remove remaining trade barriers, assure more transparency in mutual trade and establish better conditions for open and fair trade throughout the world.

The UN/ECE is vitally interested in extending WTO membership to all countries in our region. Bridging the gaps between more advanced and less advanced countries is one of our strategic goals and a fundamental part of our mandate. Achieving uniformity and transparency of trade regulations and policies under WTO can be an important factor working in favour of closer integration and cooperation in Europe.

…but many transition countries are not yet WTO members…

Until now WTO membership has been extended only to eight central European transition countries (Bulgaria, Czech Republic, Hungary, Latvia, Poland, Romania, Slovakia and Slovenia) and one CIS country (Kyrgyzstan). Those countries have maintained relatively liberal trade regimes and are generally more advanced in implementing market reforms. Most of the other transition countries have applied for WTO membership and are now at various stages of the accession process. Estonia closed the negotiations in May 1999 and ratified the accession protocol in October, while negotiations with Georgia have been practically completed, opening the way for ratification within the next two-three months. Other countries being at a fairly advanced stage of negotiations and expected to join WTO soon – probably in early 2000 - include Croatia, Albania, Lithuania, Armenia and Republic of Moldova. Still other countries are at various phases of the negotiation process, including the Russian Federation, Ukraine, Uzbekistan, Kazakhstan, Azerbaijan, Belarus, Bosnia and Herzegovina, and The former Yugoslav Republic of Macedonia.

Out of all eighteen non-WTO-member transition countries of central Europe and the CIS, fifteen applied for WTO membership, but have not been admitted yet. Only three have not yet formally applied for membership: Yugoslavia, Turkmenistan and Tajikistan; but the latter country has recently signalled an intention to apply soon. Among the applicant countries, many of them have been in the negotiation process for quite some time – e.g. Albania since 1992, Russia, Belarus, Ukraine and Croatia since 1993, Lithuania and the former Yugoslav Republic of Macedonia since 1994, and Kazakhstan since 1996. At present (November 1999) the average period since the initial application

and establishment of the Working Party for accession for the fifteen applicant countries is more than five years – and will probably be extended further as negotiations with most applicants are not likely to be completed any time soon.

…mainly because they have been unable to effectively conduct accession negotiations and fulfil institutional and policy conditions required for membership.

The reasons for which achieving WTO membership takes so long fall into several categories. First, there may be internal political reasons behind the lack of progress in the accession process. Weak commitment on the part of the applicant government to follow through on the initial decision to apply for membership may reflect protectionist pressures from influential domestic lobbies. Internal political instability in an applicant country or contentious policy issues between an applicant and one or more WTO members can also be important reasons for delaying the accession process.

Second, the process of accession is inherently complex and time-consuming and applicant countries may simply be unable to rapidly fulfil legal and economic conditions required for membership. The very preparation of the Memorandum on the Foreign Trade Regime may present serious difficulties for governments with modest resources and limited analytical and policy-making capabilities. Also, the subsequent phase of questions and answers and the necessary legislative process may take a very long time because of the lack of appropriate institutional and technical capacities. The necessary conditions for membership often call for extensive domestic reforms, including discontinuation of state trading practices, implementing functioning market institutions, liberalizing trade regimes and establishing transparent trade and exchange rate policies. The required reforms involve extensive and sometimes fundamental changes in domestic legislation pertaining to trade and investment as well as the role of the state in the economy, which in turn require a clear vision, professional expertise and effective political action. The lack of necessary resources in transition countries to implement the required changes and/or to effectively conduct negotiations has been the single most important constraint in speeding up the accession process.

Finally, and especially in the case of some larger transition countries (Russia, Ukraine), the accession process may be slowed down because of difficulties with assessing the balance of costs and benefits associated with WTO membership and its impact on the domestic economy.

The process of extending WTO membership to transition countries should be accelerated through adopting a “fast track” procedure…

It should be strongly emphasized that the speed of the accession process depends primarily on whether the applicant country is willing and able to expeditely introduce necessary policy changes and institutional reforms. In most cases the reasons for delay in the accession procedures are located on the applicant country’s side. But the pace of accession negotiations could and should be radically accelerated also through some specific actions undertaken by WTO member countries. Two broad initiatives can be contemplated.

First, a “fast-track” approach should be adopted with respect to those transition countries that have opened up negotiations with WTO, make consistent efforts to meet necessary membership criteria and show strong commitment to get WTO membership. The “fast track” approach, recently suggested by the EU for several LDCs, is a welcome initiative. In our opinion, a similar approach should be applied to selected candidate transition countries. The “fast-track” would involve radically streamlined review and evaluation procedures, more frequent meetings of the Working Parties, and flexible, individual schedules for individual countries. The “fast-track” would be available to countries that are able to push through internal reforms quickly and effectively.

One important element of the “fast-track” would be to allow the candidate countries to join the WTO without necessarily taking on commitments that have not been accepted by all WTO members. This refers particularly to certain plurilateral agreements concerning government procurement or audiovisual services: it would be unfair and unjustified to deny WTO membership to a transition country only because it is not ready to accept a commitment which is not yet an integral part of the WTO “acquis”.

On the other hand, it should be stressed that the “fast-track” procedure would not mean that WTO rules could be waived or suspended. That would not be acceptable for an organization that is rule-based. WTO rules have to be accepted without exception. The idea of the “fast-track” is to help transition countries to accelerate the process of effectively adopting the WTO rules rather then to adopt them selectively or without making their enforcement possible in practice.

…through extending technical assistance and advice to candidate transition countries...

The “fast-track” procedure would require increased efforts from the candidate transition countries, both in terms of making necessary adjustments in national legislation and in terms of improving and strengthening their negotiating capabilities. Unfortunately, the WTO Secretariat has only limited capacities to assist the candidate countries in this process. In this respect, WTO accession fundamentally differs from accessions to other organizations such as the EU or the Bretton Woods institutions, which provide necessary technical assistance and guidance to new members. Bilateral assistance from more affluent WTO member countries, while important, may not always be best suited to provide an objective and comprehensive policy advice.

Member countries could consider a possibility of extending UN ECE’s mandate to include technical assistance for transition countries in the process of WTO accession. The UN/ECE has gathered considerable expertise on economic policies and reforms in transition countries. It has also been involved in a number of programmes aimed at facilitating trade and trade-related activities in transition economies. The UN/ECE is ready to assist those countries, in collaboration with other international organizations, national institutions and member Governments, in the process of their accession to WTO.

The technical assistance, which would necessarily be “demand-driven” and well coordinated with activities of other organizations, would be concentrated in two main areas: WTO accession and participation in the forthcoming round of multilateral negotiations.

With respect to accession to WTO, the assistance could be offered in several basic forms:

- assistance in the preparation of the Memorandum on Foreign Trade Regime and in responding to the questions asked by WTO members in the questions-and-answers phase of the accession process;
- assistance in bilateral and multilateral negotiations;
- assistance in preparing and implementing necessary legislative changes;
- assistance in preparing studies and reports on selected issues.

One important way of extending technical assistance to applicant countries would be to draw on vast experiences of those transition countries that have successfully completed the accession procedure. A pool of experts from those countries could be established to provide specific advisory and other services to applicant countries, in collaboration with respective governments and with administrative support from the UN ECE.

…and through involving non-member transition countries in the new round of multilateral trade negotiations

The non-member transition countries that have opened up accession negotiations with WTO should be invited to participate in the forthcoming round of multilateral trade negotiations as observers-participants on principles similar to those on which some non-member countries took part in the Uruguay round. This would allow them to effectively “anticipate” their future membership through making binding commitments during negotiations. This would also allow them to follow substantive discussions on implementation of various WTO agreements, to participate in negotiations on new rules, to get familiarized with the working of WTO, to express informally their opinions and expectations and to prepare themselves better for accession negotiations.

Active participation in negotiations and, in particular, making commitments on future trade policy decisions, requires extensive professional and analytical skills. Not all non-member countries can be expected to be able to effectively participate in the new round because of limited experience and lack professional personnel. The UN/ECE is ready to assist the candidate countries in making their participation in the new round constructive and useful.

Concluding remark

The preparations to the ministerial conference have been long and difficult. They have demonstrated that member countries can have different priorities and expectations, and that compromise and good will is necessary for accommodating various and sometimes conflicting objectives. However, there is a widely shared view that a new round of trade negotiations is needed in order to assure more open and fair trade. This conviction should help in guiding us through negotiations and in reaching a balanced and comprehensive agreement on the future shape of the international trading system.

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Annex II

TRADE FACILITATION
THE ROLE PLAYED BY THE UNITED NATIONS IN SETTING GLOBAL RULES

Note to the WTO Ministerial Conference in Seattle
30 November-3 December 1999

Executive Summary

Trade liberalization cannot bring full benefits without simple procedures and without capacity building for countries that lack relevant expertise.The UN/ECE has developed a range of trade facilitation products that have a global scope and can contribute to bringing trade procedures under the WTO multilateral trade rules by

- acting as a technical expert body to the WTO, developing and maintaining procedural standards and recommendations,
- providing advisory services to countries on simplification, harmonization and standardization of their trade procedures,
- assisting in the assessment of trade procedures in individual countries by inclusion of trade facilitation issues into the WTO Trade Policy Review Mechanism.

Trade liberalization cannot bring full benefits without simple procedures…

Multilateral trade negotiations under the auspices of the World Trade Organization (WTO) have resulted in a substantive reduction of overall tariff protection worldwide. However, as tariffs become less important, there is a growing realization of the adverse impact of procedural barriers to trade. If tariffs are cut, but trade procedures remain complex, full benefits from trade liberalization are unlikely to be attained. There is therefore increasing interest in international forums, including the WTO, in reducing or eliminating procedural barriers in order to stimulate and simplify international trade.

It is also clear that the automation of contradictory procedures, excessive documentation and the use of various incompatible standards can achieve only sub-optimal results. Therefore, to be fully effective, the automation of trade procedures needs to be implemented within a broader policy of systematic improvement and simplification of trade procedures and practices.

….. and without capacity building for countries that lack relevant expertise.

Simple trade procedures lower costs, increase a country’s competitiveness in international trade and its attractiveness for foreign investors. Unfortunately, those countries most in need of trade and investment may not have enough resources and know-how to implement the necessary reforms at the required pace. It would therefore be meaningless to ask them to adhere to internationally agreed rules and practices if they lack the means to implement them.

Multilateral trade negotiations are moving towards increasingly complex issues where specialized know-how is required to understand and put in place what has been negotiated. Trade procedures belong to such knowledge-intensive areas where expertise is lacking in many countries, particularly the least developed ones. It is therefore crucial that any adoption of multilateral rules for international trade procedures be accompanied by well-focused and coordinated capacity-building programmes. Such efforts ought to take full advantage of the trade facilitation expertise of a number of international organizations.

The United Nations has developed a range of trade facilitation products …..

For well over 30 years, the United Nations has been developing simpler trade procedures to benefit government administrations, providers of trade-related services and traders themselves. Trade facilitation techniques, recommendations and norms have been implemented in many governmental and business sectors across the world. This work is now led by the Centre for the Facilitation of Procedures and Practices for Administration, Commerce and Transport (UN/CEFACT). UN/CEFACT focuses on removing procedural barriers to trade through eliminating cumbersome procedures and subsequently simplifying, harmonizing and standardizing remaining procedures and data.

The results of its work are embedded in recommendations for best practices in trade procedures and standards for transaction-related information. Twenty-seven recommendations have been issued so far (for details, see *http://www.unece.org/cefact*, as well as the list at the end of the current document). The recommendations include the widely used UN Layout Key, a guideline for designing documents that allows information to be recorded only once for a whole set of different trade documents. The UN Layout Key is, for example, the basis of the EU Single Administrative Document, and the International Bill of Lading. Other recommendations include the UN Location Code for over 26,000 trade locations in the world, or the Country Code that has been adopted as an ISO standard. Recommendation No. 18 on “Facilitation Measures Related to International Trade Procedures” provides a comprehensive overview of best practices for documentary aspects of production, purchase and sale of goods, and for customs, transport, insurance and payment procedures.

Some of the recommended practices relate to matters covered by WTO agreements, such as the Agreement on Rules of Origin, the Agreement on Import Licensing Procedures, or the Agreement on Technical Barriers to Trade. Others deal with procedures that do not yet fall under multilateral trade rules. A recently adopted recommendation deals with pre-shipment inspection and is therefore of direct relevance to the related WTO Agreement.

In addition to taking into account that much of the world’s exchange of trade data is still paper-based, UN/CEFACT pays close attention to advances in telecommunications and information technologies and their use in business-to-business data exchanges. The most important product in this area developed and maintained by the Centre is the UN Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT), the global standard for electronic data interchange (EDI).

Aware of the potential of the Internet, UN/CEFACT has also recently concluded a partnership with the Organization for the Advancement of Structured Information Standards (OASIS), a non-profit international consortium sponsored by leading transnational information technology companies. The objective of jointly created Electronic Business XML Working Group is to develop standards for exchanging all electronic business data over the Internet.

…. that have a global scope…

The restructuring of the UN's trade facilitation activities, which had been organized in the United Nations Economic Commission for Europe (UN/ECE), led to the creation in 1997 of UN/CEFACT. This gave a new impetus to enhancing and enlarging existing partnerships with intergovernmental and governmental organizations which had already been contributing a wide range of expertise to the UN/ECE's trade facilitation work. Such organizations include the World Customs Organization (WCO), the International Chamber of Commerce (ICC), the International Organization for Standardization (ISO), the International Federation of Freight Forwarders Association (FIATA), the International Road Transport Union (IRU), the International Article Numbering Association (EAN) and the Society for Worldwide Interbank Financial Transactions (S.W.I.F.T.).

In addition, UN/CEFACT has also been strengthening its collaboration and coordination with other UN agencies, including the United Nations Conference on Trade and Development (UNCTAD), the United Nations Commission on International Trade Law (UNCITRAL), the International Trade Centre (ITC) and the other regional commissions of the United Nations. For example, cooperation with the Economic and Social Commission for Western Asia (ESCWA) resulted in an initiative, endorsed by the Secretary General of ESCWA, to establish national trade facilitation bodies in the Commission's member countries. In relation to the Economic and Social Commission for Asia and the Pacific (ESCAP), joint work was conducted in capacity building and providing advisory services to the Special Programme for the Economies of Central Asia (SPECA).

The International Organization for Standardization (ISO), the International Telecommunication Union (ITU) and the International Electrotechnical Commission (IEC) are signatories to a Memorandum of Understanding with the UN/ECE that establishes a framework for coordinating their work on electronic business. The results of this cooperation are reflected in a number of joint groups and ISO's endorsement of the basic standards underlying UN/EDIFACT.

…and can contribute to bringing trade procedures under the WTO multilateral trade rules by

- **acting as a technical expert body to the WTO, developing and maintaining procedural standards and recommendations,**

UN/CEFACT has become a centre of excellence for trade facilitation within the United Nations system. It is formally recognized as an international standardization body by the WTO Committee on Technical Barriers to Trade. Taking advantage of its acquired expertise, UN/CEFACT could serve as a technical expert body to the WTO to develop recommendations and standards relating to best practices in trade facilitation and serve as their

repository. The WTO would issue requests for standardization action, which would then be taken up by UN/CEFACT, in much the same way as the Technical Committee on Customs Valuation works with the World Customs Organization.

The best mechanism for using the results of UN/CEFACT's work in the WTO legal framework will be defined by its member countries. Two possible options could be envisaged: first, UN/CEFACT recommendations and standards for best trade procedures and practices could be endorsed by the WTO and embedded in its legal framework. Or, WTO agreements could make reference to UN/CEFACT recommendations, without making them a part of officially agreed texts. Under both scenarios, UN/CEFACT is ready to make its expertise available in order to help simplify and harmonize trade procedures worldwide.

- **providing advisory services to countries on simplification, harmonization and standardization of their trade procedures,**

Capacity building for trade facilitation is of utmost importance for developing countries for implementing their WTO commitments. Expertise already developed by UN/CEFACT could be used to assist these countries.

The UN's expertise in advisory services in trade facilitation has evolved over years of assistance to member countries in modernizing their trade operations. Trade facilitation bodies have been created in a growing number of UN member countries to coordinate private- and public-sector activities related to simplifying trade procedures.

The UN/ECE pays special attention to countries in transition, which are most in need of assistance. For example, the UN/ECE is acting as the supporting secretariat for the Southeast European Cooperative Initiative (SECI). Within this framework, it has helped to set up trade facilitation bodies in countries participating in SECI and is cooperating in implementing trade facilitation projects in southeastern Europe. ESCAP and the UN/ECE are collaborating on a similar effort for the central Asian republics.

- **assisting in the assessment of trade procedures in individual countries by inclusion of trade facilitation issues into the WTO Trade Policy Review Mechanism.**

The function of the WTO Trade Policy Review Mechanism is to examine trade policies and practices of its member countries and their conformity with multilateral trade rules. The Review Mechanism analyses not only the economic environment and trade policy regime of a country but also the trade practices affecting imports and exports. Some of these measures fall within the trade facilitation domain. In this context, it could be useful to examine country's performance in the light of UN/CEFACT's trade facilitation recommendations or to develop measures or indicators to assess the status and progress in the efficiency of trade within one country and to compare countries' performance internationally.

LIST OF TRADE FACILITATION RECOMMENDATIONS DEVELOPED BY UN/CEFACT AND ITS PREDECESSORS

Web site: *http://www.unece.org/cefact*

1. UN Layout Key
2. Location of Codes in Trade Documents
3. ISO Country Codes
4. National Trade Facilitation Bodies
5. Abbreviations of INCOTERMS
6. Aligned Invoice Layout Key
7. Numerical Representation of Dates, Times and Periods of Time
8. Unique Identification Code Methodology
9. Alphabetic Code of the Representation of Currencies
10. Codes for Ship's Names
11. Documentary Aspects of the International Transport of Dangerous Goods
12. Measures to Facilitate Maritime Transport Documents Procedures
13. Facilitation of Legal Problems in Import Clearance Procedures
14. Authentical of Trade Documents by means other than signature
15. Simpler Shipping Marks
16. LOCODE - Code for Ports and other Locations
17. PAYTERMS - Abbreviations for Terms of Payment
18. Facilitation Measures Related to International Trade Procedures
19. Codes for Modes of Transport
20. Codes for Units of Measurement used in International Trade
21. Codes for Types of Cargo, Packages and Packaging Materials
22. Layout Key for Standard Consignment Instructions
23. Freight Cost Code - FCC
24. Harmonization of Transport Status Codes
25. Use of the UN/EDIFACT Standard
26. Commercial Use of Interchange Agreements for EDI
27. Pre-shipment inspection

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