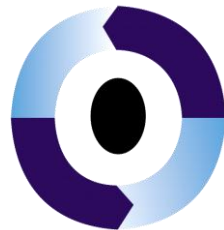


Study Tour for Kosovo Trade Officials to Geneva
Regional Trade Principles and Practices

RTA Challenges for Transition Economies
Geneva, 20 May 2010

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W T I
a d v i s o r s

Pitschas, 20-05-2010

Overview

- Economic impact of RTAs
- WTO rules on RTAs
- CEFTA 2006
 - Rationale
 - Objectives
 - Obligations
 - Institutions

Economic impact of RTAs

- Trade creation:
 - inefficient, high-cost domestic production replaced by low-cost imports from RTA parties
- Trade diversion:
 - efficient, low-cost imports from non-RTA parties replaced by less-efficient imports from RTA parties

Economic impact of RTAs

- Trade creation versus trade diversion
 - Empirical analysis seems to suggest that RTAs create more trade than they divert but non-RTA parties tend to lose
 - RTAs will increase the level of trade even more if *comprehensive* liberalization across all sectors → *deeper* integration leads to larger effects

Economic impact of RTAs

- Induced growth effects through:
 - Higher productivity
 - Increased specialization
 - Economies of scale
 - Attracting FDI
 - Locking in reforms

Economic impact of RTAs

- Deeper integration through:
 - Reduction/elimination of regulatory/behind-the-border measures/barriers to trade
 - Streamlining/consolidating the rules book, including:
 - Customs procedures
 - Technical regulations & standards
 - SPS measures
 - Domestic regulation of services trade
 - Competition
 - Investment
 - Government procurement

Trade in Goods: Article XXIV GATT

- Rationale
 - Desirability of closer economic integration in the form of CU and FTAs (RTAs/PTAs)
 - A means of facilitating trade between the parties to the RTA
 - Barriers to trade with third parties should not be raised
 - ▶ GATT Article XXIV imposes certain *conditions* for the formation of RTAs/PTAs

Trade in Goods: Article XXIV GATT

- Conditions
 - *External* trade:
 - Article XXIV:5 – duties and other regulations of commerce *vis-à-vis other* WTO Members must not be higher or more restrictive than before
 - *Internal* trade:
 - Article XXIV:8 - liberalization of “substantially all the trade” between/among the constituent territories in products originating in such territories
 - No clarity as to what constitutes “substantially all trade”
 - No agreement on the calculation method or basis of calculation (actual versus potential trade flows)

Trade in Services: Article V GATS

- Conditions
 - *External* trade:
 - Art. V:4 - overall level of barriers within the respective sector/subsector vis-à-vis third parties must not be raised
 - *Internal* Trade:
 - Substantial sectoral coverage in terms of sectors, modes of supply and volume of trade (Art. V:1 (a))
 - Elimination of discrimination (NT) (Art. V:1 (b))
 - Elimination of existing and prohibition of introducing new/more discriminatory measures at entry into force or within reasonable timeframe
 - Wider process of economic integration/trade liberalization to be considered in this context

CEFTA 2006

- Why CEFTA 2006?
 - CEFTA 2006 replaced 32 bilateral trade agreements → one single RTA/PTA
 - Consolidation & simplification of the rules book
 - Modernisation & harmonisation of the rules
 - Increasing the region's attractiveness for inbound FDI
 - Assisting in WTO accession processes

CEFTA 2006

- Objectives
 - Improving conditions to promote investment, including FDI
 - Expanding trade in goods & service
 - Eliminating barriers to & distortions of trade
 - Protecting IPRs in accordance with international standards
 - Gradual opening of the government procurement markets
 - Establishing effective procedures for implementing & applying CEFTA 2006

CEFTA 2006

- Customs duties on industrial goods
 - Elimination, except for certain products subject to bilateral concessions (Annex 2)
- Customs duties on agricultural goods
 - Elimination or reduction according to schedules (Annex 3)
 - MFN duties to be applied if lower than preferential duties listed in Annex 3

CEFTA 2006

- SPS measures
 - WTO-SPS Agreement
 - Cooperation
 - Negotiation of harmonization or mutual recognition agreements
- TBT
 - WTO-TBT Agreement
 - Identification & elimination of “unnecessary” TBT
 - Negotiation of harmonization or mutual recognition agreements
 - Harmonization with EU rules

CEFTA 2006

- Rules of origin/cooperation in customs matters
 - Annex 4
 - Simplification & reduction of customs procedures & formalities
- Prohibition of fiscal discrimination
 - Any measure or practice of an internal fiscal nature

CEFTA 2006

- Competition rules
 - State monopolies/state trading enterprises
 - No discrimination regarding the conditions under which products are marketed
 - In accordance with WTO provisions
 - Rules of competition concerning undertakings
 - Reference to relevant EU rules
 - State aid
 - Reference to relevant EU rules

CEFTA 2006

- Trade Contingency measures
 - Anti-Dumping measures must conform to the WTO-Anti-Dumping Agreement
 - Safeguard measures must conform to the WTO-Safeguards-Agreement and specific procedures set forth in CEFTA 2006
- Government Procurement
 - MFN obligation
 - NT obligation (as of 1 May 2010)
 - Open & effective competition
 - Transparent procedures

CEFTA 2006

- Services
 - Trade in services as defined in Article I GATS
 - Aim of achieving a progressive liberalization and mutual opening of the services markets in accordance with Article V GATS
- Investment by investors of the other Parties
 - Fair & equitable treatment
 - Full protection & security
 - MFN and NT obligations regarding pre- and post-establishment phase [but these obligations do not apply to advantages accorded by virtue of membership in a customs, economic or monetary union, common market or free trade area]
 - Without prejudice to rights & obligations arising from existing BITs concluded between CEFTA parties (Annex 6)

CEFTA 2006

- Protection of IPRs
 - In accordance with TRIPS and conventions in Annex 7
 - Parties are required to accede to conventions listed in Annex 7 and implement the obligations arising thereof no later than 1 May 2014

CEFTA 2006

- Institutions
 - Joint Committee
 - Is to supervise & administer the implementation of CEFTA 2006
 - Meets at least once a year
 - Acts by consensus
 - May set up subordinate bodies
 - Secretariat
 - Permanent body
 - Is to support the Joint Committee
 - Is located in Brussels

CEFTA 2006

THANK YOU