

ACCESSION
OF THE REPUBLIC OF TAJIKISTAN TO
THE WORLD TRADE ORGANIZATION

by

Vosaliev Alisher

Ritsumeikan Asia Pacific University

SEPTEMBER 2011

Table of contents

Acknowledgements	4
List of Abbreviations	5
List of Tables.....	6
Chapter 1: Introduction.....	7
1.1 Brief description of the accession process of the Republic of Tajikistan to the World Trade Organization.....	7
1.2 Information about World Trade Organization.....	11
1.3 Research objectives.....	15
1.4 Research questions.....	15
1.5 Methodology.....	16
Chapter 2: Analysis of foreign trade situation of the Republic of Tajikistan	
2.1 General description of the Republic of Tajikistan (territory, population, economic specialization).....	17
2.2 Current economic situation and main challenges.....	21
2.3 Analysis of foreign trade of the Republic of Tajikistan.....	22
Chapter 3: Literature review.....	36
3.1 Definition of terms.....	36
3.2 WTO membership and accession process.....	38
3.3 Costs and Benefits of WTO Membership.....	41
Chapter 4: Accession process of the Republic of Tajikistan to the World Trade Organization.....	44
4.1 The WTO as a rules-based system designed for market economies.....	44
4.2 Accession Process and Strategy.....	47

4.3 Benefits and costs of WTO membership.....	51
4.4 Accession Status of the Republic of Tajikistan to the WTO.....	54
4.4.1 The basic requirements of the member-states of WTO during bilateral negotiations on market access of goods.....	58
4.4.2 Achieved progress on bilateral negotiations.....	58
4.5 Conclusion.....	62

Chapter 5: WTO Accession Process: The Case of Kyrgyz Republic and Ukraine.....

5.1 Case study: Accession of the Kyrgyz Republic to the WTO.....	64
5.1.1 Positive elements and problems associated with early accession of Kyrgyz Republic to WTO.....	69
5.1.2 Lesson that can be learned from the experience of Kyrgyzstan's accession into the WTO by acceding countries.....	71
5.1.3 Problems that hinder Kyrgyz Republic from benefiting from being a part of the WTO.....	72
5.2 Case study: Accession of the Ukraine to the WTO.....	73
5.2.1 WTO membership: the effect it will have on the Ukrainian economy.....	78
5.2.2 Ukraine's prospect as a member of the WTO.....	79
5.3 Conclusion.....	81

Chapter 6: Positive and negative consequences of the accession of the Republic of Tajikistan to the World Trade Organization.....

6.1 Positive influence of the accession of the Republic of Tajikistan to the WTO.....	87
6.2 Negative consequences of the accession of the Republic of Tajikistan to the WTO.....	93

6.3 Recommendations on how to reduce the negative impacts of the WTO on industrial development.....	95
6.4 Preparatory actions for accession and issues to be negotiated in order to ensure food security.....	96
Chapter 7: Conclusion.....	98
List of References.....	100

ACKNOWLEDGMENTS

First of all, I sincerely express my whole hearted gratitude and deepest appreciation to my supervisor Professor Yamagami Susumu for his invaluable and in-depth advice, helpful suggestions, and kind support during the whole process of my research. I appreciate his way of advising which is very fundamental for students to doing their research in-depth.

I would also like to express my profound gratitude to the Japan Government through JICA (Japan International Cooperation Agency) and JICE (Japan International Cooperation Center), as well as Ministry of Economic Development and Trade of the Republic of Tajikistan for providing and introducing me this invaluable scholarship to further my education in the field of International Cooperation Policy in Ritsumeikan Asia Pacific University.

My special thanks to my beloved wife Shirin and daughter Nazokat for their support and understanding throughout my work on this report.

Also I would like to extend my gratitude to the staff of the Academic Office and Student Support Center for their assistance and for making me feel at home while at the APU.

LIST of ABBREVIATIONS

ATCA	Agreements on Trade in Civil Aircraft
CIS	Commonwealth of Independent States
GATT	General Agreement on Tariffs and Trade
GBAO	Gorno-Badakhshan Autonomous oblast
GDP	Gross Domestic Products
GP	Government Procurements
GT	Government of Tajikistan
KR	Kyrgyz Republic
LDSs	Least Developed Countries
MFN	Most-favoured National Treatment
MERT	Ministry of Economic Development and Trade
PA	Protocol of Accession
RT	Republic of Tajikistan
SPS	Sanitary and phytosanitary measures
TBT	Technical barriers to trade
TRIPS	Trade Related Intellectual Property Rights
UN	United Nation
WP	Working Party
WTO	World Trade Organization

LIST of TABLES

Table 1. Trade turnover of the Republic of Tajikistan.....	24
Table 2. Basic Products exported from Tajikistan	25
Table 3. Basic Products imported to Tajikistan.....	26
Table 4. Export of the Republic of Tajikistan with foreign countries.....	27
Table 5. Import of the Republic of Tajikistan with foreign countries.....	30
Table 6. WTO Status of Economies in Transition.....	46

Chapter 1: Introduction

1.1 Brief description of the accession process of the Republic of Tajikistan to the World Trade Organization

Of all the Central Asian countries, Tajikistan has faced the most challenging and startling conditions, including its civil war, subsequent isolation from the world's major markets, and fewer readily-marketable natural resources than its neighboring CIS countries since collapse of USSR. Despite these difficult post-independence problems since the end of the civil war in 1997, Tajikistan has made significant progress in economic reform and macroeconomic stabilization. The increase in peace and political stability has allowed Tajikistan to implement wide economic reforms. At the present time accession to the WTO is considered by the Government of the Republic of Tajikistan to be a task of primary importance in its economic development strategy.

The legislative and economic reforms to integrate the country into the multilateral trading system are well under way and the government is determined to take the necessary measures to achieve the set goals. There is a strong political will to become a market based economy that is fully integrated into the world economy.

It should be noted that the Government has taken many steps to bring the country's legislation into conformity with WTO requirements and norms of WTO Agreements, as well as strengthening legal mechanism in the Republic of Tajikistan. From the starting of the accession procedure many things have been done. For the purpose of effective integration into the world economy and trade development the Government of Tajikistan has to take concrete steps towards changing trade and foreign economic policy, enhancing institutional and legislative base for full conformity with requirements, norms and standards of international trade relations.

At present many discussions suggest that developing countries and the countries with transition economy are seriously anxious about possibly negative social and economic consequences of the accession to this Organization. In particular, a subject of discussions became a question of the ability of WTO to accommodate the specific interests of the various countries seeking accession. These interests are expressed in extraction of a maximum benefits from participation in multilateral trading system. At the same time, it is known that membership in WTO for developing entails not only benefit but also significant economic and social costs.(Kayumov and Umarov, 2004)

In this context, this study analyzes the conditions necessary for accession of the Republic of Tajikistan to the WTO, and explores the benefits participation would have in terms of the movement of the goods, services and objects of intellectual property.

In this connection, an actual issue of the present external economic policy of the Government of Republic Tajikistan is the stage-by-stage accession to the World Trade Organization, which represents the legal basis of the multilateral trading system.

On May 29, 2001, Tajikistan applied for WTO Membership under Article XII of the Marrakesh Agreement establishing the WTO. Since its establishment in July 2001, the Working Party of Tajikistan has met 4 times. The most recent meeting was on September 24, 2009. Tajikistan submitted its initial offers on goods and services in 2004. Both offers have undergone three revisions since then. Around ten member-states have entered into bilateral negotiations with Tajikistan. These include Australia, European Union, Japan, Sri Lanka, Switzerland, Taiwan, Turkey, and the United States. Four rounds of bilateral negotiations have been conducted with most interested member-states and informal meetings have been held with the other interested member-states.

It is much more expedient for Tajikistan to take the initiative in bringing the foreign trade regime into full conformity with the WTO agreements rather than wait for WP

Members to request reform. WTO member-countries have other priorities and requests for reform to be gradually made. Further, conforming the policy, legal, and institutional framework governing trade and investment in Tajikistan to the WTO agreements will serve the best interests of Tajikistan. This will lead to the establishment of a transparent and cost efficient business environment which will encourage trade and investment and increase efficiency and competitiveness of domestic producers. Notwithstanding WTO accession, Tajikistan should consider reforming as soon as possible in line with WTO rules and principles.

There is a need, however, to be realistic in terms of capacity to absorb and implement large scale reform in a short period of time. This cannot take place without capacity building and significant technical assistance.(MEDT, 2010) Given further that accession does not solely depend on Tajikistan's actions, delays may be encountered due to other priorities by WTO Members (e.g. multilateral trade rounds), scheduling conflicts at the WTO Secretariat, and limited resources at the WTO Secretariat to move the process at a rapid pace. Nonetheless, experience shows that demonstrating a strong will to accede and being able to show concrete progress on reforms are always reciprocated by responsiveness by both Members and the WTO Secretariat.

From the moment of applying for accession in 2001 the Government of Tajikistan has worked actively towards attracting the governments of donor-countries as well as international organizations to help in this process. One of the first to show support were the Swiss and American governments with the purpose of preparation of the qualified specialists in the field of international trade and the rights.

With reference to integration of Tajikistan into the Multilateral Trading System and, particularly, the accession of the country to the WTO, it should be pointed out that Tajikistan, as a country with a relatively small economy and limited possibilities for international trade, will not have a major impact on international trading conditions. In

this respect, accession to the multilateral trading systems is vital for the country as it would accord the country protection from discriminatory trade practices of the main trading nations and most favoured nation treatments under the various WTO Agreements.

According to the documents developed by Ministry of Economic Development and Trade of the Republic of Tajikistan (2008), accession to the WTO would have the following advantages for the country:

- To benefit from MFN treatment under the various WTO Agreements;
- To benefit from the world-wide free trade rules-based system, including the elimination of restrictive trade barriers and discrimination measures applied to the country in international trade;
- To have access to the international trade information systems, which allows an in-depth analysis of world market structures and conditions and formulation of effective trade and economic policies;
- To have opportunities to consult with WTO member countries so as to develop new trade partners and new markets;
- Within the framework of WTO it would be possible to train highly qualified specialists in the areas of international trade and external economic relations;
- Finally, accession to the WTO would allow the country to strengthen its reputation and image in the world and would create favorable conditions for the attraction of foreign investment to the country.

At the same time, it is essential that the country is well aware of the obligations and commitments it will assume as a WTO member. It will be a challenge to balance Tajikistan's internal interests with WTO member countries' demands and to apply a correct approach to the accession process, which would protect it from potentially negative consequences as a result of too hurried accession process.

1.2 Information about World Trade Organization

The World Trade Organization came into being in 1995. One of the youngest of the international organizations, the WTO is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War.

The system was developed through a series of trade negotiations, or rounds, held under GATT. The first rounds dealt mainly with tariff reductions but later negotiations included other areas such as anti-dumping and non-tariff measures. The last round – the 1986-94 Uruguay Round – led to the WTO's creation.

The WTO's rules – the agreements – are the result of negotiations between its member-states. The current set were the outcome of the 1986-94 Uruguay Round negotiations which included a major revision of the original General Agreement on Tariffs and Trade (GATT).

GATT is now the WTO's principal rule-book for trade in goods. The Uruguay Round also created new rules for dealing with trade in services, relevant aspects of intellectual property, dispute settlement, and trade policy reviews. The complete set runs to some 30,000 pages consisting of about 30 agreements and separate commitments (called schedules) made by individual members in specific areas such as lower customs duty rates and services market-opening.

Through these agreements, WTO members operate a non-discriminatory trading system that spells out their rights and their obligations. Each country receives guarantees that its exports will be treated fairly and consistently in other countries' markets. Each promises to do the same for imports into its own market. The system also gives developing countries some flexibility in implementing their commitments (WTO, 2011).

- Goods

It all began with trade in goods. From 1947 to 1994, GATT was the forum for negotiating lower customs duty rates and other trade barriers; the text of the General

Agreement spelt out important rules, particularly non-discrimination. Since 1995, the updated GATT has become the WTO's umbrella agreement for trade in goods. It has appendixes dealing with specific sectors such as agriculture and textiles, and with specific issues such as state trading, product standards, subsidies and actions taken against dumping (WTO, 2011).

- **Services**

Banks, insurance firms, telecommunications companies, tour operators, hotel chains and transport companies looking to do business abroad can now enjoy the same principles of freer and fairer trade that were originally only applied to trade in goods. These principles appear in the new General Agreement on Trade in Services (GATS). WTO members have also made individual commitments under GATS stating which of their services sectors they are willing to open to foreign competition, and how open those markets are (WTO, 2011).

- **Intellectual Property**

The WTO's Intellectual Property Agreement amounts to rules for trade and investment in ideas and creativity. The rules state how copyrights, patents, trademarks, geographical names used to identify products, industrial designs, integrated circuit layout-designs and undisclosed information such as trade secrets – “intellectual property” – should be protected when trade is involved (WTO, 2011).

- **Dispute settlement**

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. Countries bring disputes to the WTO if they think their rights under the agreements are being infringed. Judgments by specially-appointed independent experts are based on interpretations of the agreements and individual countries' commitments. The system encourages countries to settle their differences through consultation. Failing

that, they can follow a carefully mapped out stage-by-stage procedure that includes the possibility of a ruling by a panel of experts and the chance to appeal the ruling on legal grounds. Confidence in the system is borne out by the number of cases brought to the WTO – more than 300 cases in ten years, compared to the 300 disputes dealt with during the entire life of GATT (1947-94) (WTO, 2011).

- **Trade Policy Review**

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. Many members also see the reviews as constructive feedback on their policies. All WTO members must undergo periodic scrutiny, each review containing reports by the country concerned and the WTO Secretariat (WTO, 2011).

- **Functions**

The WTO's overriding objective is to help trade flow smoothly, freely, fairly and predictably. It does this by:

- Administering trade agreements
- Acting as a forum for trade negotiations
- Settling trade disputes
- Reviewing national trade policies
- Assisting developing countries in trade policy issues, through technical assistance and training programmes
- Cooperating with other international organizations (WTO, 2011).

- **Structure**

The WTO has 153 members, accounting for over 97% of world trade. Around 30 others are negotiating membership. Decisions are made by the entire membership. This is typically done by consensus. A majority vote is also possible, but it has never been used

in the WTO, and was extremely rare under the WTO's predecessor, the General Agreement on Tariffs and Trade (GATT). The WTO's agreements have been ratified in all members' parliaments.

The WTO's top level decision-making body is the Ministerial Conference which meets at least once every two years. Below this is the General Council (normally ambassadors and heads of delegation in Geneva, but sometimes officials sent from members' capitals) which meets several times a year in the Geneva headquarters. At the next level, the Goods Council, Services Council and Intellectual Property (TRIPS) Council report to the General Council. There are also numerous specialized committees, working groups and working parties which deal with the individual agreements and other areas such as the environment, development, membership applications and regional trade agreements (WTO, 2011).

- **Secretariat**

The WTO Secretariat, based in Geneva, has around 625 staff and is headed by a Director-General. It does not have branch offices outside Geneva. Since decisions are taken by the members themselves, the Secretariat does not have the decision-making role that other international bureaucracy are given. The Secretariat's main duties are to supply technical support for the various councils and committees and the ministerial conferences, to provide technical assistance for developing countries, to analyze world trade, and to explain WTO affairs to the public and media. The Secretariat also provides some forms of legal assistance in the dispute settlement process and advises governments wishing to become members of the WTO. The annual budget is roughly 189 million Swiss francs (WTO, 2011).

WTO membership is an indispensable step for a country that wishes to integrate into the multilateral trading system. However, whether the expected benefits materialize and the expected cost can be minimized, depends on the negotiated terms of accession, the strength of national institutions and the existence of appropriate complementary domestic policies. The accession process should be reformed in a way that the respective level of and prospects for development of an applicant country are more thoroughly considered. All relevant stakeholders should be consulted, including parliamentarians, business and civil society. They need to be fully informed about new rules and regulations to be adopted, adapt to them and make good use of them.

1.3 Research objectives

- To study the trade potential of joining of Tajikistan to the WTO;
- To assess the degree to which Tajikistan's trade policies and related legislative and institutional reforms fit the current necessary conditions to WTO accession;
- To consider role of key ministries and agencies, academicians and entrepreneurs of Tajikistan in WTO accession process;
- To highlight the challenges facing Tajikistan's accession to the WTO;
- To make an assessment of the current state of the accession process;
- To compare accession process of Kyrgyz Republic and Ukraine;
- To analyze benefits and costs of membership of the Republic of Tajikistan in the WTO.

1.4 Research questions

1. What is current economic and trade situation of the Republic of Tajikistan?
What kind of reforms and what changes in economic and trade sphere will be implemented to be a member of WTO?

2. Is Republic of Tajikistan ready to be a member of World Trade Organization?
3. What are the positive and negative consequences of the accession of the Republic of Tajikistan to the World Trade Organization?

1.5 Methodology

The methodology used in this study follows the qualitative approach; and as such the intent of qualitative research is to understand a particular social situation, event, role, group, or interaction (Locke, Spirduso, & Silverman, 1987, cited in Creswell, 2009, p. 194). Qualitative research involves interviews or document research or observation that a researcher then interprets rather than counts (Randy, 2005, p.6). The reason for choosing qualitative approach is based on the current state of the foreign trade regime of Tajikistan. Based on existing documentations, the result of this research will hopefully give a description of phenomenon in the field. Hence, the qualitative approach is the most relevant one for this research.

The research is based on the gathering of the different types of data through conducting interview and collecting documents. The collected data consist of both primary and secondary data. The primary data will be gathered by conducting interviews with key informants at the policy making level, as well as local community level; and secondary data is based on documents and governments reports related to the context of research.

Chapter 2. Analysis of foreign trade situation of the Republic of Tajikistan

2.1 General description of the Republic of Tajikistan (territory, population, economic specialization).

a) Territory and population

Tajikistan is a land-locked and mountainous country in Central Asia with an area of 143,000 km². The country has long borders and several neighboring countries. In the west, northwest and northeast the Republic of Tajikistan shares a 910km border with Uzbekistan, a 630 km border with Kyrgyz Republic, and a 430 km border to the east with the People's Republic of China and in the south--with Afghanistan 1,030 km. Tajikistan is defined by its mountains and plateaus, which belong to the mountain systems of Pamir and Tien Shan- and occupy 93% of the total territory. Nearly half of the mountains in the range are higher than 3,000 m. The Somoniyon Peak (formerly the Peak of Communism), is 7,495 m., and is one of the highest mountains in the world. Intermountain valleys and foothill plains located on the altitude lower than 1,000 m. occupy 7% of the territory and have most economic importance. The climate in Tajikistan is continental. Average temperatures of January range from +22° (in Panj) to -61°C (in Bulunkul Lake) and of July from -8°C (in Bulunkul Lake) to +45°C (in Panj).

Vakhsh and Panj rivers, which form Amudariya River, have their headwaters in the Pamir Mountains. In addition to these major rivers there are three other important rivers in Tajikistan – The Zarafshon, Kofarnihon and Syrdariya. Due to presence of large glaciers and steep slopes the Tajikistan possess great hydropower resources (the second place in CIS countries after Russia). Particularly powerful is Vakhsh River. The area

of the flooded lands when building hydropower stations in deep gorges is relatively small and that increases effectiveness of the use of hydroelectric power resources.

According to the 2010 population census, Tajikistan has a population of 8,127,000. Tajikistan is a multiethnic country- the majority of population are Tajiks (80%), and there are also Uzbeks (15.3%), Russians (1.1%), Kyrgyzs, Tatars, Kazakhs, and other ethnicities. The urban population is only 27%. The average density of the population is 37 persons per square km. Despite this low level of population density and urbanization, 80% of people live in three warm valleys -Vakhsh, Hissar, and Ferghana. Furthermore the mountainous regions of Pamirs (Gorno-Badakhshan autonomous oblast) are sparsely populated.

The capital of Tajikistan is Dushanbe. Geographically the country is divided into five administrative regions: -Dushanbe city (capital); Regions of Central Subordination; Sughd oblast; Khatlon oblast; Gorno-Badakhshan Autonomous oblast (GBO).

The National currency is Somoni, introduced in October 2000.

b) Economic specialization

Tajikistan is an agrarian country. Economic comparative advantage of Tajikistan is related to the expanse of land able to be dedicated to agriculture: there are significant water resources, favorable climate conditions for growing grains and animal husbandry, and an abundance of cheap labor. The share of the agriculture is significant in the GDP of the country, and as previously stated 73% of total population of the country lives in the countryside.

Plant growing dominates in agricultural produce. Its principal branches are cotton growing, viticulture and horticulture, and aromatic plants growing. Plant growing produce composes approximately two thirds of gross volume of agricultural produce of which more than 50% is from cotton. Cotton production in Tajikistan is third in the CIS

countries after Uzbekistan and Turkmenistan. Significant land area is used for grains productions. Wheat, barley, corn and rice are also cultivated. In animal husbandry the cattle breeding and sheep breeding (coarse-haired, caraculs, meat) play important roles. Industrial products in the Republic of Tajikistan cover metallurgy, mechanical engineering, and production of durable consumer goods, light industry, and food industry.

Metallurgy

The principal enterprise of this branch is the Tajik aluminum plant in Tursunzade city. Currently besides the aluminum this plant produces household goods. The hydrometallurgy plant in the city of Isfara and the “Vostokredmet” enterprise on the North of the country also have an important place in the industrial growth.

Mechanical engineering

Mechanical engineering includes mechanical engineering plants and electro technical enterprises. The range of goods produced by these plants includes industrial equipment, transportation means, oil and gas equipment, equipment for textile industry, tools, devices and spare parts to agricultural machinery. Electro technical enterprises produce different electrical and electronic equipment including transformers, cables, lighting facilities, and different electronic components.

Light industry

The main types of light industries in the country are manufacture of fabrics and textile goods. Those include carpet weaving, spinning, weaving, and knitwear factories and also enterprises specializing on production of clothing, footwear, luxury goods, porcelains, and furniture.

Food industry

Enterprises of this branch produce tinned goods, different types of oil, margarine, wine and other alcoholic drinks, tobacco goods, salt and confectionery.

Power industry

Hydropower stations provide the majority of energy to the country while all other types of energy are produced in marginal quantities. Tajikistan possesses large water resources. Hydropower potential of Tajikistan is equal to around 32,000 MWt and 300 bln. KWt/h, out of which, it is technically possible to produce 19,000 MWt and 144 bln. KWt/h of energy. Nurek hydropower station (capacity 3,000 MWt), which is the largest energy production unit in the Central Asia, was built in the 1960s. It is a part of the cascade of hydropower stations built on the Vakhsh River. This cascade also includes already functioning Sangtuda-1 (670 MWt), Baipazinskaya (600 MWt), Golovnaya (210 MWt), and Perepadnaya (29.6 MWt) hydropower stations. In the Soviet time the construction of Rogun (3,600 MWt) hydropower station began, however, after the dissolution of the former USSR the construction was slowed down due to lack of financing. The construction is not finished yet. This hydropower station is of great significance not only for Tajikistan but for providing energy resources to its neighboring countries. Completion of the construction of this station will allow regulation of drainage to meet long-term and seasonal water needs of Uzbekistan, Turkmenistan, and Kazakhstan.

2.2 Current economic situation and main challenges

The Republic of Tajikistan started the process of radical social-economic reforms, restructuring of the political system and establishment of a democratic and secular state in 1991 as an independent state. Unfortunately, as a result of the break-down of existing interstate relations within the former Soviet Union the country witnessed a long-term macro-economic and socio-political crisis. The situation was deteriorated by natural disasters and most of all, civil conflict, which contributed to the destruction of the national economy. Stability was restored only in 1997 with the signing of a peace agreement between the Government of Tajikistan and the United Tajik opposition and a new coalition government was established. The peace and reconciliation process, supported by the international community, has progressed well since then and has facilitated the rehabilitation of the national economy and rendered economic growth (MEDT, 2005).

Generally speaking the open market economy has been formed in Tajikistan. The enterprises realize the need for foreign trade to operate in open economic conditions. Competing with foreign companies, both on domestic and foreign markets, becomes for them common and significant factor which promotes successful solution of problems in a sphere of production and marketing. It should be noted that by the level of openness the economy of Republic of Tajikistan holds one of the leading places among the CIS countries. The foreign trade turnover for the last 10 years has increased in 2, 1 times (MEDT, 2005).

Gradually forms of participation of Tajikistan in the international economic relations are being improved and extended. In addition to traditional trade in the goods, the trade in services is rapidly developing. In 2000 trade in the goods have made 60.4% from total amount of GDP of the country, and services 31.0%. In 2005, trade in goods 44.5% and

services 43.8%. In 2009 trade in goods in domestic market and foreign countries accounted for 40.8% and services 48.7% from total amount of GDP. The transition from trade in goods to trade in services has been increasing in the Republic of Tajikistan. The foreign trade economic policy of the Government of Republic of Tajikistan is characterized as being flexible and oriented toward regional growth. This approach assumes participation of Republic of Tajikistan in regional and bilateral trade agreements with the purpose of promotion of trade and rational use of available resources on the basis of a recognition and observance of rules and regulations of multilateral trade (Handbook on Economic and Social situation of the republic of Tajikistan, January 2010).

Other forms and methods of foreign trade relations, such as research-and-production cooperation, participation of foreign firms and companies in creation of joint productions in the territory of the country and exploration of deposits under concession are also improved, while the renting market of agricultural machinery for industrial - technological purpose, know-how, trade in the intellectual property are also developing. In the field of legislation and commercial policy tools, the system of regulation of the foreign trade is created, based on the basic internationally recognized norms and rules compatible to legal mechanisms of multilateral system of trade regulation.

2.3 Analysis of foreign trade of the Republic of Tajikistan

The Republic of Tajikistan pays priority attention to development of foreign economic relations both on bilateral and multilateral levels. By 2009 the Republic of Tajikistan has established trade-economic relations with 101 countries. It is necessary to stress that in the course of many years the structure of foreign trade has not been favorable for the economy of the Republic of Tajikistan. In export markets there is prevalence of

aluminum, cotton, non-ferrous metals and fruit-and-vegetable production, and in import power resources and foodstuff. The structure of export intensifies the dependence on foreign trade and the condition of national economy in general on the fluctuation of prices in the world market, particularly in the aluminum and cotton markets where prices have had a trend to fall in the course of several years. (MEDT, 2010)

According to statistical data of the Agency on Statistics under the Government of the Republic of Tajikistan (*Handbook on Economic and Social situation of the republic of Tajikistan, January 2010*) the foreign trade turnover for 2009, including the electric power and natural gas, have made 3578, 7million USD, which is 23.6 % less than in 2008, or by 1102,6 million USD. Deficiency of trading balance was negative and amounted 1558,8 million USD. Foreign trade turnover in 2009 with CIS countries made 1683,1 million USD or 47.0 %, with other foreign countries 1895,6 million USD or 53.0 %. Deficiency of trading balance with the CIS countries has made 1264,1 million USD, with the foreign countries -294,6 million USD.

Export of goods in 2009 has amounted 1010,0 million USD in comparison with 2008, 28. 3 % or on 398, 7 million USD less. Import of the goods has reached 2568, 7 million USD, 21.5 %, or 703,9 million USD less than in 2008.

In export the share of foreign countries other than CIS countries reached 79. 3 %, or 800,5 million USD. In import the share of CIS countries reached 57.4 %, or 1473,6 million USD.

Table 1. Trade turnover of the Republic of Tajikistan (mln.USD)

Year	2006	2007	2008	2009	2010 (January- September)
Trade turnover	3121,6	3923,6	4676,2	3578,7	2634,1
CIS Countries	1286,0	1748,6	2059,0	1683,1	1155,1
Other Foreign Countries	1835,6	2175,0	2617,2	1895,6	1479,0
Export	1399,0	1468,2	1406,3	1009,9	813,2
CIS Countries	186,2	228,9	225,4	209,5	103,9
Other Foreign Countries	1212,8	1239,2	1180,9	800,4	709,3
Import	1722,6	2455,4	3269,8	2568,7	1820,9
CIS Countries	1099,8	1519,7	1833,6	1473,6	1051,1
Other Foreign Countries	622,8	935,8	1436,3	1095,1	769,8
Deficiency of trade balance	-323,6	-987,2	-1863,4	-1558,7	-1007,6

Source: Agency on statistics under the Government of the Republic of Tajikistan (Materials from social and economic situation of the Republic of Tajikistan)

Table 2. Basic Products exported from Tajikistan (thousand USD)

<i>Name of products</i>	<i>2008</i>	<i>2009.</i>
Livestock and livestock products	319	219
Products of vegetable origin	45064	53515
Fats and oils of vegetable origin	36	314
Finished food products	6015	5327
Mineral products	70656	69145
Production of the chemical industry	4824	3181
Polymeric materials, rubber and products from them	36	183
The raw skins and leather	2565	3517
Textile and textile products	175023	139841
from them a clap-fibre	137845	108218
Articles, made of stones, gypsum and cement	652	427
Precious both semiprecious stones and metals	23861	24696
Non-precious metalls	1109122	1039866
Machinery, equipment, mechanisms, spare parts, etc.	6975	10978
Vehicles	20728	52185
Various industrial goods	723	811

Source: Agency on statistics under the Government of the Republic of Tajikistan (Materials from social and economic situation of the Republic of Tajikistan)

Table 3. Basic Products imported to Tajikistan (thousand USD)

<i>Name of products</i>	<i>2008</i>	<i>2009</i>
Livestock and livestock products	19855	34794
Products of vegetable origin	154713	251876
Fats and oils of vegetable origin	25806	41641
Finished food products	109861	125481
Mineral products	542314	729636
Production of the chemical industry	507022	555230
from it alumina	376583	377708
Polymeric materials, rubber and products from them	31328	45720
Wood and wood products	79939	137435
Textile and textile products	28649	42424
Articles, made of stones, gypsum and	52368	72070
Non-precious metalls	132302	204201
Machinery, equipment, mechanisms, spare parts, etc.	453451	471457
Vehicles	251637	420319
Various industrial goods	24731	36528

Source: Agency on statistics under the Government of the Republic of Tajikistan (Materials from social and economic situation of the Republic of Tajikistan)

**Table 4. Export of the Republic of Tajikistan with foreign countries
(thousand USD)**

Countries	2007	2008	2009	2010 (January- September)
Total	1468170,2	1406349,5	1009967,5	813271,0
CIS Countries	228940,0	225465,6	209501,9	103990,7
Azerbaijan	825,8	602,6	797,3	396,2
Armenia	196,2	-	34,2	6,4
Belorussia	3270,2	6408,7	5910,7	2336,8
Georgia	8,0	159,3	204,3	-
Kazakhstan	24001,5	9766,0	15440,6	11207,0
Kyrgyz Republic	3315,3	5807,3	5742,1	5985,6
Moldova	115,2	211,7	892,7	2191,6
Russia	97308,2	124435,0	102821,3	70674,1
Turkmenistan	4260,8	1589,6	535,4	322,2
Uzbekistan	87049,0	73036,7	71547,5	6050,5
Ukraine	8589,8	3448,7	5575,8	4820,3
Other Foreign Countries	1239230,2	1180883,9	800465,6	709280,3
Europe	658035,4	593338,3	132440,8	36090,9
Austria	-	72,2	180,4	1,3
Albania	-	-	-	-
Belgium	1447,8	190,5	45,4	51,3
Bulgaria	3455,1	6178,2	626,8	-
Bosnia	-	-	-	-
Great Britain	481,6	387,3	114,9	36,8
Germany	1102,2	283,2	1514,5	265,1
Gibraltar	-	-	-	-
Greece	-	-	-	-
Dania	3,3	13,8	-	-
Ireland	-	-	0,3	-
Iceland	-	-	-	-
Spain	312,0	77,8	7,0	-
Italy	15152,9	12485,4	13208,6	11086,8
Latvia	31026,2	9884,3	7409,8	4761,3
Lithuania	147,0	-	224,1	124,0
Luxemburg	-	-	4,6	-
Macedonia	-	-	-	-
Malta	-	-	-	-
Netherland	570497,8	530099,3	30494,2	133,6
Norway	-	-	-	-
Portugal	1299,5	579,2	-	-
Romania	778,3	-	7925,5	-
San-Marino	1129,1	1440,6	1926,6	1343,9

Slovakia	560,0	1,3	-	-
Slovenia	6,7	1,2	-	-
Finland	82,8	-	4,5	-
France	47,7	609,0	-	45,7
Croatia	-	-	-	-
Czech Republic	345,9	0,3	40056,8	692,4
Switzerland	24437,7	23690,3	23318,9	16441,0
Sweden	1,2	13,4	57,5	61,2
Estonia	-	1,1	-	-
Asia	580531,1	587301,8	666671,0	673026,2
Afghanistan	12094,4	25393,9	26890,6	33164,2
Bangladesh	-	-	-	-
Vietnam	1458,4	828,7	646,4	422,7
Israel	15,2	52,7	8,1	11,8
India	55,7	128,3	252,0	265,7
Indonesia	-	-	-	-
Jordan	-	-	-	-
Iraq	39,4	98,8	359,8	925,9
Iran	75514,4	95634,0	48723,3	34026,6
Cyprus	-	-	40,0	-
China	8328,1	81579,1	405418,4	360799,4
Kuwait	-	-	7,0	-
Lebanon	-	44,3	-	-
Malaysia	-	2,2	-	-
Mongolia	-	-	-	11,1
Nepal	-	-	-	-
UAE	3398,7	440,1	24360,4	3064,2
Oman	-	-	-	-
Pakistan	423,2	372,8	4663,8	10681,3
Korea	1510,9	232,2	49,4	80,0
Saudi Arabia	-	-	-	-
Singapore	-	26,0	-	-
Syria	-	47,4	47,2	48,3
Thailand	-	-	24,4	-
Taiwan	-	-	-	-
Turkey	477571,1	382392,8	152062,7	229088,8
Philippines	10,4	-	-	10,4
Sri-Lanka	-	-	-	-
Japan	111,2	6,8	3050,1	46,7
America	460,1	240,8	1257,2	101,2
Argentina	-	-	-	-
Belize	-	-	-	-
Brazil	-	-	-	-
Virgins Islands	-	3,0	-	-
Canada	32,6	116,5	122,7	0,8
Cayman Islands	-	-	-	-
Peru	-	-	29,6	-
USA	427,5	121,3	902,4	100,4

Jamaica	-	-	-	-
Africa	203,6	1,5	67,5	61,9
Benin	59,9	-	-	-
Botswana	-	-	0,5	-
Guinea	1,4	-	-	-
Zimbabwe	-	-	-	-
Egypt	73,9	-	5,8	20,0
Kenya	-	-	-	-
Liberia	-	-	5,0	-
Madagascar	-	-	-	39,9
Morocco	59,5	-	-	-
Swaziland	-	-	-	-
Tunis	-	-	-	-
Australia and Pacific region	-	1,5	29,1	0,1
Australia	-	1,5	29,1	0,1
New Zealand	-	-	-	-

Source: Agency on statistics under the Government of the Republic of Tajikistan (Materials from social and economic situation of the Republic of Tajikistan)

**Table 5. Import of the Republic of Tajikistan with foreign countries
(thousand USD)**

Countries	2007	2008	2009	2010 (January- September)
Total	2455444,4	3269803,0	2568729,6	1820927,3
CIS Countries	1519677,3	1833579,8	1473590,8	1051144,2
Azerbaijan	74074,8	69502,4	29149,7	6034,6
Armenia	226,9	89,1	134,8	230,3
Belorussia	22934,7	68669,7	40779,9	33428,9
Georgia	3154,2	3254,2	2916,5	-
Kazakhstan	319699,2	285609,4	278921,8	187292,5
Kyrgyz Republic	34603,0	37369,1	20853,1	11447,2
Moldova	886,8	628,7	1190,4	636,2
Russia	759666,8	1047419,6	795234,8	591729,9
Turkmenistan	38219,2	67947,2	63390,0	57893,9
Uzbekistan	213572,3	151438,3	125893,3	53971,5
Ukraine	52639,4	101652,1	115126,5	108479,2
Other Foreign Countries	935767,1	1436223,2	1095138,8	769783,1
Europe	280077,6	400508,9	276369,9	203668,6
Austria	1566,7	3175,5	2990,7	10015,8
Albania	0,7	1,5	82,5	0,1
Belgium	5284,3	2686,3	2073,1	1278,9
Bulgaria	53,8	52,0	230,2	1759,4
Bosnia	23617,4	57838,9	22477,6	3259,5
Great Britain	10751,4	11486,3	7124,7	1885,7
Germany	21851,1	31097,4	24109,9	42116,3
Gibraltar	31,3	40,1	177,1	4,9
Greece	5752,2	23969,8	20414,8	14881,7
Dania	1965,2	4377,1	4005,2	6756,8
Ireland	159,5	-	262,0	71,1
Iceland	91,2	45,4	-	-
Spain	47,2	3858,6	1001,6	208,0
Italy	80436,2	47290,8	14525,8	5161,1
Latvia	8312,0	19588,1	20009,3	16161,4
Lithuania	60668,3	110402,8	62752,8	51099,7
Luxemburg	31,8	493,8	349,1	1682,1
Macedonia	-	27,0	-	-
Malta	-	180,0	-	-
Netherland	2614,9	11674,3	4872,5	7281,6
Norway	14,1	8592,3	630,9	109,4
Portugal	-	35,6	5,4	10,9
Romania	48,1	139,4	66,4	-
San-Marino	-	-	83,3	-

Slovakia	580,5	248,1	771,0	102,8
Slovenia	893,2	1088,8	1551,1	1347,5
Finland	5533,4	3446,4	5994,7	1412,4
France	4039,7	4043,9	1327,1	3588,8
Croatia	464,6	6406,2	3369,9	4009,0
Czech Republic	1950,8	2745,3	45056,9	4876,2
Switzerland	6306,3	13621,3	10658,5	4220,6
Sweden	2253,0	1368,5	886,6	272,8
Estonia	13527,8	6916,4	2267,8	831,5
Asia	545980,9	916564,6	607394,5	422820,7
Afghanistan	27025,9	67128,0	44215,1	31415,5
Bangladesh	18,2	76,8	-	-
Vietnam	135,3	359,9	627,5	676,0
Israel	3474,6	2895,7	775,9	467,4
India	8456,1	57396,7	29381,9	30921,1
Indonesia	221,0	495,9	231,3	40,2
Jordan	39,0	78,7	-	-
Iraq	-	-	-	20,1
Iran	60866,3	120563,1	78782,8	89371,8
Qatar	-	138,7	48,0	59,7
Cyprus	-	-	178,2	68,7
China	275017,4	384889,0	266547,3	151645,8
Kuwait	5,0	-	158,2	50,8
Lebanon	108,7	18,3	1,4	1,1
Malaysia	1681,6	758,7	753,7	1120,5
Mongolia	93,7	127,2	47,8	-
Nepal	1,2	-	-	-
UAE	64950,3	106371,0	73137,7	44325,7
Oman	178,5	155,0	312,7	14,0
Pakistan	837,2	1307,9	1908,5	5462,7
Korea	24320,9	40750,1	27559,3	20392,4
Saudi Arabia	40,0	570,1	18,2	77,9
Singapore	733,7	1358,5	265,9	321,5
Syria	144,8	281,5	244,3	226,9
Thailand	338,4	198,3	553,1	243,2
Taiwan	36,2	9,2	44,1	4,0
Turkey	72934,3	118144,1	58867,9	41620,9
Philippines	43,8	69,0	48,8	71,6
Sri-Lanka	10,5	34,7	182,5	51,9
Japan	3587,3	2482,7	10958,3	1943,6
America	108516,2	79485,1	190045,5	125897,5
Argentina	-	5,5	-	-
Belize	1085,4	318,9	477,7	2,3
Brazil	15607,3	20588,4	54441,0	21557,5
Virgins Islands	855,8	6126,6	983,2	825,7
Canada	398,8	1673,3	229,9	380,3
Cayman Islands	52,3	-	-	-
Panama	-	237,8	40,6	72,9

Peru	-	2,4	-	-
USA	37549,1	48683,5	70192,5	76489,9
Jamaica	52967,5	1752,3	63518,0	14377,3
Africa	512,5	6228,2	14500,7	2118,7
Benin	-	-	-	-
Botswana	-	-	-	-
Guinea	-	5594,0	13250,1	-
Zimbabwe	6,3	-	2,1	-
Egypt	412,5	427,9	1042,0	1990,5
Kenya	19,6	3,1	-	-
Liberia	6,9	1,6	-	-
Madagascar	-	-	-	-
Morocco	-	-	-	7,9
Swaziland	30,6	-	-	-
Tunis	0,1	-	12,0	-
Australia and Pacific region	679,9	33436,4	6828,2	15277,6
Australia	675,9	33133,7	6768,5	15270,7
New Zealand	4,0	302,7	59,7	6,9

Source: Agency on statistics under the Government of the Republic of Tajikistan (Materials from social and economic situation of the Republic of Tajikistan)

According to statistical data of the Agency on Statistics under the Government of the Republic of Tajikistan (*Handbook on Economic and Social situation of the republic of Tajikistan, October 2010*) non-precious metals have a determinative position in product structure of export of Tajikistan. Here, the matter concerns the export of aluminum ore. In 2009, rate of aluminum export accounted for 55.0% of total export of the country. There is every reason to claim that the rate of aluminum export will be growing within the next 5-7 years, and it will reach 60% of total export of Tajikistan.

Cotton fiber and products made of it are on the second place in the structure of Tajik export. In 2009, cotton fiber rate was 9.9% of total volume of export, it sold for 86,6 thousand tons for the amount of 99,7million USD, in comparison with 2008 more on volume on 3,1 thousand tons and less on cost - on 8,5 million USD. The cotton fiber is exported primarily to Russia (38.7 % of total production), Iran (26.2 %), Uzbekistan and Latvia (9.1 %), Bulgaria (5.7 %), Turkey (4.0 %) and Ukraine (2.4 %). This group of goods consists of cotton fiber, yarn, fabrics and clothes. However, rate of processed output is around 10% - 11%. Combined with means that over than 70% of Tajik exports consists of the no value added products of aluminum and raw cotton (*Handbook on Economic and Social situation of the republic of Tajikistan, October 2010*).

Electric power exports accounts for 3.1 % of total trade. According to the data of the Ministry of energy and the industry of the Republic of Tajikistan (2009) its export has reached 4227,3 mln.kv/h or 63,2 million USD. Import of the electric power was 4276,1 mln. Kv/h or 76.1 million USD, which is 20.5 % or 12,9 mln. USD more than export. The basic electric power trading partner of Tajikistan is Uzbekistan.

Import of natural gas into the Republic of Tajikistan in 2009 was 216,7 million cub.m for the amount of 52,0 million USD, in comparison to 2008 less then 30.1% or 22,3 million USD.

On the whole, 80% of annual Tajik exports consist of raw materials and semi-finished goods. This picture of Tajik export implies not only that the country's economy depends on export of raw materials, but it also indirectly shows that the industries and enterprises, which manufacture a final product for external markets, are not competitive in global markets.

Chemical products are predominant in the structure of imports. They include chemical fertilizers, chemical weed-killers and pest-killers, dyestuffs, semi-products for such industries as chemical industry, textile industry, food industry, minerals industry, non-ferrous metallurgy, etc., as well as consumer goods. Currently this group of goods accounts for 33.2% of total imports. Mineral products are on the second position, their rate is 24.7% (which includes alumina for aluminium industry of Tajikistan).

The most important partners for Tajikistan on export of goods are: the Netherlands – 37.7 %, Turkey – 27.2 %, Russia – 8.8 %, Iran – 6.8 %, China – 5.8 %, Uzbekistan – 5.2 %, Afghanistan – 1.8 %, Switzerland – 1.7 %, Italy – 0.9 %.

Import are carried out, basically with the CIS countries: Russia – 32.0 %, Kazakhstan – 8.7 %, Ukraine-3.1 %; with foreign countries: Iran – 3.7 %, Turkey – 3.6 %, Lithuania – 3.4 %, China – 11.8 %, the United Arab Emirates – 3.3 %, the USA of 2.4 %.

According to statistical data of the Agency on Statistics under the Government of the Republic of Tajikistan (*Handbook on Economic and Social situation of the republic of Tajikistan, October 2010*) the foreign trade turnover for the January-September 2010, including the electric power and natural gas, has reached 2634,2 million USD, 3.6% more than in January-September 2009, or 92,2 million USD more. Deficiency of trade balance was negative and amounted 1007,7 million USD. With CIS countries foreign trade turnover in 2010 became 1155,1 million USD or 43.9 %, with other foreign countries 1479,1 million USD or 56.1 % from total amount of trade. Deficiency of trade

balance with the CIS countries has reached 947,2 million USD, with the other foreign countries 60,5 million USD.

The Government of the Republic of Tajikistan should make concrete steps in order to establish foreign economic strategy for the Republic of Tajikistan, first of all on the policy of increase of export and rapid development of import substituting industries. Besides, the measures should be taken to expand the number of exporting goods from Tajikistan in order to fulfill lack of foreign currency. All conditions need to be set up for development of branches, which would provide export of resources not only in the form of raw materials but also mainly as finished goods in the foreign markets.

Chapter 3. Literature review

This chapter covers the review of literatures related and directed to the subject of accession to the World Trade Organization. It covers the definition of terms which is significant in the accession process.

3.1 Definition of terms

World Trade Organization

- The World Trade Organization (WTO) is the only global international organization dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business (www.wto.org).
- UN multilateral trade organization was formed on January 1, 1995 (after culmination of the Uruguay Round) as the successor to GATT and the court of final settlement in trade disputes. Its objectives included (1) removal of all barriers to international trade in goods, services, and intellectual property, (2) equitable and speedy resolution of disputes between trading partners, and (3) identification of non-compliance with trade agreements (www.businessdictionary.com).

WTO Membership

- All members have joined the system as a result of negotiation and therefore membership means a balance of rights and obligations. They enjoy the privileges that other member-countries give to them and the security that the trading rules provide. In return, they had to make commitments to open their markets and to abide by the rules — those commitments were the result of the membership (or “accession”) negotiations. Countries negotiating membership are WTO “observers”. (www.wto.org)

Developed and developing countries in WTO

- There are no WTO definitions of “developed” and “developing” countries. Members announce for themselves whether they are “developed” or “developing” countries. However, other members can challenge the decision of a member to make use of provisions available to developing countries. (www.wto.org)

Least developed countries

- Since 1971, the United Nations has denominated "Least Developed Countries" (LDCs) a category of States that are deemed highly disadvantaged in their development process (many of them for geographical reasons), and facing more

than other countries the risk of failing to come out of poverty. As such, the LDCs are considered to be in need of the highest degree of attention on the part of the international community. (www.unctad.org)

WTO Legal Texts

- Most of the WTO agreements are the result of the 1986–94 Uruguay Round negotiations, signed at the Marrakesh ministerial meeting in April 1994. There are about 60 agreements and decisions totalling 550 pages. (www.wto.org)

3.2 WTO membership and accession process

The process of becoming a WTO member is singular to each country, and accession terms depend on the applicant's stage of economic development and full autonomy in the conduct of country's trade policies. A series of negotiations between the applicant country and incumbent WTO members produce a set of mutually acceptable terms of accession. The accession process takes about five years, on average, but it can take some countries longer than a decade if the country has numerous obstacles which include institutional capacity, legislative barriers, bureaucracy, and inability to expeditiously reform its economy and trade regulations, and lacks political will and commitment, in addition to many others. The final decision of WTO accession process lies in the hands of consensus among incumbents (Rabimov and Aquino, 2005).

Accession is governed by Article XII of the Marrakesh Agreement establishing WTO, which defines in highly general terms the rules for accession. The specific terms of accession must be negotiated between the WTO members and the applicant country. Because each accession is a negotiation between the WTO members and a particular country with different economic conditions, each accession is unique. As Lanoszka (2001) put in: “Article XII does not stipulate any membership criteria, and this signals perhaps the most problematic legal aspect of the accession process...No guidance is given on the ‘terms to be agreed’, these being left to the negotiations between the WTO members and the candidate. Furthermore, Article XII does not identify any concrete steps nor does it provide any advice when it comes to the procedures to be used for negotiating the terms of accession.” To streamline the examination of accession requests, though WTO members have designed administrative procedures, some of them are based on unwritten “rules”. In fact, the best that can be said about the process is that the process is largely governed by unwritten rules derived from precedents and previous rulings (Drabek, 2010).

WTO membership and accessions have generally been seen primarily from the perspective of their benefits to countries. However, as studies show, WTO membership also involves costs and these may be quite significant. The costs will clearly have to be considered not only by emerging economies but also by their “rich” counterparts. The former must assess the costs and the financial implications. The latter should consider ways in which they could better facilitate the former countries implementation of their commitments, through technical assistance and additional funding, and their response to the better access to external markets resulting from WTO membership (Drabek, 2010).

As Hoekman (2005) points out, the current WTO rules are not designed to deal with the very different capabilities of different countries in implementing such policies. To the extent that developing countries are given greater flexibilities than industrial countries, this is usually done by providing implementation periods that are uniform across developing countries without taking into account the very different circumstances of many developing countries.

This issue has been a particular concern in the context of WTO accessions, because the members of Accession Working Party are well aware that the leverage of members on candidate countries is much greater than their leverage on fellow members. There has been considerable emphasis on requiring candidates both to make the legal changes required for WTO measures such as TRIP's and to implement them, whether or not this implementations is appropriate, given the candidate member's level of development.

The WTO's accession procedures have attracted considerable concern on the grounds that they are unfair in requiring more concessions from acceding countries than from WTO members. Unfortunately, there are major difficulties involved in using this statement as a guide to policy, given the apparently uneven extent to which existing WTO members have used the WTO to help address the pressure of special interests at home, and thus to liberalize members trade policies. Rose (2004) has argued that the WTO has had little overall impact on the openness of existing members. Subramanian and Wei (2003) are more optimistic and conclude that the acceding countries have stood out as successful in stimulating import growth relative to non-members.

WTO accession is a very complex process involving wide-ranging informative, legislative and executive action by acceding governments, and may take quite a long time. The first and the most important precondition for a successful conduct of the

accession process is the willingness and the commitment of the acceding country's government. Only a strong commitment may create a sound basis for ensuring policies and reforms conducted by the government coherent with WTO rules and requirements. Policy coherence matters are of particular importance in transition countries, where widespread legislative and institutional reforms are still in process (TACIS, 2000).

3.3 Costs and Benefits of WTO Membership

The benefits from WTO membership fall in three main categories: (a) strengthening of domestic policies and institutions for the conduct of international trade in both goods and services, which is needed before accession into the WTO can be accomplished; (b) improvements in the ease and security of market access to major export markets; (c) access to a dispute settlement mechanism for trade issues (Drabek and Laird, 1997).

WTO membership brings several important benefits to members but there are limits to how far and how much the agreements can help. The agreements can help in terms of both better market access and the recourse to better policy instruments and institutions. The agreements cannot address problems originating in poor domestic supply response, terms of trade changes or exogenous shocks. Accession itself may not even open up new markets for acceding countries because the incumbents are not expected to provide new concessions to them. In addition, the adjustment costs following WTO accession—the membership “fee” —may also be fairly significant but they should be more than offset by efficiency gains, growth of trade, and inflow of foreign capital ((Drabek, 2010).

The discrepancy between the perceived and actual benefits of WTO membership depends on many factors. First, the “values” of WTO disciplines and countries commitments may not be fully understood by member countries. This is the situation when members accede with overoptimistic expectations. Second, the “value” may not be fully acceptable to the acceding country, resulting in a lack of national consensus about the value of WTO membership. Third, the costs of WTO membership may turn out to be far higher than expected. Finally, the “value” may be distorted by imperfection in the design of the disciplines and of the system of WTO governance (Drabek and Woo, 2010).

The real “winner” among all arguments about benefits of the WTO membership is the argument in favor of improved international governance. Membership of the WTO helps to enhance the formation of international trade rules and their enforcement. Effective participation by each country in this system of governance is guaranteed by the consensus principle, which guarantees each country the same voice irrespective of its size and economic power. Expansion of membership also enhances the scope of multilateralism, that is, the geographical area covered by the multilateral rules. In brief, within the WTO it is critical for any country to take part in the organization’s rulemaking process (Drabek and Woo, 2010).

The most difficult task that acceding countries can expect to confront is how to forecast the combined effects of the commitments that they have been asked to undertake. This is a particularly difficult exercise and requires that more determined efforts be done to assess comprehensively the possible costs and benefits of WTO accession from a development perspective (Pierre, 2005).

Bosworth and Duncan (2002) define that the main commercial benefits of WTO accession are twofold. First, members receive greater access as well as security of access to major export markets. They are guaranteed unconditional most favoured nation (MFN) status or, in other words, non-discriminatory market access abroad. Such discrimination may take many forms, such as targeting non-members through adopting “legalized” anti-dumping procedures. Second, any WTO member, irrespective of size or development, can use the dispute settlement mechanism to take action against another member to resolve trade differences and protect its interests.

Bayramov (2008) in his article “A comparative analysis of CIS countries’ WTO accession; ways to European integration” says that there are more advantages than disadvantages of CIS countries’ accession to the WTO. The picture, though cautious, is optimistic. Some researchers claim that the impacts of accession to the WTO on Azerbaijan economy are marginal. The idea is that domestic firms have not enough capacity to compete with foreign companies and by opening up the borders the country will face to myriad amount of import goods. Others accept as true that candidate members from CIS will significantly get benefit from WTO accession. WTO membership will increase predictability of those countries by imposing “bound tariffs”. It will enhance transparency and reduce corruption and will open more opportunities for business sector. Finally, WTO accession will open foreign markets to former Soviet Union goods, support competition in domestic market and encourage technology transfers on a larger scale.

Chapter 4: Accession process of the Republic of Tajikistan to the World Trade Organization

4.1 The WTO as a rules-based system designed for market economies.

The WTO and its predecessor, the GATT, provide the basis for international trade law. The core elements of the WTO regime are that trade with all member states should be on equal terms that any restrictions on trade should be transparent and that import taxes which are no higher than the bound tariff rates that have been submitted to the WTO by each country. There are exceptions to these general principles that allow trade discriminatory policies. Free trade agreements or customs unions or allowing the use of quantitative restrictions or imposition of targeted high tariffs (e.g. as antidumping duties), are allowed as exceptions to the general in WTO trade law. If a country breaks these general rules other countries can appeal to dispute resolution mechanism. If it is found that the infraction is genuine and is not ended then other members are permitted to remove some of the benefits they have granted to the infracting nation (e.g. by imposing retaliatory tariffs). The system is imperfect both in specifying the rules of the game and in the dispute settlement mechanism, but it is far better than a world trading system without the rule of law. The existing rules are especially beneficial to small countries and small economies, which might otherwise be subject to undesirable actions by larger trading nations without an effective recourse (UNESCAP, 2007).

A major requirement for the effectiveness of the WTO as a rules-based system is that each applicant must agree to abide by the rules. Accession negotiations are drawn out because existing members wish to satisfy themselves that the applicant is meeting rules about transparency and the absence of illegal restrictions on trade. WTO members have, through a series of rounds of multilateral trade negotiations since 1947, reduced their bound tariffs. Therefore, another element of the accession negotiations is obtaining

satisfaction that the bound tariff rates proposed by the applicant are not excessively high given the tariff reductions that existing members have already agreed upon (UNESCAP, 2007).

Transitional economies have provided a challenge to the GATT/WTO system. Some favored Eastern European states were allowed to become contracting parties to the GATT under ad hoc conditions as was the case with Poland in 1967, Romania in 1971 and Hungary in 1973 - but the former USSR and Bulgaria were denied such status. The acceptance of “good” non-market economies was a low point for the GATT, because the ad hoc arrangements were quantity- or result-oriented, rather than rule-based. This inconsistency was recognized by the early 1990s, and lay behind the insistence that new members must adhere to GATT rules, which were based on principles of individual traders’ freedom to act within transparent rules and which were only really compatible with a market-based economy. There was, of course, a grey area in all GATT Contracting Parties state trading and public procurement are facts of life, but the degree mattered. China was a crucial test case, although the progress of its application was influenced by political considerations. When China applied for GATT membership in 1986, the Chinese economy was far from being a market economy and the trade regime was far from transparent, so bargaining over the changes required as conditions for accession to the GATT was inevitable.

In the late 1980s and early 1990s the Uruguay Round of multilateral trade negotiations took precedence over accession negotiations. In 1994 the Uruguay Round was successfully concluded, and among its consequences was the superseding of GATT by new World Trade Organization. All GATT contracting parties became WTO members at the start of 1995. Once in place, the new organization took up outstanding and new applications for membership. Mongolia, Kyrgyzstan, Latvia, Estonia, Georgia, Albania

and Croatia all completed the formalities between 1997 and 2000 (table 1), not to mention China's accession in 2001 (UNESCAP, 2007).

Table 6. WTO Status of Economies in Transition

	WTO Status
Central & Eastern Europe	
Czechoslovakia	Original GATT signatory
Poland	Joined GATT 1967
Romania	Joined GATT 1971
Hungary	Joined GATT 1973
Slovenia	Joined WTO 1995
Bulgaria	Joined WTO 1996
Albania	Joined WTO 2000
Croatia	Joined WTO 2000
Macedonia FYR	Joined WTO 2003
Bosnia & Hercegovina	Applied 1999
Serbia	Applied 2004
Montenegro	Separate application 2005
Former USSR	
Kyrgyz Rep	Joined WTO 1998
Latvia	Joined WTO 1999
Estonia	Joined WTO 1999
Georgia	Joined WTO 2000
Lithuania	Joined WTO 2001

Moldova	Joined WTO 2001
Armenia	Joined WTO 2003
Ukraine	Joined WTO 2008
The Russian Federation	Applied 1993
Belarus	Applied 1993
Uzbekistan	Applied 1994
Kazakhstan	Applied 1996
Azerbaijan	Applied 1997
Tajikistan	Applied 2001
Turkmenistan	Not applied

Other Asia

Mongolia	Joined WTO 1997
Cambodia	Joined WTO 2004
China	Joined WTO 2001
Viet Nam	Joined WTO 2007
Lao People's Democratic Republic	Applied 1997

Note and Source: up-to-date membership information is provided on the WTO website www.wto.org

4.2 Accession Process and Strategy

The process of accession to the WTO is demanding and has been very lengthy for most countries. It can be divided into an introductory phase of formalities and three substantive phases. The three substantive phases involve: (a) the applicant's preparation of a Memorandum on the Foreign Trade Regime (hereafter referred to as the "Memorandum") describing in detail its policies and institutions that have a bearing on the conduct of international trade; (b) the members' fact finding phase; (c) the

negotiation phase. The last two phases, while conceptually separate, in practice tend to overlap considerably in time. Throughout, the applicant is faced with meeting the requirements and provisions of the WTO and demands from its existing members. Negotiation is in one direction only: The applicant is asked to demonstrate how it intends to meet the existing WTO provisions; it cannot change them. Existing members can ask the applicant to reduce the level of protection in its markets; but the reverse is not usually the case (Michalopoulos, 2010).

The Formalities. After the country seeking membership sends a letter to the Director General of the WTO expressing its desire in acceding to the Organization, the request is considered by the WTO General Council, which consists of representatives of all members and which meets frequently during the course of the year. The General Council routinely decides to set up a working party with appropriate terms of reference to consider the accession application and nominates its chairman. Consideration for WTO membership of working party is open to all members of the WTO. In the case of large countries such as China or Russia, a large number of countries participate, while in the case of smaller countries, usually only the "quad" countries, Canada, EC, Japan and the US, plus Australia, New Zealand, Switzerland, a few of the larger trading developing countries as well as some neighboring countries which are significant trading partners will join accession discussion. This phase can be quite short and has to take no more time than that needed to translate and distribute the accession request.

The Memorandum. The first substantive phase involving the preparation of a Memorandum on the Foreign Trade Regime by the applicant explaining its policies and institutions can be a very demanding task, because of the range of issues that the memorandum has to address and the degree of details required. Memorandum covers various aspects of macroeconomic policy, especially those related to foreign exchange

management and controls, investment and competition policy, protection of intellectual and other property rights, as well as enterprise privatization. The preparation of this report is the sole responsibility of the applicant -- and so are any delays in its preparation.

The more the original Memorandum is incomplete in its details or the legislation and practices inconsistent with WTO provisions, the more protracted is the subsequent question and answer period. In some cases members have asked the WTO Secretariat to review draft Memorandum before their circulation so as to prevent incomplete documentation from being circulated.

Questions and Answers. Once the memorandum has been circulated to the Working Party members, the accession process enters the second and, in most cases, the most time consuming process, which consists of members asking questions and obtaining clarifications on the applicant's policies and institutions, either based on the memorandum or on independent evidence about the situation gathered by the members. The first part of the process involves the initial questions and answers regarding the policies and institutions based on the applicant's Memorandum. The Working Party usually does not meet until the Memorandum and the initial questions and answers have been distributed. It is followed by further questions and answers which can take several working party meetings sometimes covering a period of several years.

The WTO treaties contain very few provisions regarding the countries in transition. The major exceptions are that such countries are given more time to implement GATT provisions regarding the elimination of export subsidies as well as the implementing legislation under Trade Related Intellectual Property Rights (TRIPS). Thus, the major challenge faced by each country in the process of accession is to enact the laws, develop the institutions and apply the policies that would enable it to conform to the

fundamental rules and disciplines of the WTO. The purpose of the detailed review that takes place during this phase of accession is to make sure that the legislation and institutions of the applicant are in conformity with the provisions of the WTO. One of the reasons why the process is so time consuming is that the review is exhaustive in its details. The applicant is requested to submit for the consideration of the Working Party members relevant legislation on a variety of issues covered by the WTO, which is reviewed in details for its consistency with the provisions of WTO agreements. Delays during this phase are frequent: If a member feels that the answers submitted to a question is not properly answered or if the actions taken to remedy an inconsistency are inadequate, it simply resubmits the question for the next round.

Negotiations. At some point during the question and answer phase but frequently before all the points raised by Working Party members have been answered, the applicant is requested to submit so called initial schedule of "offers" in goods and services. This consists of: (a) the detailed schedule of tariffs the applicant proposes to impose on goods and the level at which the tariffs are "bound". This is the tariff level beyond which a prospective member cannot increase tariffs except in well defined circumstances, but a country's applied tariff can be lower than its bound level. (b) the commitments it makes to maintain free access to its market for services. In addition the applicant is requested to make commitments regarding the level of support of agricultural sector relative to a base reference period as well as other aspects of its support for agricultural trade (e.g. export subsidies).

Once these offers have been submitted, the accession process enters its final phase, which involves specific bilateral negotiations between the applicant and each WTO member who wishes to hold them, regarding the tariff level or the degree of openness of the service sector proposed by the prospective member. The actual timing of the original

offers varies considerably, and sometimes they are tabled very early in the question and answer phase. Often bilateral negotiations are taking place in parallel with formal meetings of the Working Party that continue to deal with questions and answers regarding the foreign trade regime. The negotiations phase can also be lengthy, depending on the degree of openness the applicant proposes and the demands for market access made by members.

When these negotiations are in the process of being finalized and the applicant has provided assurances that the legislation and institutions that would permit compliance to the WTO provisions are in place, a draft report on accession is prepared by the Secretariat for consideration by the Working Party, which includes the schedule of agreed commitments on goods and services. After Working Party's approval, the report is forwarded to the General Council. Following a favorable decision by the General Council, the country is invited to sign a protocol of accession.

4.3 Benefits and costs of WTO membership

The burgeoning WTO membership - and most of the non-members are in the accession queue - suggests that WTO membership is desirable and valued. In 1947 only 23 countries had signed the General Agreement on Tariffs and Trade (GATT). In 2008 Ukraine became the 153th WTO member. Yet, once admitted to WTO member club, new members often seem disappointed. Applicants have false expectations of benefits, while new members have found that they have underestimated the costs of accession. The main source of false expectations is an expected immediate improvement in market access, but few new member countries experience any change in their market access. The main costs of accession are compliance costs, which are especially burdensome for

small countries with limited bureaucratic capacity. Many opponents of WTO accession also see a cost in the loss of trade policy autonomy; although for a small open economy the rules and practices imposed by WTO membership are generally in the country's own interest (Eromenko, 2010).

One problem with evaluating the effectiveness of the WTO is the publicity surrounding events like the anti-WTO protests in Seattle or the breakdown of negotiations during the Uruguay Round and the Doha Round. The dramatic reports hide the basic ongoing role of the WTO in providing a body of world trade law with functioning (albeit imperfectly) enforcement mechanisms. A second problem is the widespread misconception that the WTO forces countries to adopt free trade policies. Accession is a voluntary process during which an applicant needs to show that its policies are consistent with WTO rules and that the levels of its maximum (bound) tariffs are not excessive; the latter is negotiable, but the former generally is not. The process has been especially difficult for some formerly centrally planned economies because aspects of their economies remain inconsistent with the market orientation assumed by the WTO rules and their policies are often non-transparent.

To a significant degree the benefits from a rules-based international trading system related with the sets of standards, network benefits. The more countries that observe a common set of rules, the more useful the rules are likely to be. The network benefits of a rules-based trading system increase with the number of countries that agree to abide by the rules, but with an additional country the added benefits accrue to the existing members rather than to the new member itself. Indeed, if a new member was already benefiting from MFN treatment in the markets of existing WTO members, then they would notice little or no difference with their trade balances, even though the systemic benefits are increased by expanding WTO coverage.

The potential benefits from the WTO dispute resolution mechanism and a seat at the WTO negotiating table are greater now than they were during the GATT era (1947-94) when the system was biased in favor of the major trading nations, both in the coverage of trade liberalization and in effective recourse against countries breaking GATT rules. Most complaints from 1948 to 1994 were filed by rich countries, but one aspiration of the shift to the more formal WTO was that the dispute resolution process should be open to all. Similarly, the GATT rounds of multilateral trade negotiations were dominated by the United States, European Union (EU), Japan and Canada, but a feature of the Doha Round has been the much greater involvement of middle and low-income countries either individually or collectively.

The WTO can provide an anchor for market-friendly reforms. This may be double-edged if the WTO is “blamed” for difficult reforms. Moreover, if WTO accession provides no immediate and visible benefits but coincides with an economic downturn, then it may be the subject of blame by many governments. It has been argued that regional trade agreements (RTAs) can provide a more effective external anchor for policy reform than WTO accession (Ferrantino, 2006). However, there is no clear evidence of RTAs providing a superior anchor to WTO membership – or even of an external anchor being critical to successful reform. WTO accession is important because it is contractual. Even during the negotiations phase, countries such as China, the Russian Federation or Kazakhstan have reformed their economies by passing WTO-consistent legislation during this period. For small countries, WTO commitments were an important policy anchor or a necessary staging-post to a firmer anchor (eg. for the Baltic countries WTO accession was a necessary step towards EU accession). The WTO can play a policy anchor role due to its contractual nature, but WTO membership is not a sufficient anchor, and many GATT/WTO members have slid into non-reform.

The main economic benefit to be gained from WTO membership is to help in facilitating policy reforms that liberalize trade and, as a by-product, support a market economy. It is well known that trade liberalization can be a powerful force for competition, productivity and economic growth. By “locking in” such reforms internationally, WTO accession provides governments with a defense mechanism against future policy backsliding or “de-liberalization” in response to domestic protectionist pressures. Members should also have the necessary domestic institutions and capacity to conduct trade policies and meet their commitments; making commitments without the capacity to follow through obviously serves little purpose. While governments can, and should, adopt such welfare-increasing economic policies, irrespective of WTO requirements, membership can undoubtedly help provide the necessary steps that will be taken to ensure that the reform opportunities are realized. Without market opening measures, WTO membership may, in practice, contribute few economic benefits (Eromenko, 2010).

There are real costs to WTO accession, which are often ignored by economists. It is, however, important to distinguish between pseudo-costs and real costs. The reduced sovereignty in the area of trade policy formation is a minor consideration if WTO rules enforce best practice for a small open economy.

4.4 Accession Status of the Republic of Tajikistan to the WTO

The government of Republic Tajikistan has already begun the first stage of market transformation and has begun to carry out the active foreign economic policy to deepen economic integration of the country into the world economic relations through liberalization of foreign trade and development of mutually advantageous cooperation with the countries far and the near abroad.

Currently the Republic Tajikistan has formal trade and economic relations with more than 120 countries and is attempting to integrate the country into both regional and world trade and economic organizations (MEDT, 2009). Considering importance of the further integration of the country into the world economic relations, acceleration of implementation of reforms and achievements of steady macroeconomic growth, and also decrease in a level of poverty in the country, the Government of the Republic of Tajikistan on May 29, 2001, applied for WTO Membership under Article XII of the Marrakesh Agreement establishing the WTO.

In July, 2001 WTO General Council considered the application of the Government of the Republic of Tajikistan on intention to accede to the WTO and made decision to form the Working Party on accession of the Republic of Tajikistan to the WTO. Also, Tajikistan has received observer status at the WTO sessions (MEDT, 2005).

It is necessary to note that consideration of Tajikistan accession issue was accepted with elevated interest from WTO member-states. At the WTO General Council's session 12 countries have supported Tajikistan's bid to be the member of WTO: statements were made by diplomatic missions and representations of the USA, the European Community, Switzerland, India, Pakistan, Turkey, Kyrgyz Republic, Thailand, Honduras, Zimbabwe (on behalf of the African countries), Mauritius and Romania. Their reports noted Tajikistan is on its way to implementing democratic and economic reforms which create important preconditions for the fast accession of the Tajikistan into the WTO.

Accession to the WTO has principal meaning for transitional countries, in particular for Tajikistan, from the point of view of full and effective participation in Multilateral Trade System, and also receiving of benefits and advantages from membership in this organization (MEDT, 2009).

First countries which expressed readiness to support the process of the accession of the Republic of Tajikistan to the WTO were the Government of Switzerland and the USA. Tajikistan has actively cooperated with the international organizations and institutes, in particular with UNITAR, the Project on development of trade and investments of Corporation Pragma/USAID with the purpose of creation of due potential for accession, including preparation of the qualified experts in the field of international trade and the rights, the analysis of the current legislation of the Republic of Tajikistan and its conformity with norms of WTO and development of the necessary documentation (MEDT, 2009).

Within the framework of the process of preparation for the accession of the Republic of Tajikistan to the WTO and with the aim of representation of the Republic of Tajikistan at the high forum of WTO, the delegation of the Republic of Tajikistan participated in the work of Ministerial Conferences in the Doha (Qatar), Cancun (Mexico) and Hong Kong (China).

In 2002 development of the Memorandum of foreign trade regime of the Republic of Tajikistan has been issued, which in February 2003 was officially presented to WTO Secretariat for the further distribution among the member-states of its organization. At the same time the below-mentioned materials were prepared and presented to WTO Secretariat in February 2004:

- a) Answers to the questions and comments of the WTO member-states on submitted Memorandum of foreign trade regime of the Republic of Tajikistan;
- b) Materials under initial obligations on market access of goods and services (tariff offers and offers on services);
- c) The table on domestic support of agriculture in the Republic of Tajikistan;

- d) A material on implementation of the WTO Agreement on technical barriers in trade and on sanitary and phytosanitary measures;
- e) A material on implementation of WTO Agreement on intellectual property rights;
- f) The Legislative action plan.

Upon official submission to the WTO Secretariat of the Memorandum of foreign trade regime of the Republic of Tajikistan, WTO member-states, in particular Australia, the European Union and the USA started to send their questions. Corresponding answers to these questions have been developed and directed to these countries. All answers have been prepared and sent to the WTO Secretariat before the beginning of the first meeting of Working Party on accession of the Republic of Tajikistan to WTO.

On March 18, 2004, the first meeting of the Working Party on accession of the Republic of Tajikistan to the WTO took place in WTO Headquarter, during which the Memorandum of foreign trade regime of the Republic of Tajikistan and the materials on initial obligations on market access of goods and services have been considered (MEDT, 2009).

Alongside with participation at the above-mentioned meeting, on March, 16,17 and 19 2004, the delegation of Republic Tajikistan had bilateral negotiations on market access on goods and services with the WTO member-states in particular with Australia, EU, the USA, Turkey, Switzerland, Estonia and Japan (MEDT, 2009).

The second meeting of the Working Party on accession of the Republic of Tajikistan to the WTO was conducted on April 26, 2005, during which revised offers on market access of goods and services, and modified legislative action plan which had been distributed among the WTO member-states, have been considered. Also at the meeting was considered the project of factual summary which has been developed by WTO

Secretariat under the request of member-states. According to the program during the second meeting of Working Party on accession of the Republic of Tajikistan to the WTO Tajikistan had bilateral negotiations with a number of the WTO member-states, in particular with the USA, EU, Australia and Japan concerning market access of goods and services of the Republic of Tajikistan (MEDT, 2009).

As of May 2011, the Working Party on accession of the Republic of Tajikistan to the WTO conducted five sessions: on March 18, 2004, on April 26, 2005, on October 6, 2006, on September 24, 2009, and November 24, 2010.

During these sessions the Working Party studied the foreign trade regime of the Republic of Tajikistan on the basis of the presented Memorandum of foreign trade regime of the Republic of Tajikistan, answers to the questions of the WTO member-states and factual summary developed by WTO Secretariat (MEDT, 2009).

4.4.1 The basic requirements of the member-states of WTO during bilateral negotiations on market access of goods.

During bilateral negotiations WTO member-states requested that Tajikistan decrease its level of binding duties on some agricultural and industrial goods, in particular on meat and dairy products, spirits, textile products, footwear, furniture, and others. Also the WTO member-states requested participation of Tajikistan in sectorial initiatives, such as chemical and information technologies, etc. Simultaneously, for simplification of the analysis of tariff offers of the Tajikistan WTO member-states requested to change rates of the agricultural customs duties from combined to ad valorem.

4.4.2 Achieved progress on bilateral negotiations.

In June, 2008 the Republic of Tajikistan and China signed a Protocol on completion of

negotiations on market access of goods. It is necessary to note that the Tajik negotiation group reached consensus with Kyrgyz negotiation group, and that Kyrgyz Republic will support the accession of the Republic of Tajikistan to WTO and will sign the Protocol on completion of bilateral negotiations.

Accession to the WTO has principal meaning for the countries with transition economy.

Accession to the WTO will allow Republic of Tajikistan:

- a) To receive guaranteed to all WTO member-states a most favored national treatment;
- b) To implement principles of free trade providing removal of all negative barriers exposed in international trade against Tajikistan;
- c) To get access to international trade information that will allow to conduct analysis of the condition of world market and to develop the effective trade and economic policy;
- d) To conduct consultations with all WTO member-states, and to find potential trade partners and new markets for domestic goods;
- e) To strengthen reputation and prestige of the republic as a reliable partner that will promote inflow of foreign investments (MEDT, 2009).

Tajikistan's conclusion of accession negotiations to the WTO is technically feasible in the coming years. To enable the conclusion of accession proceedings it is recommended that Tajikistan:

- a) Complete the adoption of remaining reform to comply with WTO agreements and commitments;
- b) Conduct working party meetings in an organized and orderly manner through providing rapid and adequate (responsive, accurate, clear, consistent, complete, and coherent) replies to questions raised by working party members;

- c) Pursue intense bilateral negotiations on market access on goods and services with interested WTO members with the aim of signing all bilateral protocols;
- d) Conclude plurilateral negotiations on agricultural support;
- e) Take measures to ensure effective, proper, and adequate enforcement of WTO related laws (Youwakim, 2008).

It is much more expedient for Tajikistan to take the initiative in bringing the foreign trade regime into full conformity with the WTO agreements rather than wait for Working Party Members to request reform (Youwakim, 2008). WTO Members have other priorities and requests for reform made. Further, conforming the policy, legal, and institutional framework governing trade and investment in Tajikistan to the WTO agreements will serve the best interests of Tajikistan. This will lead to the establishment of a transparent and cost efficient business environment which will encourage trade and investment and increase efficiency and competitiveness of domestic producers. Notwithstanding WTO accession, Tajikistan should consider reforming as soon as possible in line with WTO rules and principles.

There is a need, however, to be realistic in terms of capacity to absorb and implement large scale reform in a short period of time. This cannot take place without capacity building and significant technical assistance. Given further that accession does not fully depend on Tajikistan alone, delays may be encountered due to other priorities by WTO Members (e.g. multilateral trade rounds), scheduling conflicts at the WTO Secretariat, and limited resources at the WTO Secretariat to move the process at a rapid pace. Nonetheless, experience shows that demonstrating strong will to accede and concrete progress on reform are always reciprocated by responsiveness by both Members and the WTO Secretariat.

Although Tajikistan has undertaken major positive steps during the last two years (around 25 WTO related laws were adopted) to bring its foreign trade regime into full conformity with the WTO agreements, significant reform remains to be completed, covering, inter alia, the five key systemic areas: Customs, Sanitary and phytosanitary measures (SPS), Technical barriers to trade (TBT), Intellectual property, and the framework governing foreign trade in goods.

In addition, a number of policy issues in the context of trade in goods have been viewed as major bottlenecks in moving the accession process forward. These need to be addressed in the near future.

Tajikistan needs to launch legal reform to implement its specific commitments in the context of bilateral negotiations on market access. Such reform will become clear as Tajikistan is making its service commitments. Furthermore, Tajikistan needs to implement legal reform to eliminate WTO inconsistent industrial and agricultural subsidies and amend a number of other legislation to strengthen enforcement and sublegal acts related to non-tariff, SPS measures, fees, and mandatory certification.

In implementing WTO-related reform, Tajikistan needs to ensure that key WTO provisions, principles, policies, and rules are articulated not in regulations but in laws. The main purpose of regulations should be to elaborate procedural matters.

There is no question now about whether Tajikistan should join the World Trade Organization or not. Globalization has become a significant process and the Republic of Tajikistan cannot be insulated from it. The most important thing is to lose as little and gain as much as possible by being a member of the global market. It is important to examine the conditions, forms, commitments and concessions that will be necessary in order to permit fair terms for entry, while at the same time protecting the national

interests and specific characteristics of the country. In general Tajikistan needs to minimize the negative and maximize the positive factors related to entry into the WTO. This needs to be considered at the national level in political, economic and legal areas as well as at the external level when negotiating with the WTO Working Party. But in any case national interests should be prioritized against the interests of international business (Kayumov and Umarov, 2004).

4.5 Conclusion

During the last two years, Tajikistan implemented significant reform to bring its foreign trade regime into conformity with several WTO agreements (particularly TRIPS and customs related agreements) and modernize its competition policy. Nonetheless, significant reform remains to fine tune recent reform and undertake more comprehensive reform to comply with the WTO SPS and TBT agreements and implement other commitments, particularly those related to service market access. The TBT and SPS agreements present the biggest challenge for Tajikistan to satisfy WTO requirements. In order to fully comply with WTO accession requirements, Tajikistan still needs to amend and/or adopt at least 60 pieces of legislation. Concurrent with policy, legal and institutional reform to comply with WTO, Tajikistan needs to intensify bilateral negotiations on goods and services market access. To jump start this process, Tajikistan needs to submit revised offers on goods and services. The biggest obstacle to Tajikistan's accession to the WTO has been the shortage of qualified resources and the lack of adequate technical capacity to implement reform and conduct effective negotiations in a timely manner.

The shortage of qualified resources and the lack of institutional capacity in Tajikistan present the main risks of not fulfilling the implementation of the aforementioned strategies as proposed. The aforementioned cannot be accomplished without a solid institutional foundation with adequate capacity to properly implement WTO related reform and effectively negotiate accession.

As it has been noted, the accession to the WTO is long and labour-intensive process. In practice it is required in average 5 years before the country can satisfy all WTO condition. The shortest time of accession process was two years and 10 months (Kyrgyz Republic) and the longest - 15 years and 5 months (China).

The governments of many countries precaution to the idea of decreasing import tariffs. It, certainly, will lead to the certain decrease in receipts to the state budget. However, many countries are more concerned not by decreasing in budgetary receipts, but sharp inflow in the country of undesirable import that puts in unequal position of domestic commodity producers and can lead to the destruction of some industry.

It is necessary to note importance of the accession of the Republic of Tajikistan to the WTO from the point of view of deepening of integration processes, developments of trade and economic relations and achievements of the economic and social purposes. Accession to the WTO can become some kind of a reference point, with which real reorganization of the economy will begin if the procedures of the accession lead for improvement of efficiency of the national economy.

Chapter 5: WTO Accession Process: The Case of Kyrgyz Republic and Ukraine

The objective of this chapter is to summarize briefly the main benefits that countries in transition can expect from WTO membership. Here we also discuss the process and strategies for accession as well as the main issues that have arisen for transitional economies and review the progress made on accession by the various countries as well as the causes for the delays which have been common in the accession of most countries. Also this chapter draws the main conclusions from the analysis and presents a number of recommendations aimed at facilitating and expediting the process of accession for countries wishing to join the WTO.

5.1 Case study: Accession of the Kyrgyz Republic to the WTO

During the period 1993-1998 Kyrgyz Republic was the reform leader in Central Asia, and an institutional reflection of this was the country's WTO accession in July 1998. Kyrgyzstan was the first of the successor states of the Soviet Union to join the WTO, and its accession was similar in speed and in nature to that of other small transition economies, but it stood in sharp contrast to the slow progress of the accession negotiations of Kazakhstan and Uzbekistan whose applications were submitted around the same time and still have not been completed (Rahmanova, 2001).

On February 13, 1996 Kyrgyz Republic submitted its official request for membership in the WTO, and on October 14, 1998 the General Council adopted the Protocol of accession of Kyrgyz Republic to the Marrakech Agreement, which established the World Trade Organization. This Protocol was ratified in short period of time with the political agreement on 17th of November 1998 and came into force on 20th of December

1998, and from that moment the Kyrgyz Republic became the WTO member (Rahmanova, 2001).

The process of accession of Kyrgyz Republic to the WTO took less than 3 years. This accession period is relatively short in comparison with other countries seeking to join. The fact that among CIS countries Kyrgyz Republic became the first member of the WTO is explained by its small economy, by relatively non-complicated trade regime, and by existing high level of liberalization. Also there can be stated other facts which influenced for such fast accession to the WTO, such as the political decision of the Government a) to join the international trade system, and b) to use principles of trade without discrimination and honest competition that is very important for such small country as Kyrgyz Republic which tries to strengthen its position in international market and guarantees to its export predictable trade environment (MEDT KR, 2009).

Gaining accession to the WTO was a foreign trade priority task for the Kyrgyz Republic. Therefore, there were few barriers at the national level and decisions of questions in each stage were taken on time without delays. No less important factor which influenced on the decision of Kyrgyz Republic's accession to the WTO, was the striving of all countries of post-Soviet territory to be the member of this organization. The process of accession consists of obligatory reforms of the national legal system and trade policy in conformity with WTO Agreements and provisions, and negotiations with the WTO members on terms and conditions of accession to the markets of goods and services.

During the process of accession, Kyrgyz Republic brought its legal and political system regulating foreign trade into the conformity with WTO requirements. Laws and standard regulations, corresponding to the WTO requirements, have been adopted and put into effect in 1998. It is important to emphasize that laws, adopted with the purpose to join

into the WTO, were necessary for establishment of regimes with the purpose to promote trade and investments in the Kyrgyz Republic and became the broad process of reforms (Omuraliev., 2008).

The process of bilateral negotiations from one side became as a serious exam and from another side good school to learn procedures and norms of the WTO, which provided useful lessons and knowledge of procedures and regulations of the WTO. Finally, the bilateral negotiations determine what commitments and concessions the country must make in order to become a WTO member. Australia, Cuba, the European Union, Mexico, Japan, Turkey, Slovakia, Switzerland and the United States were the main active participants of negotiations. It is interesting to note that Australia and Mexico are not trading partners of Kyrgyz Republic, but they were insisting on adopting Kyrgyz Republic's particular commitments. In general, all countries insisted on that Kyrgyz Republic should join some sectorial agreements, which are actually not obligatory requirements for accession. However, lately some WTO members-countries are insisting on those acceding countries to accept such requirements. Thus, it should be taken into consideration that everything depends on bilateral negotiations and each accession is unique by its nature.

This also relates to non-obligatory agreements of the WTO. Despite the fact that Kyrgyz Republic is a developing country, demands from some WTO members for Kyrgyz Republic's accession to WTO were quite rigid and they made the country to assume a higher level of obligations. For example, WTO members-countries demanded that Kyrgyz Republic to join the Agreements on Trade in Civil Aircraft (ATCA) and on Government Procurements (GP). The members of the Working Party expected that Kyrgyz Republic would join the Agreement on Trade in Civil Aircraft on the day of its

accession to the WTO. Kyrgyz Republic has agreed that it will join the agreements on the conditions acceptable for the country.

As a result, Kyrgyz Republic was obliged to start the process of negotiations on joining the Agreement on Government Procurements from the moment of its membership, though only 26 highly developed countries with perfect legal system on trade have joined this Agreement.

There are other examples of how and what individual WTO members may demand to countries which are in the process of accession. Kyrgyz Republic was obliged to accept an upper limit of five per cents for domestic support to agricultural production as for developed countries. The acceptance of such commitment was insisted by the countries with the highest shares in the world trade. However, the level of subsidization of agriculture is 10 percents for developing countries. But because of the lack of financing the national budget allocation to agriculture remains at level of 1-2 percent and does not exceed 5 percent, and the Kyrgyz Government made the decision to accept this commitment (MEDT KR, 2009).

Kyrgyz Republic has had an 11-year experience of its membership in the WTO. For this important period the cardinal changes in the external trade regime took place. During these years Kyrgyz Republic adopted many new laws, normative acts, directed on liberalization of the external trade regime and on involving investments into the economy of the country. Besides, Kyrgyz Republic changed the structure of the foreign trade turnover and export and created the basic for predictable trade system.

Currently (as of 2011) Kyrgyz Republic trades with almost 120 states of the World Trade Community, among them 11 CIS countries and above 80 states - members of WTO. The reorientation of the external trade from CIS countries' markets to WTO member-countries markets took place during the period of membership.

Kyrgyz export uses MFN regime in all WTO countries-members. Before the accession to the WTO it was necessary for Kyrgyz Republic to conclude bilateral agreements with trade partners with the purpose to get MFN treatment from those countries, so after formally joining to the WTO there was no further need to adjust for obtaining MFN treatment. Before joining into the WTO Kyrgyz Republic had trade-economic agreements on MFN base with 17 countries, and after joining into the WTO Kyrgyzstan provides MFN to all of the WTO 153 members.

Moreover WTO membership means the overall guarantee that members will follow WTO rules and will not introduce restrictive measures which can cause damage to the trade interests of the other WTO members.

The total volume of the external turnover of Kyrgyz Republic with WTO countries-members occupies about 41.9%, more than 42% of export and 41.9% of import. Before joining the WTO (1996) the share of these countries in the total turnover of the Kyrgyz Republic was 30%; export 12.3%, import 40.5%. During its accession to the WTO Kyrgyz Republic joined the Ministerial Declaration on trade in production of the information technologies; Australia, the European Union, USA, Japan, Switzerland, Turkey, Canada, Hong-Kong and some other states are the participants of this Declaration. According to Declaration, the Kyrgyz Republic is going to develop its trade system in such way as to increase the possibility of the market access to the production of information technologies that will positively effect on the development of this sector in Kyrgyz Republic.

Being a member of the WTO, Kyrgyz Republic has one of the main advantages in comparison with the countries which are going to accede the WTO; these countries have to engage in the bilateral negotiations on accession about the goods and services to the market. During these negotiations Kyrgyz Republic may require from the acceding

countries concessions for goods, and may also ask to solve existing trade disputes with these countries. Kyrgyz Republic had the bilateral negotiations with the following countries on their accession to the WTO; 1999 –2001: Georgia, Moldova, Estonia, Croatia, Albany, Jordan, China, Lithuania; 2004: Saudi Arabia; 2003: Russia and Kazakhstan. But the most important were the negotiations with China which is the main trade partner and the biggest neighbor. During these negotiations Kyrgyzstan has got some concessions for its goods. And this successfully reflected in the development of the bilateral trade between countries.

One of the most significant positive moments in the frames of joining to the WTO is the agreement on technical barriers to trade, with the following positive results from it for the Kyrgyz Republic. During reforms of the technical regulation sphere, it's necessary to reconsider, change and repeal the most part of documents on technical regulation with the view to limit administrative and technical barriers in the development of industry, formation of new industries and enterprises in the country, and to improve investment climate.

5.1.1 Positive elements and problems associated with early accession of Kyrgyz Republic to WTO

The process of accession of Kyrgyz Republic to the WTO took less than 3 years from application to formal admittance. This period for accession is relatively short, compared with that of other countries. For example, Latvia, having been observer since 1993, joined the Marrakech Agreement of the WTO together with Kyrgyz Republic on 14 October 1998. However, ratifying the Protocol later than Kyrgyz Republic, Latvia became a member of the WTO on February 10, 1999 after Kyrgyz Republic.

Some of the factors which influenced the fast accession of Kyrgyz Republic to the WTO include the following (Omuraliev, 2008):

First of all, Kyrgyz Republic was very eager and ready to join the world trading system which embodies principles of trade without discrimination and fair competition as stipulated in the WTO Agreements. This is particularly important for a small country like Kyrgyz Republic, which is trying to carve out a position in the international market to secure its exports through the formation of a predictable trading environment.

Therefore, and secondly, the country eliminated non-tariff barriers at the national level, which could disturb or postpone accession to the WTO. WTO membership was the first priority of the foreign economic policy of the Kyrgyz Republic. Consequently, all the decisions at the state level at every stage of the accession process were made timely without undue delay.

Thirdly, the Interdepartmental Commission under the Government of Kyrgyz Republic which was created during negotiations with WTO consisted of competent high level officials who were able to avoid any further difficulties in the negotiations and respond effectively to the questions raised during the meetings of the Working Party and bilateral negotiations.

Fourthly, the country benefited from timely assistance under the USAID project, which provided technical assistance and advisory services all through the accession period.

Despite this, Kyrgyz Republic faced the following problems during the accession process:

- (a) Complexity of conducting bilateral negotiations on tariffs and obligations on accession to the market of services;
- (b) Absence of specialists on international trade in the country;
- (c) Interdepartmental bureaucratic barriers, which were an obstacle to effective coordinated decision-making;

- (d) Limited availability of financial resources in the country required to fund the participation of the Kyrgyz delegation in the meetings of the Working Party and for conducting the bilateral negotiations.

Rapid accession has allowed officials and experts in Kyrgyz Republic to gain experience in managing the multilateral trading system and applying WTO regulations. In addition, Kyrgyz Republic benefited from participating in various WTO seminars and training courses which allowed for better understanding of the organization and functioning of the WTO and its various departments and facilitated the establishment of a more effective national infrastructure for protection of its commercial rights.

Early accession also allowed the country, as a WTO-member, to conduct bilateral negotiations with other countries-observers and to request concessions favourable to Kyrgyz export products. For example, Kyrgyzstan has conducted bilateral negotiations with China, which is a neighbour and main trading partner of the country.

5.1.2 Lesson that can be learned from the experience of Kyrgyzstan's accession into the WTO by acceding countries

Acceding countries should:

- a) Create a high-level government body which has the power to make decisions when conducting negotiations and to coordinate this process;
- b) Be ready, in the course of negotiations, to adapt national legislation to standards and commitments of WTO;
- c) Be ready to make concessions in negotiations on access to its own market of foreign goods and services, and to accept additional obligations on the liberalization of external trade;

- d) Be ready to face complicated issues such as those policies which influence the country's external trade and their strategy of development;
- e) Conduct negotiations in such a way that a balanced concession is made – on one hand, having access to foreign goods and services, and on the other, achieving advantageous conditions for exporting domestic goods and services to the markets of the WTO country-members. This should be achieved while protecting its priority sectors of production and service from imports.

5.1.3 Problems that hinder Kyrgyz Republic from benefiting from being a part of the WTO

-) Small domestic market and the low level of income among the population.

This in turn sets limits on the development and improvement of technology production and decreases production profitability and goods competitiveness.

- b) Obsolete standards and metrology.

This factor sets limits on the market and decreases the export potential of Kyrgyz Republic. Goods certified in local laboratories that do not have international accreditation are not acknowledged by the majority of markets outside the CIS countries.

- c) High cost value and expenses.

High price for the imported raw materials, fuels and lubricants, worn-out equipment and obsolete technology, and high transportation expenditures cause significant rise in the prices of goods and limit supply of products.

- d) Low labor efficiency.

In Kyrgyz Republic, the volume of output per capita is the lowest in the CIS countries. Nominal wage is the lowest among the countries of the CIS. Employees in

Russia and Kazakhstan receive three times more than in Kyrgyz Republic; in Armenia, Georgia 15% more, in China and India 2.3 times more.

e) Weak innovative potential.

This factor hampers productivity, growth, export quantity and competitiveness. The private sector does not invest means into innovative scientific-research activity because of the absence of resources. In government sector, 213 people are employed in new developments, but, for instance in Georgia, this indicator is 1870 people; in Belorussia 2317 people (Omuraliev, 2008).

5.2 Case study: Accession of the Ukraine to the WTO

Ukraine has applied for the membership in the WTO in 1993; it took almost 15 years to finally join the WTO. In the course of accession process Ukrainian Parliament had to harmonize national legislation to meet WTO standards and principles.

Ukraine applied for the membership in the WTO together with other countries that were a part of the Soviet Union. The first meeting of the working party took place in February 1995. After the successful start, Ukraine's accession to the WTO turned out to be a very long and painful process which suffered several setbacks in the course of fifteen years after Ukraine's application at the end of 1993. The major setback in Ukraine's negotiations over its accession to the WTO happened in 1998 and lasted for two years. The lack of general public involvement and resistance to the WTO on the part of major businesses, especially in the industries using obsolete Soviet equipments and management approaches constantly, asking for protection from foreign competitors, were exacerbated by the unwillingness of the red tape to adapt to the changing institutional environment with increased level of responsibility and accountability (Elena Besedina, 2009).

At the beginning of the 4th Convocation (middle 2002) Ukraine's accession to the WTO was uncertain. Fighting over government seats and distribution of power in the parliament did not foster smooth law-making process to harmonize national legislation according to the WTO standards and principles. The presidential elections and political instability that followed further distracted policy makers' attention to the accession process. The question of the membership in the WTO, its costs and benefits, received increased attention in the media in 2005 with the new president pushing more actively for the acceleration of the accession process, which was finally completed in 2008 when the Verkhovna Rada (Parliament) ratified the Protocol of Accession.

Harmonization of the national legislation is an important part of the accession process. Over the last decade, the Ukrainian Parliament considered a number of laws on customs, tariff and non-tariff barriers to trade and investment, intellectual property rights and other important areas of international cooperation in order to bring the national legislation in accordance with the principles developed by the WTO. While some legislative initiatives were passed quite unanimously, others faced significant opposition in the parliament and were voted in several convocations of the parliament (Elena Besedina, 2009).

As stated in an earlier section Working Party Meetings are the main elements of the WTO accession process, at which meetings intermediary results are summed up and the degree of preparedness of a candidate for WTO membership is determined. Sixteen official meetings of the Working Party on the Accession of Ukraine to the WTO and a number of unofficial ones have been held during accession process.

The first document prepared by Ukraine for the Working Party review was a Memorandum on the foreign trade regime of Ukraine. That document gave a clear picture to the WTO members on Ukraine's foreign trade regime and was passed to the Working Party in June 1994. The Working Party held two meetings in 1995. At those

meetings the WTO members monitored the status of economic reforms and the process of reformation of the foreign trade regime of Ukraine, and analyzed its compliance with the WTO rules. It was resolved to conduct negotiations on access to markets for goods on the basis of the concept for transforming the tariff system proposed by Ukraine. Meanwhile, Ukraine had to carry out the tariffication of non-tariff barriers to trading in agricultural products and to harmonize national law in accordance with the requirements of the WTO Agreements (Volkov, 2011).

The third Working Party meeting was held in June 1996 and it was agreed that Ukraine had to improve agreements on free trade and industrial cooperation within the nations of the CIS countries which were inconsistent with the non-discriminating trade principles of the WTO system. Along with that, Ukraine had started bilateral negotiations on access to markets for goods and services with WTO members in January 1997. The results of those negotiations were summarized and discussed at the following two Working Party meetings in May and November 1997. Ukraine's customs regulations and state support of agriculture was reviewed at those meetings. The Memorandum on Protection of Intellectual Property Rights in Ukraine was prepared and disseminated by the Ukrainian delegation at the sixth Working Party meeting in June 1998.

A two year break between the sixth and seventh meetings delayed the process of Ukraine's accession to the WTO. As a result of the subsequent stagnation, the previous results in many areas of the negotiations were lost. Therefore, the seventh meeting in July 2000 became of an informative nature, and renewal of multilateral and bilateral negotiations on the accession of Ukraine to the WTO should be considered as the main result of this meeting. Later on the information materials were prepared by Ukraine, for the Working Party meeting in June 2001, which includes review of legislative acts and draft laws as to their conformity to the WTO Agreements, answers to the consolidated request of the Members of the Working Party, mechanism of implementation of

legislation in high profile areas of trade relations, fees that were collected at the time of importation of goods into the customs territory of Ukraine, schedule for the approval of draft laws for a period of 18 months and review of law in the area of protection of intellectual property rights.

At the meeting at which the schedule was announced, the Working Party also passed a resolution to prepare a checklist of questions on the trade regime of Ukraine. Responses to these questions were used as a basis for the preparation of final documents: the Report of the Working Party and Protocol of Accession of Ukraine to the WTO.

The answers to the list of questions on foreign trade regime were reviewed at a meeting in February 2003 and a resolution was passed to prepare the first version ("elements") of the draft Report of the Working Party. The Working Party reviewed the elements of the draft Report at its meeting in October 2003. All delegations which attended the meeting supported a proposal of the Chairman of the Working Party to move from preparation of elements of the draft Report of the Working Party to working on a full scale draft Report. Thus, Ukraine entered officially into the final stage of formation of its commitments relating to WTO membership. The official discussion of the full scale Report of the Working Party and determination of further steps aimed at speeding up the accession of Ukraine to the WTO took place in April 2004. The Working Party members had discussed each of the seven sections of the draft Report.

The sections of the draft Report of the Working Party that related to taxation, subsidizing and price setting in Ukraine were reviewed at the meeting in September 2004. 70% of the draft Report was agreed at the meeting in March 2005, and the Working Party requested for additional information and clarifications in respect of certain sections. In February 2006, Ukraine was granted the status of a country with a market economy by the US government. During the previous two years Ukraine had adopted 38 laws essential for accession to the WTO. The bilateral negotiations with 49

out of 50 members of the Working Party were completed. Members of the Working Party adopted the "accession package" of Ukraine at the meeting in January 2008. And finally, on 5 February 2008, the accession package was considered and approved by the WTO General Council. The President of Ukraine and the Director General of the WTO signed the Protocol of Accession of Ukraine to the WTO.

As outlined in Ukraine's market access schedules, Ukraine will have its customs duties capped at rates ranging between zero and 50% (bound rates). Some bindings involve reductions phased in over a period of up to 2013. Ukraine's average tariff bindings are 10.66% for agricultural products and 4.95% for industrial goods. The highest tariffs Ukraine may apply are on items such as sugar (50%) and sunflower seed oil (30%). Other products with tariff ceilings of 25% include certain radio broadcast receivers, catgut, and certain conveyor/transmission belts. Product categories with lower tariffs that will initially or eventually be eliminated include civil aircraft, construction equipment, distilled spirits, certain types of fish, pharmaceuticals, certain chemicals and petroleum oils, medical equipment, wood, pulp & paper, certain yarn and fabric, certain base metals, steel, information technology products (ITA), furniture, and toys. Ukraine has agreed not to apply any "other duties and charges" beyond its ordinary customs duties. In agriculture, Ukraine has agreed not to subsidize exports. Ukraine will limit its trade distorting domestic support provided to farmers to UAH 3, 04 billion (approximately UDS 613 million) as well as an allowance of 5% of the value of domestic agricultural production. As is the case for all WTO members, Ukraine will have no spending limits on domestic support programs that have no or minimal impact on trade, provided these programs meet the criteria laid down in the Agreement on Agriculture. Ukraine will open a tariff quota on raw cane sugar (260 000 tones annually, and increasing to 267 000 tones by 2010). This quota will be administered on a first come first served basis within 3 years of accession (Volkov, 2011).

Ukraine has made specific commitments in all 11 "core" service sectors including business services, communication services, construction and related engineering services, distribution, education and environmental services, financial services (insurance and banking), health and social services, tourism and travel, recreational, cultural and sporting services, and transport services as well as in other areas including beauty, hairdressing, spa and massage services (Volkov,2011).

5.2.1 WTO membership: the effect it will have on the Ukrainian economy

International financial organizations faced difficulties in making a clear prediction as to what impact WTO membership would have on Ukraine's economy. While Ukraine's balance of payment might either improve or worsen, all experts agreed with the fact that WTO membership would lead to an increase in import and export. According to the calculations of the National Institute of Strategic Investigations, WTO membership would lead to an increase of Ukraine's GDP by 1.7%, annual growth of foreign investments would constitute 40%, additional export increase would constitute 10-11%, and the additional income for the state budget would constitute 5-10%. One of the core issues with respect to Ukraine's membership to the WTO is whether and how the prices for goods and services and the positions of Ukrainian and foreign producers would change in the domestic market. WTO membership would have the least impact on the financial sector. The Ukrainian market would be available for affiliates of foreign banks from the moment of WTO membership. However, experts considered that there would be neither a tough rivalry nor a decrease of credit rates. Such a prediction is qualified by the fact that foreign banks have already been able to enter Ukrainian market through the purchase of Ukrainian banks. With respect to insurance, significant changes were not

anticipated since foreign insurance companies had already entered the Ukrainian market.

A decrease of prices in the sphere of household appliances was expected since the taxes for imported household appliances would fall by approximately 20%. The most significant decrease of prices was expected for refrigerators since the import taxes for this kind of household appliance would decrease from 5-50% to 5-10%. According to the experts, WTO membership would have a negative impact on the Ukrainian producers of cognac and wine. The imported cognac and wine was expected to become cheaper by 20-25 hryvnya per bottle. This would lead to a tough rivalry in the Ukrainian market and domestic producers are likely to incur losses. Moreover, the Ukrainian producers may lose the right to use the word "cognac", since Ukraine has to accede the Agreement on the Rules of Origin of Goods (Volkov, 2011).

WTO membership will also have a negative impact on Ukrainian light industry as well as on the producers of furniture. As a result of import tax cuts the imported furniture is likely to push out Ukrainian producers from the market. The light industry of Ukraine, having lost approximately 70% of the internal market during the last 15 years, will finally lose its position, due to cheap imported products. In particular, the metallurgy industry will enjoy great benefits. The accession of Ukraine to the WTO will lead to the cancellation of export quotas for Ukrainian steel. As a result the profits of the Ukrainian metallurgy industry will increase significantly.

5.2.2 Ukraine's prospect as a member of the WTO

Analysis of foreign trade trends, current and expected bound tariff rates in the framework of World Trade Organization (WTO) membership, and internal and global prices between 2001-2007 show that after WTO accession, most economically crucial agricultural products shall remain unaffected. WTO accession shall have no negative

impact on the agricultural sector as a whole. Relatively low bound tariff rates for agricultural products after WTO accession shall not put additional pressure on producers, because Ukraine's primary agricultural products are more price competitive than their imported analogs.

This reflects the fact that Ukraine is a net exporter of most agricultural and food products. Ukraine's WTO membership will result in transformational changes in state policies regarding the support of agriculture and the regulation of food markets. These changes will help to create conditions for securing and strengthening the competitive advantages of agricultural products and domestic production both in internal as well as external markets. Liberalization of import regulations shall further enhance agricultural production efficiency and the competitiveness of domestic products.

For the industrial products price margins in general negative, meaning that prices of domestic products are lower than those of foreign products. Even in years when the price margins for particular products were not negative, export volumes of Ukrainian products exceeded import volumes, indicating that Ukraine is a net-exporter of most industrial products particularly mining, metallurgical, and chemical products. By introducing energy-saving production techniques Ukraine can remain competitive, yet this requires the development and implementation of relevant national policies. At the same time industries such as light, alcoholic beverages and household appliance will be materially damaged.

Regardless of such setbacks, as a whole WTO membership will have a positive impact on Ukraine's economy. It is worth mentioning once more the previously mentioned calculation of the National Institute of Strategic Investigations, according to which WTO membership will lead to the increase of Ukraine's GDP by 1.7%; annual growth of foreign investments will constitute 40% or USD 5 billion, additional export increase

will constitute 10-11%, and additional income for the state budget will constitute 5-10%.

5.3 Conclusion

The Kyrgyz Republic and Ukraine's experiences show that the WTO membership does not guarantee to bring immediate benefits. However, the situation may change after the accession of those countries in that they will be insured from unilateral unpredictable trade and economic policy of main trading partners. The membership in the WTO of these countries will allow resolving trade disputes between states based on WTO Dispute Settlement Understanding rules and procedures. In this regard it is important for Kyrgyz Republic and Ukraine to promote accession process of their neighboring and main trading country-partners in the WTO, while using the advantage of membership for securing market access for their goods.

Kyrgyzstan and Ukraine achieved the important political and economic advantages, being the participant of multilateral trading system. Participation in WTO gives long-term advantages. Membership in the WTO is a support, but not a guarantee, for the expansion of export, fast industrialization and development or high levels of economic growth and unconditional growth of direct investments. The most part of economic influence may be observed only in the long-run.

Regarding Tajikistan, accession of Tajikistan to the WTO would promise more prize if it would occur in the conditions of full restoration of the national economies, achievements of high and steady rates of economic growth, social development and efficiency of real sector of economy. Therefore process of accessions to the WTO

should go gradually, with readiness and formation of firm belief that gains from it will exceed losses (Kayumov and Umarov, 2004).

For this purpose it is necessary to put forward the period of full restoration of economy as a sparing stage. This should be characterized more by wide opportunities for flexible revision of the custom duties. It should concern import of the goods. Especially important is the removal of tariff barriers on ways of importing of the modern equipment. Also it is necessary to inform representatives of business on rules and norms of the accession to the WTO. The main action in this context should be played by mass media.

Important point is to inform commodity producers on problems which they will face at the accession into this organization. Therefore it is necessary for the governing bodies of the Tajikistan to work together with mass-media with the purpose of introducing to each businessman all information so that all of them may be able to verify a position of their interests before and after the accession to the WTO.

Not less important is the decision on application of sanitary and phytosanitary measures on producing the goods and services which are far from conformity to the international norms. Tajikistan, during negotiations process, should not take a waiting or defensive position. It especially relates to protective measures concerning agriculture and the branches connected with it. (MEDT, 2009).

As for the support of a domestic agriculture in the form of subsidies, despite the fact that at present the government doesn't have such opportunities, and with the hope for an opportunity of appearance of necessary resources in the future, it is necessary to insist on preservation of practice of subsidizing the export of the some major agricultural products which may need due protection perspective. Nevertheless, during the

negotiation process protection of domestic commodity producers must be discussed so that favorable conditions for the acceleration of economic growth, sustainable financial stability and implementation of structural movements would have been created.

Chapter 6: Positive and negative consequences of the accession of the Republic of Tajikistan to the WTO

The WTO accession process demands that the applying country abide by several rules. The accession rules step from Article XII of the Marrakesh Agreement which established the WTO (WTO, 2011) and define in very general terms of the accession into the WTO. Special conditions of the accession should be discussed between member-countries of WTO and the country which has made an application. In this connection each process of the accession is negotiations between member-countries of WTO and the applying country with different economic conditions, so each accession is granted on its own basis, and each application is considered unique.

The basic results of the negotiations on accession are the conditions of the accession stated in the protocol of accession. The protocol of accession assumes that the petitioning country abides by all obligations previously accepted as a result of negotiations regarding trade policy. These obligations are general obligations to obey rules of WTO and series of the concrete obligations mentioned in the Report of the Working Party. For example, existing rules regarding transparency during privatization process or about price controls and tariff concessions as well as other obligations are listed in schedules (lists) of the member countries (WTO, 2011).

Ideally, the acceding countries should enter on the conditions which accommodate the desires of both the applying countries and the member-countries. However in practice, the situation can develop in another way. In several spheres the acceding countries have taken up more obligations than the member-countries. For example, the acceding countries must accept obligations not to raise import duties while many developed countries still have a high level of import duties. Furthermore new members are

pressured to sign all plurilateral agreements such as an agreement on trade in civil aircraft and an agreement on government procurement.

Other unwritten rules concern with the status of the acceding countries. Whether a country is defined as a developing country decides whether it has the right of using positions of the special and differential treatment of the agreements of the WTO. In general, there is no definition in the WTO which defines the parameters of what constitutes "developed" and "developing" countries. The selection seems based on a principle of "self-purpose" (self-definition). Acceding country can present itself to the WTO as "a developing country ", however, other members can challenge this description as it often happens in the Agreements of the WTO - especially in sphere of intellectual property.

At a practical level, WTO accession can quantifiably benefit a country. First, the governments can have better access to the markets for their export. Acceding country can benefit from the trade regime established under the WTO in particular MFN, and for the future trade negotiations. Among the members of the WTO, trading partners can not apply discriminating tariffs. Furthermore non member-countries of the WTO should conduct bilateral or regional negotiations on boundary transaction measures with the partners, which can be subject to difficult negotiations. Thus, multilateral trading systems are especially important for small countries with the limited opportunities to improve their trade conditions.

A second benefit relates to the dispute settlement mechanism of the WTO which offers the opportunity to disputes settlement through the established mechanisms. This provides a strong incentive for accession of small and weak countries to the WTO. There are not so many effective ways of the settlement of international trading disputes outside WTO that can help the small trading nations against larger economies. The

system of the dispute settlement of the WTO gives a unique, fair, accessible and effective opportunity to each member-country of the WTO irrespective of its sizes and a level of income (Thomas, 2004).

Next reason for developing countries to seek WTO acceptance is an opportunity to form the future rules and norms of the WTO for subsequently acceding countries. Developing countries, undoubtedly, will be interested in active participation in the subsequent multilateral trading negotiations and can hope for protection of their interests. Membership in the WTO gives them the direct access to a respected forum under which negotiations on multilateral trading rules and the order are carried on.

Accession to the WTO can influence the customs incomes often being the important source of state revenues in the countries with rather low level of the income per capita. It is related to the importance of tariffs as source of the state revenue in many developing countries. But the result of influence of the accession to the WTO in this respect can differ from country to country, and the final result is uncertain (Umarov, 2005). However, generally speaking, the accession leads to reduction of tariff rates in the acceding countries, which will lead to reduction of tariff incomes. At the same time, however, the accession to the WTO can expand the tax base. The accession should lead, basically, to liquidation of quotas which are included into the list of the forbidden tools of trade policy under the WTO. Usually quotas are replaced with tariffs in the acceding countries and this replacement may add to the potential of the governments to receive incomes. The agreement of the WTO on customs valuation (WTO, 2011) should also expand the tax base and, thus, bring the positive contribution to the income from tariffs as customs authorities can register more effectively import operations and collect taxes.

Accession to the WTO puts other basic problems before the acceding countries. For example they should make significant changes in their trade policy for maintenance of

full compatibility of the domestic legislation with the legislation of the WTO and necessity for implementation of the obligations before WTO. It raises serious questions before the governments of the acceding countries. For example: What will be expenses for implementation of obligations after the accession? Recognizing that expenses will be different for each country, whether government can define basic elements of these expenses? How much great these expenses are? Whether they can be completely and easily covered by the acceding countries? These questions are important for those who are engaged in development of policy and negotiation (Umarov, 2005).

6.1. Positive influence of the accession of the Republic of Tajikistan to the WTO

According to the studies done by Umarov and Kayumov (2004), positive influences of the accession to the WTO to the development of a national economy are expressed in:

- 1) Tajikistan will get wider access to foreign markets. In particular, accession will open the opportunity for repeated increase in deliveries of cotton and silk fabrics, the cotton and silk yarn, ready garments, medicinal raw material, fruit and vegetables, agricultural products, jewels, products from a marble, a granite, a shell rock and sandstone, nitric fertilizers, various cotton products, a concentrate of the color and rare metals to other countries. Expansion of such opportunities will occur by removal of economic blockade of Uzbekistan from Tajikistan, by ordering transit of cargoes through Kazakhstan, Turkmenistan and Russia, and also by elimination of quotas, licenses and other non tariff barriers outside Tajikistan.
- 2) Tajikistan will get access to innovations, including the newest technologies. The country can use the developed international mechanisms of transfer of

technologies. It in many respects is favoured with a firm rate on realization of the national export strategy including fast development of export-oriented manufactures. Tajikistan will get access to computer technologies, the newest communication means, software products, and aviation resources.

Especially important will be connection of the country to the world computer network and access to the newest information-communication technologies, and also to advanced achievements of biotechnologies and nanotechnology, such as biocomputers and biosensor controls. Tajikistan will get access to achievements of the engineering genetics which are a powerful tool of development of economically steady agricultural production. National export strategy is directed to stimulate foreign investors to invest in development of such export-oriented manufactures to Russia and the countries of the Central-Asian region. At the same time, these noted opportunities collide with such obstacles as insufficiency of financial resources, a low level of development of the human capital and low investment rating of the country (MEDT, 2010);

- 3) Connection to the process of moving the finished goods from industrially developed countries to developing countries. Membership in the WTO will allow adapting more flexibly to new system of the international division of labour. After the accession of the Tajikistan to the WTO process of moving the finished goods will be accelerated and also manufactures from the Russian Federation will invest and increase investments in development of Tajikistan.
- 4) Accession to the WTO will improve dynamic adaptation of a national economy to technological innovations and structural shifts in world economy and to new rules of a competition. In this regard membership to the WTO will have mobilizing value, to force domestic entrepreneurs to more quickly adapt to the

changes in the structure of needs of foreign markets, and to study and skillfully use new rules of the competition;

- 5) Creation of favorable trading environment by means of removal of tariff and non tariff barriers, liberalization of trade, the termination of administrative intervention in the activities of commercial structures and simplification of tax system. Thus it is necessary to have tariff barriers decrease not only in Tajikistan, but also with her trading partners. The majority of non tariff barriers which are used by trading partners will be eliminated.

Administrative intervention on the movement of the goods into the markets of neighboring countries will be stopped or removed. Farmers and merchants from Tajikistan, for example, will acquire the right for free trade on vegetables and fruits in Uzbekistan, Turkmenistan and other neighboring countries. The tax system should be reconstructed so as not to harm competitiveness of domestic commodity producers both on domestic and on foreign markets;

- 6) Wide use of experiences of foreign competitors will allow not only to study methods of commercial games in foreign markets and to use of the advanced practice of marketing, but also a) to use the advanced methods of management, b) to upgrade the organization of manufacture, c) and to improve of the quality of the production and services. However, for adaptation to the external commercial circumstances and in particular to speculative games, long time is required. Bitter experience of our country shows that because of complexities of adaptation to speculative games the economy can have huge losses;
- 7) According to the documents developed by Ministry of Economic Development and Trade of the Republic of Tajikistan (2008), accession to the WTO also will have positive influence for banking and financial sector:

- The legal and regulatory frameworks for external economic activities will be in compliance with international legal systems;
- A rise in inward investment due to introduction of commonly used legal mechanisms for regulating external economic activities;
- An improvement in the image of the Republic of Tajikistan in the world as a full member of international trade regimes;
- Opportunity to develop a trade strategy and to predict foreign trade development in the long-time based on the predicted activities of other members and growing opportunities for domestic producers for access to world markets;
- Access to the WTO information database in the field of international trade, and the possibility to get information about consumers and importers in a specific country; Opening of foreign banks, their divisions, liberalization of international provision of financial services;
- Adoption of international standards for financial reporting;
- A rise in the competitiveness of the banking services sector, use of advanced banking technologies and 'know-how';
- Simplification of rules and credits obtaining for small business;
- Liberalization of services at insurances market and high level of capitalization that will bring in this market more various and qualitative services.

8) Regarding benefits for industry (MEDT, 2008):

- The creation of favourable conditions for Tajikistan's industries to start commercial activities in foreign countries;

- National legislation will be in compliance with the WTO rules, which will facilitate the contractual and legal framework for co-operation with foreign countries and will bring an order into the Tajik market system;
- Access to the world markets in machines, equipments and technologies;
- A reduction of customs duties on imported advanced technologies, science intensive goods and services, which will allow the relatively cheaper production of many types of technically complex goods with a high proportion of foreign components;
- An increase in the supply of goods in the home market;
- There will be an opportunity for domestic producers to open up new export markets;
- Trade in consumer goods and science- intensive products will be stimulated;
- The change of institutional infrastructure related to Tajikistan's accession to the WTO will affect private business;
- Protection of the Republic of Tajikistan against use of technical barriers in trade.

9) WTO membership could have a beneficial influence on agricultural development in the Republic of Tajikistan through the following factors (MEDT, 2008):

- Provision of wider access for domestic companies to the world markets for machinery and equipment, technologies and information, capitals, mineral and raw material resources, and transport communications. The most favourable trade regimes with a) foreign countries and their trade and economic agents, b) and unions should be achieved, together with the elimination of existing and potential constraints;

- Promoting the development and formation of efficient systems for protection of Tajikistan's economic interests through access to the mechanism of trade dispute settlement within the WTO. It has to be noted that as a matter of fact this is the sole world instrument for legal protection;

As the above section shows the Republic of Tajikistan can receive benefits from trade with WTO member-countries, if membership is granted, especially concerning exports. Being a member of WTO Tajikistan can take advantage of a most favoured nation treatment and national treatments in all WTO member-countries. As for importation of raw materials and products, low tariffs will reduce the cost price of production, introduce competitive production and accelerate development of real sector of economy.

For Tajikistan special importance is that with the accession of the country and its neighbours in region to the WTO the situation with transit of the goods and people will be changed. First of all, it concerns transit through the Uzbekistan and Kazakhstan territories. Full removal of non-tariff barriers on transit of goods through these territories will render "explosive" effect not only on dynamics of economic growth of the country, but also on growth of efficiency of real sectors of economy, both the industry and agriculture.

It is important for Tajikistan to pass economic legislation in conformity with the international standards, and to maximize the advantages of WTO membership. Such changes in the legislation will promote the formation of more favorable conditions for the implementation of economic and structural reforms in Tajikistan.

There is no doubt that with the simultaneous accession to the WTO of Tajikistan and its neighbor countries, the tools of this organization will allow solving more broad issues in

the regional level. For example, creation of transparent borders between Tajikistan, Uzbekistan and Kyrgyz Republic, development of migration in frontier territories, expansion of scales of industrial cooperation between neighboring countries, removal of barrier on the ways of trading firms and private persons for conducting commercial activity in neighboring countries, unobstructed expansion of movement of all kinds of transboundary passengers and cargo transports, etc (MEDT, 2010).

6.2. Negative consequences of the accession of the Republic of Tajikistan to the WTO

Negative consequences of the accession of Tajikistan to the WTO are indicated in the following (Umarov and Kayumov, 2004):

- 1) As a result of the accession of the Republic of Tajikistan to the WTO, and in particular liberalization in economy, effectiveness of the mechanisms of state regulation of economy will be lost;
- 2) Accession of the Republic of Tajikistan to the WTO without necessary preparation can promote unjustified expansion of the goods and services of foreign origin as the domestic goods still remain noncompetitive. Tajikistan already has such experience. After the liberalization of the prices carried out in 1992, the stream of the cheap goods of consumer purpose from abroad has rushed to the country. As a result absolute majority of the state enterprises producing food products and the goods of personal consumption have been compelled to suspend production as their manufacture became unprofitable;
- 3) The accession to the WTO causes significant complications in formation of the state budget because of reduction of tariffs.

4) According to the documents developed by Ministry of Economic Development and Trade of the Republic of Tajikistan (2008) accession to the WTO also will have negative consequences for banking and financial sector:

- Foreign corporations will get a considerable share of the home market and a number of less competitive sectors may cease operation;
- The open market approach will increase external risks and decrease social security;
- Public budget losses through reducing import duties and a decrease in protection of a number of sectors of the national economy. The Republic will lose the option to protect the home market through limitations on foreign trade;
- Increased risk for currency, increase in unemployment in banking, risk of losing the independency of Tajikistan's banking system;
- Potential threat of competition with foreign banks to attract clients;
- Risk of dumping, a decrease in interest rates, outflow of Tajik capital to foreign countries, and comparative loss of business reputation;
- Loss of domestic sources for financing the economy, leading to worse economic situation for the population and a number of companies.

5) Regarding negative consequences for industry (MEDT, 2008):

- Due to the uncompetitiveness of its industrial products, Tajikistan will not be able to avoid considerable losses after opening the home market for foreign goods; a decline in production will take place in a number of sectors;
- Mass inflow of foreign goods instead of investments;
- A problem of the practical stagnation in technical and technological refurbishment may occur and, in connection with this, a loss of

opportunity to produce competitive products even into the far future may be seen;

- Entry into the WTO will damage small and medium-sized businesses due to their uncompetitiveness with imported goods and services;
- The possibilities for protection of specific industrial sectors after entry into the WTO will be limited;
- Joining the WTO will not allow the allocation of budget subsidies and high tariffs to compensate the traditionally weak but strategically important economic sectors, companies and industries.

6.3. Recommendations on how to reduce the negative impacts of the WTO on industrial development

Considering the current state of Tajikistan, it might be said that Tajikistan is not prepared for entry into the WTO. There is no clear and well-established sector policy for industry, and a system of public support for transition is unavailable in practice. Before Tajikistan joins the WTO, it needs to:

- 1) Develop a protection system for domestic producers that should be built upon the interests of local consumers who are interested in cheaper and a wider variety of goods on the domestic market.
- 2) Create an effective system of legal regulation for external economic relations that could become a factor to increase the competitiveness of Tajik's enterprises through eliminating some excessive constraints, forming a competitive climate with fair and non-discriminatory conditions for business activities and increasing transparency of laws and regulatory measures.

- 3) Establish a common national system of external economic information for domestic businesses, with respect to a) WTO norms and rules, b) main markets for commodities and services, c) prices and trade conditions for export and import. Such a system should be supplemented with consultation on external economic issues, staff training, and recommendations on settling disputes.

6.4. Preparatory actions for accession and issues to be negotiated in order to ensure food security.

Before joining the WTO Tajikistan needs to do the following (MEDT, 2008):

- 1) Carry out a serious assessment of the effectiveness of export operations related to agri-products in order to define exactly how the price factor may affect the amount of export. A survey of markets has not even been started yet. In any case the low average contract price for raw cotton from Tajikistan as compared to average world prices is due to the artificial reduction of prices at commodity exchanges. The situation is the same with respect to other agro-industrial products. It is necessary to prove the product's compliance with international standards in order to increase the export price of raw cotton in the international commodity exchanges.
- 2) Elaborate a clear concept for Tajikistan's development of foreign trade and support specific sectors and branches of the economy.
- 3) Reveal the trade barriers used by Tajikistan's trade partners with respect to Tajikistan goods by studying and analyzing the different commodity markets, and start work on removing the constraints.

- 4) Create an effective system of legal information for enterprises, firms and companies (prices, terms of trade, mechanisms of disputes settlement, providing copies and even newspaper versions of all the laws and regulations on the external economic activities of the country, etc.). Without this it will be impossible to make use of the possibilities for international competition created by WTO membership.
- 5) Start training specialists in various professions on WTO topics, both for businesses and public authorities.
- 6) In relation to member countries of the Eurasian Economic Community (EurAsEC) and Shanghai Cooperation Organization, the Republic of Tajikistan should in future work to extend economic co-operation in the frameworks of bilateral and multilateral agreements. The joint work with the countries of the Central Asian region on the creation of a united economic area, effective use of water and energy resources and the existing infrastructure, and further broad economic integration should be continued.

Today there is no doubt that Tajikistan is not prepared enough to sustain unprecedented force of a rigid competition, which becomes reality if the country will make a decision on early accession to the WTO. All depend on the proceeding negotiations, conducting reforms in the country, bringing of foreign trade regime in conformity with WTO, and also political will. It is necessary to note that the hasty accession to the WTO may miss the interests of Tajikistan, and therefore it is necessary to approach to this process with whole preparation.

Chapter 7: Conclusion

The economies of the separate countries cannot effectively connect to the global trade by themselves. This concerns developing countries and countries with transition economies. The developed countries were pioneers of WTO and the global trade, while the developing countries and countries with transition economies have certain expectations regarding WTO. Such expectations depend on real problems of social and economic development of each country. Furthermore developing countries and countries with transition economies have specific expectations regarding the accelerations of economic growth and social development, among which there are such issues as reduction of unemployment level, reduction of scales of poverty, increase in incomes of households, etc.

Such expectations regarding membership of the WTO also relate with Republic of Tajikistan. The Republic of Tajikistan hopes that its accession to the WTO will strengthen trust of the international community to the country and will serve as the significant factor promoting increase of flow of foreign direct investments. The forthcoming accession to the WTO is directed to accelerate integration of the economy of the country to the world economy, having accelerated progressive structural shifts in the coming future. There are all the bases to believe that at a good level of preparatory work the gain from the accession of Tajikistan to the WTO will surpass loss. Accession of Tajikistan to the WTO will create favorable conditions for expansion of the markets and trading partners, and provide a framework to use the international trade relations of the country for satisfaction of the needs of the population, human development, and creation best vital conditions. (Umarov and Kayumov, 2004).

It is necessary to note that influence of the membership of the Republic of Tajikistan in the WTO on growth of a standard of living of the population should be in line with acceleration of dynamics of rates of economic growth. The most favorable variant of final effect from this action is economic growth, creation of new work places, and increases of a level of incomes of the population. Acceleration of rates of economic growth is connected with mass replacement of physically worn out equipment with new. According to the statistical data of the Agency on Statistics under the Government of the Republic of Tajikistan (Handbook on Economic and Social situation of the Republic of Tajikistan, January 2010) in the trade structure import of machinery and equipment is prevailing. Their import in the coming 10-15 years should be carried out in scales sufficient for the accelerated technical modernization of the industry, agriculture, construction, transport infrastructure, etc.

It is necessary to note that accession of the Republic of Tajikistan to the WTO can bring positive results in social-economic areas. Membership in the WTO improves internal policy, protection of investments, both internal and external, and observance of the intellectual property rights, etc. Memberships in the WTO imply many obligations, concerning methods of internal regulation of the market, the prices, a rate of exchange, management and etc. Special attention after the accession to the WTO is given to the issues of streamlining the economic legislation.

In this framework expansion of a spectrum of activity of the WTO and obligations of member-countries of this organization can render positive influence on a course of economic reform and promote reduction of undesirable costs.

List of references

- Agency on Statistics under the Government of the Republic of Tajikistan. (2010). Handbook on Economic and Social situation of the republic of Tajikistan. Dushanbe.
- Anarkan, Rahmanova. (2001). Accession to the WTO: Case of Kyrgyzstan. Working Paper. ESCAP.
- Anvar, Ibragimov & Sukhrob, Khoshmukhamedov. (2003). Business for Development: Implications for export strategy-makers. Mexico. Policy Paper.
- Carlos A. & Olivier, Cattaneo. (2009). The WTO and Accession Countries. Volume 1. UK. Edward Elgar publishing limited.
- Carlos A. & Olivier, Cattaneo. (2009). The WTO and Accession Countries. Volume 2. UK. Edward Elgar publishing limited.
- Charles, Lemert, Anthony, Elliot, Daniel, Chaffee & Eric Hsu. (2010). Globalization. UK: MPG Books Group.
- Charles Van, Marrewijk. (2002). International Trade and the World Economy. United States. Oxford University Press. New York.
- Christopher, Arup. (2008). The World Trade Organization: Knowledge Agreements. Second Edition. United States of America: Cambridge University Press, New York.
- Country Document. (2005). The Kyrgyz Republic: The WTO Accession lesson learned. MERT KR.
- Document of the World Bank. (2005). Tajikistan Trade Diagnostic Study. Report No.32603-TJ.
- Devid G. Tarra. (2003). Trade Policy and influence of accession to the WTO for the development of Russia and CIS countries: Handbook. Moscow. Publishing "Ves Mir".

- Drabek, Zdenek. (1996). The Stability of Trade Policy in the Countries in Transition and Their Integration in the Multilateral Trading System. World Economy, Volume 19. No 6.
- Esengul, Omuraliev. (2009). Kyrgyz Republic and WTO: 10 years after. Working paper.
- Factual summary. (2006). Accession of the Republic of Tajikistan to the WTO. JOB (06).
- Ferdinand, Pavel, Igor, Burakovskiy, Natalya, Selitska & Veronika Movchan. (2004). Economic impact of Ukraine's WTO Accession. Working Paper No.30.
- Frederik, Coene and Urban, Lindgren. (2007). The development of Tajikistan's trade and industry. Umea University. Sweden.
- Igor, Eromenko. (2010). Accession to WTO: Part 1.Computable general equilibrium analysis: case of Ukraine. Ukraine. Ventus Publishing ApS.
- Igor, Eromenko. (2010). Accession to WTO: Part 2.Computable general equilibrium analysis: case of Ukraine. Ukraine. Ventus Publishing ApS.
- Jim, Sherlock and Jonathan, Reuvid. (2005). Handbook of International Trade. GMB Publishing Ltd and Contributors.
- Kayumov N. and Umarov Kh. (2004). Tajikistan and global trade. Dushanbe. Devashtich.
- Michalopoulos, Constantine. (1998). WTO Accession for Countries in Transition. Working paper
- Ministry of Economic Development and Trade, Republic of Tajikistan. (2008). WTO and Tajikistan: benefits and risks. Official document.
- Ministry of Economic Development and Trade, Republic of Tajikistan. (2009). Accession of the republic of Tajikistan to the WTO: advantages and disadvantages. Official document.

- Ministry of Economic Development and Trade, Republic of Tajikistan. (2006). What does Tajikistan gains with membership in WTO. Official document.
- Ministry of Economic Development and Trade, Republic of Tajikistan. (2005). Regional cooperation and integration into the world economy. Country Document.
- Ministry of Economic Development and Trade, Republic of Tajikistan. (2005). Analysis of trade regime in the Republic of Tajikistan. Official document.
- Ministry of Economic Development and Trade, Republic of Tajikistan. (2009). Foreign Trade Regime of the Republic of Tajikistan. Country document.
- Negmatullo, Inoyatov. (2001). Accession to WTO: The Case of Tajikistan. UN/ESCAP. Tashkent. Policy paper.
- Philip, Booth and Richard, Wellings. (2009). Globalization and Free Trade. UK: Edward Elgar publishing limited.
- Poverty Reduction Strategy of the Republic of Tajikistan for 2010-2012. (2009). Country Document. Dushanbe.
- Report of the Working Party on the Accession of the Kyrgyz Republic. (1998). WT/ACC/KGZ/26. WTO.
- Report of the Working Party on the Accession of the Tajikistan (2005). WT/ACC/SPEC/TJK/2/Rev.1. WTO.
- Report of the Working Party on the Accession of the Tajikistan (2003). WT/ACC/TJK/3. WTO.
- Simon J. and Carlos A. (2005). WTO Accessions: Lessons from experiences. World Bank Group. International Trade Department. Trade note 22.
- SPECA Project Working Group on Trade. (2007). Lessons from Kyrgyzstan's WTO experience for Kazakhstan, Tajikistan and Uzbekistan. UNESCAP. Background note.
- Steffen, Grammling. (2009). The WTO Accession Process: Explanations and Reflections. Dialogue on Globalization Journal, N 4.

- Stephan, Rabimov, Angelica, Aquino & Elizabeth Girgis. (2005). WTO Accession process: The case of Kyrgyzstan. Case study paper.
- Trade Policy Review report by Kyrgyz Republic. (2006). WT/TPR/G/170. WTO
- Volkov, Kaziakov. (2010). Ukraine and the WTO. Ukraine.
- Youwakim, Farhat. (2008). WTO accession roadmap for Tajikistan. USAID. Dushanbe.