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UZBEKISTAN AND THE WORLD TRADE ORGANIZATION

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Summary

Uzbekistan is actively pushing to achieve WTO membership after what could be the longest accession negotiations ever.

The background paper

- analyzes the evolution of Uzbekistan's 1994 application and the evolution of the WTO since 1995,
- examines the current state of the application, potential obstacles to completing the negotiations, and the benefits and costs of joining the WTO.

The lengthy process was related to President Karimov's inward-looking and interventionist economic development strategy, & the revival after 2016 is associated with President Mirziyoyev's more outward-oriented strategy.

The answer to the question of whether Uzbekistan will, or should, join the WTO depends on the commitment to economic reform.

- If the government is serious about replacing dependence on resource exports and protected manufacturing activities by a more diversified competitive economy, then Uzbekistan will achieve and benefit from WTO membership.
- If the economy remains resistant to fundamental reform, then accession will be difficult and of little value if it happens.

Status of WTO Accession Negotiations

	Applied	Member
Kazakhstan	January 1996	November 2015
Kyrgyz Republic	February 1996	December 1998
Tajikistan	May 2001	March 2013
Turkmenistan	2020*	
Uzbekistan	December 1994	
China	July 1986	December 2001
Russian Federation	June 1993	August 2012

Source: www.wto.org

Notes: On 10 July 1986, the People's Republic of China formally submitted its request to resume China's status as a contracting party to the GATT.

* Turkmenistan's application for observer status is expected to be considered by WTO Members at the next regular meeting of the General Council, scheduled for 22 and 23 July. It is the last of the fifteen former Soviet republics to seek a formal relationship with the WTO,

Paper Outline

1. Uzbekistan's Long and Winding Road to the WTO
2. Meanwhile in Geneva
3. The WTO and Formerly Centrally Planned Economies
4. Is the WTO Still Relevant?
5. Uzbekistan's WTO Accession
6. Conclusions

In the presentation, I will talk briefly about #1 then mainly discuss the nature of the WTO and the current status of Uzbekistan's application.

Uzbekistan's Long and Winding Road to the WTO

The context of the December 1994 WTO application

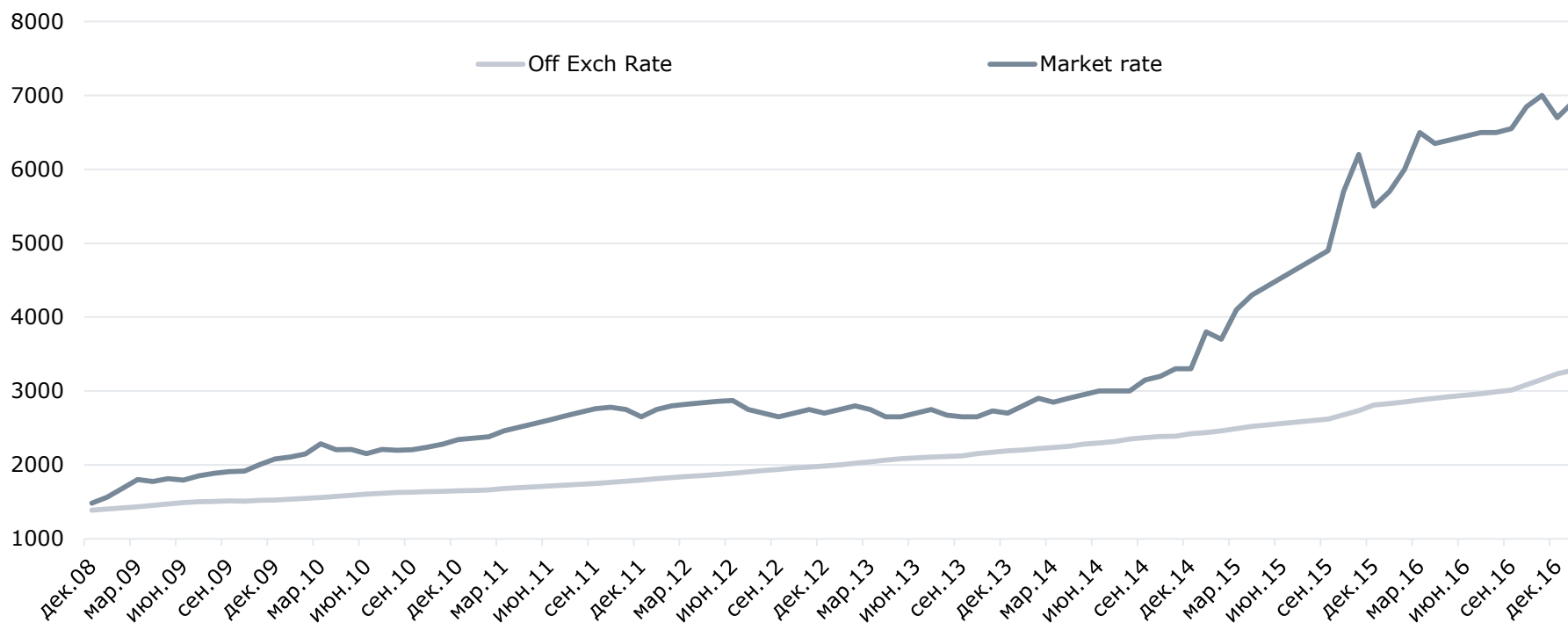
- after independence, 1992-3 were years dominated by nation-building, hyperinflation and economic transition debates → a liberal transition strategy after adoption of a national currency in mid-1994.

In October 1996, the government introduced foreign exchange controls

- economic policy became more interventionist
- and WTO-inconsistent
 - Restricting access to foreign currency is a barrier to imports that is not permissible for WTO members

Despite talk of relaxation of controls in early 2000s, they remained in place.

Exchange rate, sum/USD December 2008 – December 2016



Source: Ben Slay, private correspondence (Pomfret, 2019, 113), based on Central Bank of Uzbekistan data and UNDP calculations.

The GATT and the WTO

The WTO was established on 1/1/1995 as successor to the GATT

- although descended from the GATT, the WTO has a different emphasis.

In 1947 the GATT was a temporary arrangement, following lack of agreement on the mandate of an International Trade Organization

- the secretariat was small,
- decision-making was by consensus

Nevertheless, slow but steady progress on trade liberalization through 8 rounds of multilateral trade negotiations led to accumulation of a strong, acceptable framework for international trade and substantial ↓ tariffs.

A body of trade law was established between 1947 and 1994 and consolidated in the Final Act of the Uruguay Round.

WTO membership involves commitment to these agreed rules and practices, based on transparency and non-discrimination.

GATT was a success story

- 23 countries signed the GATT in 1947
- 123 countries negotiated the Uruguay Round in 1986-94.

However, the structure was anachronistic by 1995

and the decision to follow the GATT pattern and launch a new round of multilateral trade negotiations in 2001 was mistaken.

- The Doha Round was a mistake because the WTO operates by consensus.
 - GATT rounds would be guided by a few leading members (in the Uruguay Round: the USA, EU, Japan and Canada) and others would acquiesce.
 - in the 21st century, several large economies, notably Brazil, Russia, India and China, are more assertive and consensus is hard to reach – especially as new issues are more complex & contentious

And by 1995 administration of a body of trade law was more important than reducing direct trade barriers.

The WTO is Different

The distinction between the WTO and the GATT is important.

The WTO was created because a body of trade law had been established

WTO membership involves commitment to these agreed laws, based on transparency and non-discrimination.

even though this role is often obscured by media coverage highlighting the repeated failures of Doha Round negotiations rather than the ongoing successful operation of trade flows or details of dispute resolution mechanism cases.

- The contrast between the GATT and WTO eras also reflects the changing trade landscape
 - tariffs became less important - subsidies, taxation and discriminatory regulations became the main sources of frictions between trading nations.

Such issues are less amenable to multilateral trade negotiations and are better suited to judicial processes based on the trade law of the WTO Charter, although the problem remains of how to revise the laws when they prove unsatisfactory.

What does WTO Membership Involve?

A commitment to agreed laws on international trade (GATT, GATS, etc), based on transparency and non-discrimination.

- Tariff schedules (& major NTBs) are lodged at the WTO Secretariat and can only ↑t under specific conditions:
 - Most important exceptions = antidumping (AD) and countervailing duties (CVDs) remedies for unfair practices (predatory pricing & subsidies)
 - Note grey areas -- e.g. use of a national security argument for protection, role of state aid to SOEs may be non-transparent
- Codes: technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS)
 - permitted but should be designed to minimize negative impacts on trade and scientifically justified (e.g. in quarantining or banning agricultural imports)



Beyond the WTO

WTO rules can only be changed by consensus

- Singapore issues (identified in 1997 as next areas to be included):
 - Intellectual property rights, extending TRIPS agreements.
 - Investment and trade
 - Trade facilitation (2017 agreement in Doha Round)
 - Government procurement (a plurilateral agreement)
- Services trade – GATS included in WTO Charter but weaker than GATT
- New issues – e.g. digital trade and e-commerce – a plurilateral?
 - Alternatively, agreements among like-minded countries outside the WTO (CPTPP, RCEP, bilateral agreements)
 - e.g. Australia is in CPTPP & RCEP, has a deep integration agreement with New Zealand, other bilaterals with the USA, Singapore and others, and is negotiating with the EU and UK. These are primarily about WTO+ issues.



Uzbekistan's Accession

After a country applies for membership, the accession process involves four steps, primarily intended to ensure compatibility between the applicant's policies and WTO membership

1. the government submits to a WTO working party a factual description of all aspects of its trade and economic policies that have a bearing on WTO agreements
2. when the working party has made sufficient progress on principles and policies, parallel bilateral talks begin between the prospective new member and individual WTO member countries.
3. drafting the Working Party Report which will be the basis for accession.
4. presenting the final package WTO members.



1. Factual Description

The government submits a factual description of all aspects of its trade and economic policies that have a bearing on WTO agreements.

The ***Memorandum on the Foreign Trade Regime*** (MFTR) is examined by a working party

- the working party chair is appointed by the WTO
 - in Uzbekistan's case the Chair is from the Republic of Korea, currently Ambassador Ji-ah Paik
- working party membership is open to all WTO members expressing an interest.

Questions about the factual statement can be extensive, e.g. in Tajikistan's case they numbered over 1300. The applicant is expected to respond to the questions by changing the policy in question or convincing the working party that it is WTO-consistent.



2. Bilateral Talks

When the working party has made sufficient progress on principles and policies, parallel bilateral talks begin between the prospective new member and individual countries.

These talks cover tariff rates and specific market access commitments, and other policies in goods and services.

The talks are bilateral because different countries have different trading interests.

- However, the new member's eventual commitments will apply equally to all WTO members under the non-discrimination (unconditional most-favoured nation) principle.



3. Draft Working Party Report

In March 2020 Uzbekistan circulated responses to working party members' questions about its Memorandum on the Foreign Trade Regime (MFTR).

The Chair of the Working Party will hold consultations with members of the Working Party on the next steps, including scheduling a fourth meeting of the Working Party (the first since 2005).

Once agreement has been reached on the Factual Summary of Uzbekistan's foreign trade regime and the parallel bilateral market access negotiations are complete, work will begin on drafting the **Working Party Report** which will be the basis for accession.



4. The Final Package

The final package, consisting of the Report, a draft membership treaty (“protocol of accession”) and lists (“schedules”) of the applicant’s commitments, is presented to the WTO General Council or the Ministerial Conference.

If WTO members vote in favour, the applicant is free to sign the protocol and to accede to the WTO.

the country’s own parliament or legislature may have to ratify the agreement before membership is complete.

The applicant’s commitments become part of the legal package of WTO documents and national legislation, and the country acquires the status of a member of the WTO.

Current status in the accession process



Negotiating Points

Accession negotiations involve accepting WTO principles and bargaining on:

- aspects of current policies that a WTO member objects to,
- establishing exemptions with respect to codes or GATS, e.g. excluding sensitive subsectors or IP features

How long negotiations take depends on how much bargaining is needed.

- China took 15 years because many aspects of the Chinese economy in 1986 were incompatible with GATT/WTO principles of transparency.
- Kyrgyz accession was fast because there was little that WTO members objected to or that Kyrgyzstan insisted upon.
- Many cases where negotiations were halted were due to unwillingness of the applicant to adapt national policies sufficiently

WTO membership signals acceptance of WTO world trade law, which facilitates trade, but also constrains policy autonomy (e.g. to reintroduce foreign exchange controls).

Publicity

THE CENTRAL ASIAN ECONOMIES IN THE TWENTY-FIRST CENTURY

Paving A New Silk Road



RICHARD POMFRET

Published by
Princeton University
Press in 2019

Contact

Thank you for your attention!

If you would like a copy of the background paper or have any comments, questions, or suggestions, please e-mail.

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