



Impact of WTO Accession on Policy Making and Economic Performance of Moldova

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Structure of the Presentation

- ▶ History and Timetable of Moldova's accession to WTO
 - ▶ Motivation and Goal for Accession
 - ▶ Effects of WTO Accession
 - On Policy Making
 - On Economic Performance
 - Controversial Impact
 - ▶ RECOMMENDATIONS FOR BELARUS
 - ▶ CONCLUSIONS
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History and Timetable

Moldova accession to WTO

- ▶ **Nov.1993** – GoM submitted an application to join the GATT 1947, which after the creation of the WTO in 1995, the application has been reiterated
- ▶ WP on the MD Accession to GATT'47 set in Dec'93 – WP on Accession to WTO (Jan'95)
- ▶ **Sep. 1996** – GoM presented to WP – the Memorandum on Foreign Trade Régime
- ▶ Followed (starting with May, '97) by rounds of Questions & Replies
- ▶ By Aug'2000 the WP consisted of 25 WTO members (counting EU as one)
- ▶ Between June 1997 – Feb 2001 – six official WP Meetings took place at WTO
- ▶ **Feb 2001** – WP approved the Report on the accession of Moldova to the WTO, including Schedules on Goods and Schedules on Services (Sch.of Concessions and Commitments).
- ▶ **May 8, 2001** – General Council approved and signed the Protocol MD accession to WTO
- ▶ June, 2001, The Parliament of the Republic of Moldova approved all documents by Law, № 218/ 2001, and ratified the Protocol of Accession to the WTO.
- ▶ **June 26, 2001** The MFA deposited instruments of ratification to the WTO Secretariat .
 - ▶ *The Republic of Moldova became a 142 WTO member*

Motivation of Moldova for WTO accession

Advantages offered by the international trade environment

For being part of the international system

Trade and economic policy
existed after the collapse of
Soviet Union:

lack of natural
resources and
energy &

small size of
domestic
market

The Goal for WTO entry



Creation of a democratic society with an economy based on market economy principles;

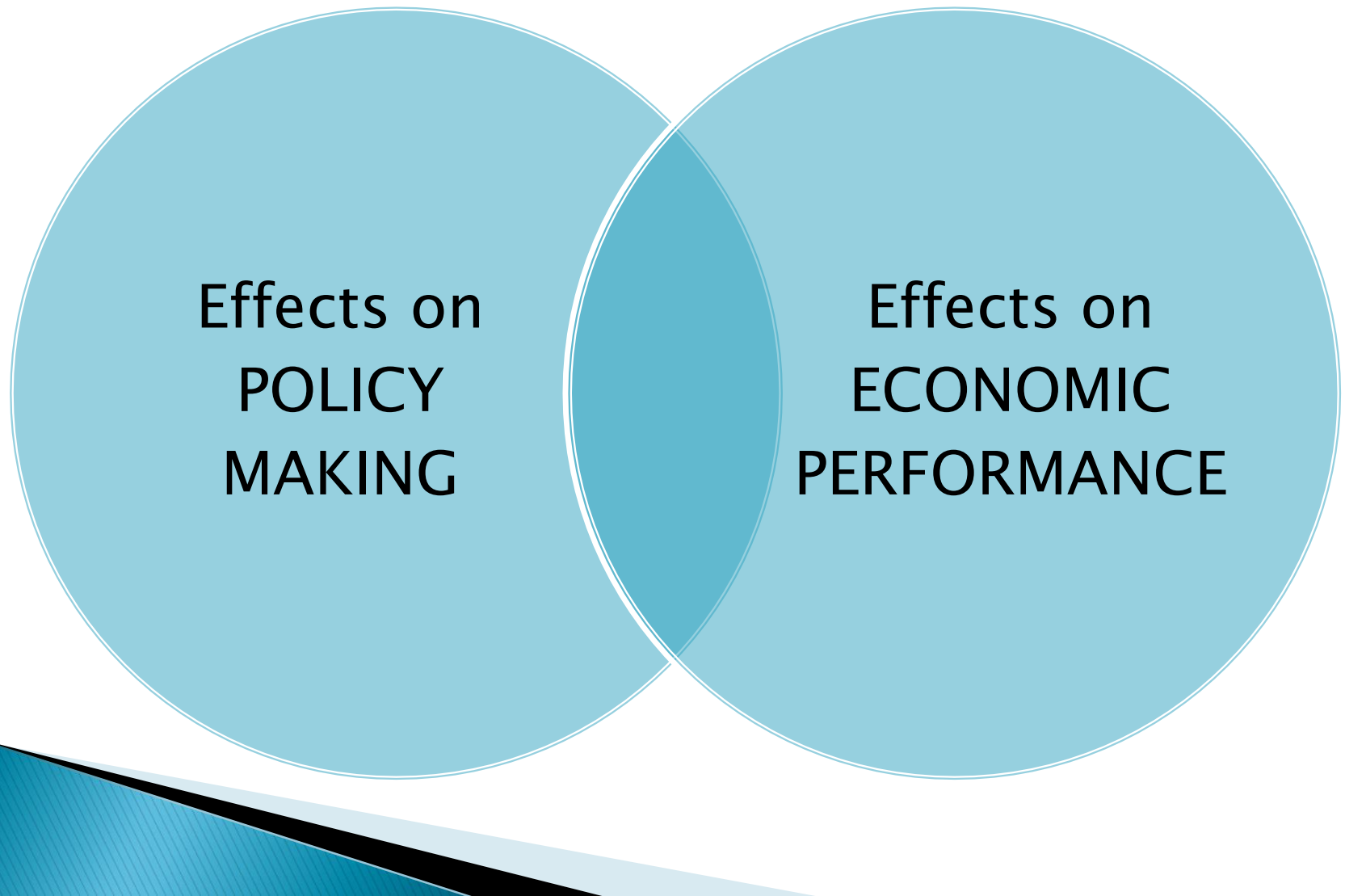


Ensuring stability in development of country trade relations on the basis of adopted WTO rules and regulations, as instruments of economic diplomacy;

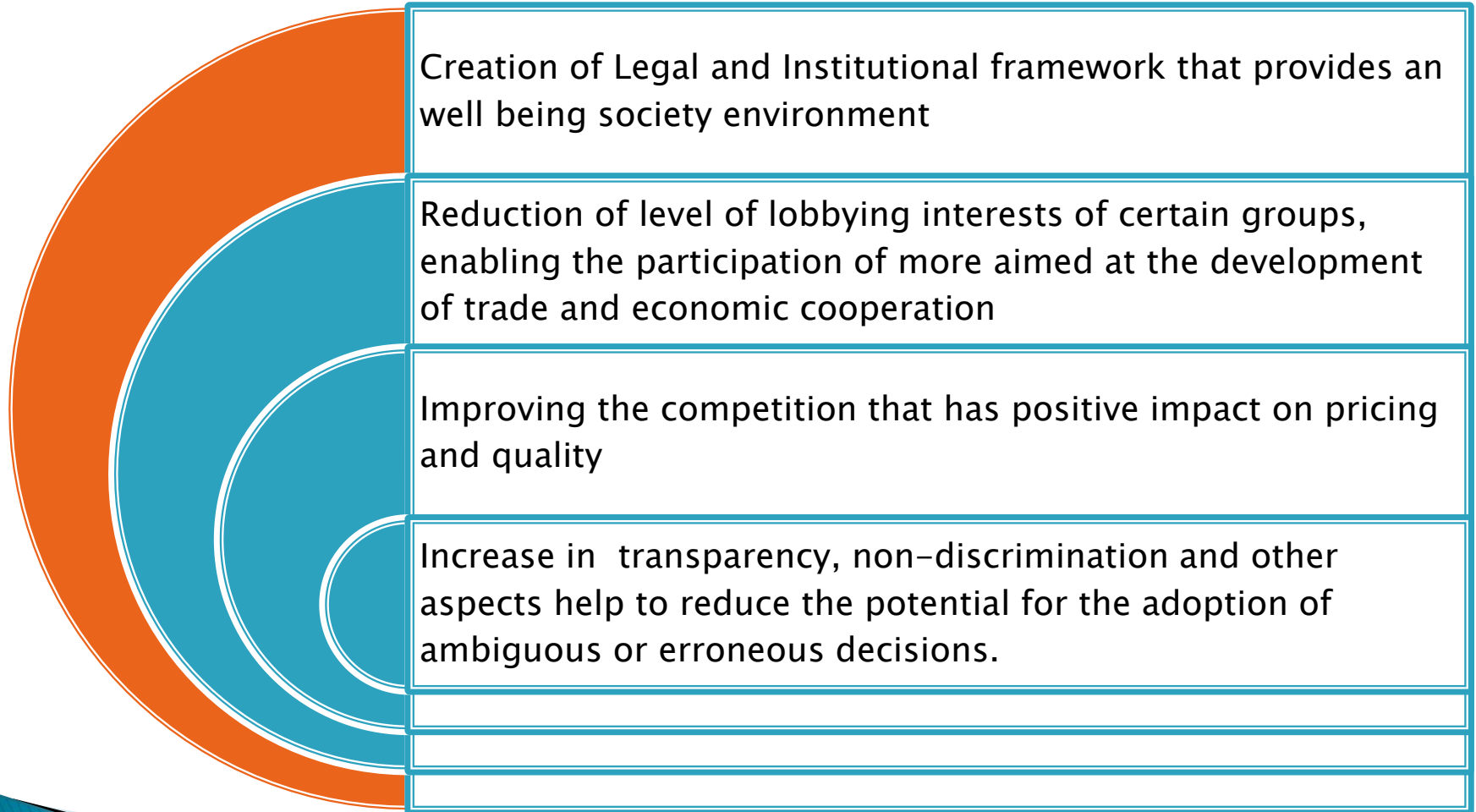


Developing a sound trade legal framework based on international standards (WTO; WCO, WIPO, ISO, etc);


Effects of WTO accession



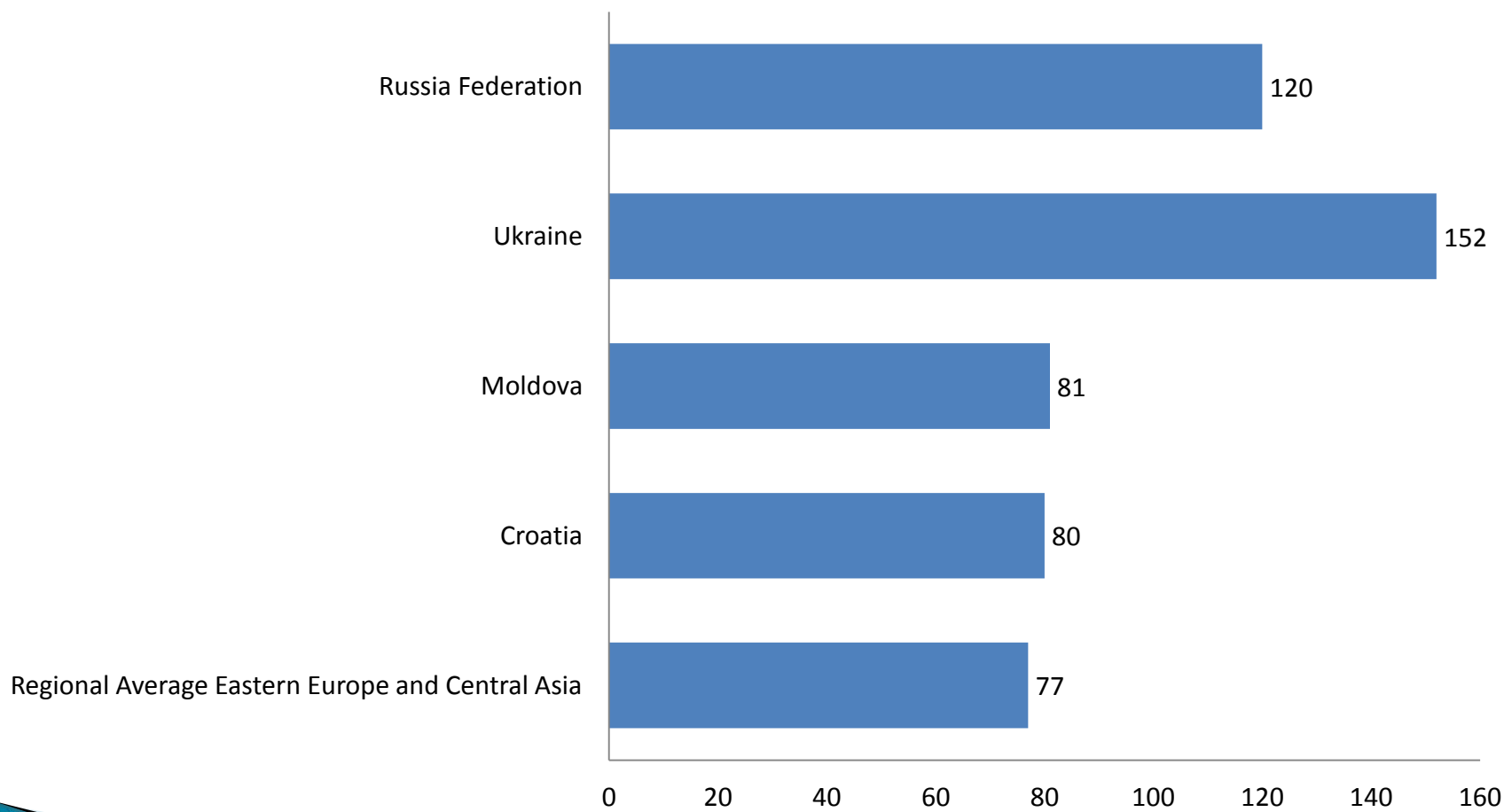
Effect on Policy Making



WTO–anchoring the economic reform

- ▶ Trade Liberalization
- ▶ Privatization
- ▶ Licensing of Business Activities (items )
- ▶ Business Regulatory Reforms (2004–present)
- ▶ Custom & TF Reforms (2002–present)
- ▶ Competition policy reforms (2009)
- ▶ TBT reform (permanent on going)
- ▶ Food Safety Reform
- ▶ Gov. Procurement reform
- ▶ Consumer Protection reform (on–going)

Moldova rank in comparison with other economies on the ease of doing business



Effect on Economic Performance

Increase in Doing Business Ranking



Creating a favorable investment climate



Increase in trade partners



Increase in trade volumes



Maintaining macroeconomic stability and ensure economic growth (GDP growth 5–7%);



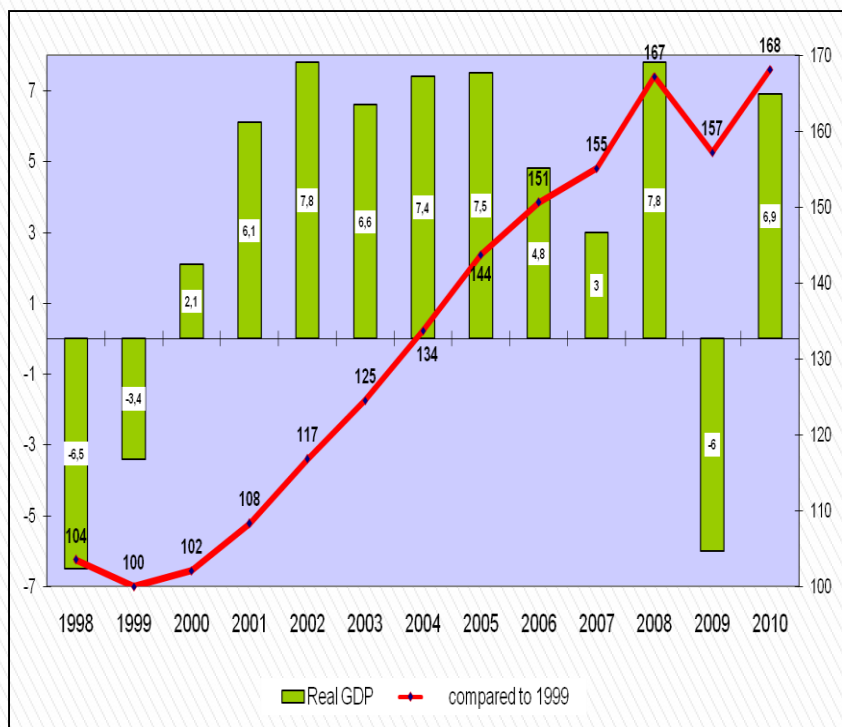
Transition from an agrarian-based economy to information and innovation with the subsequent development of industry and services



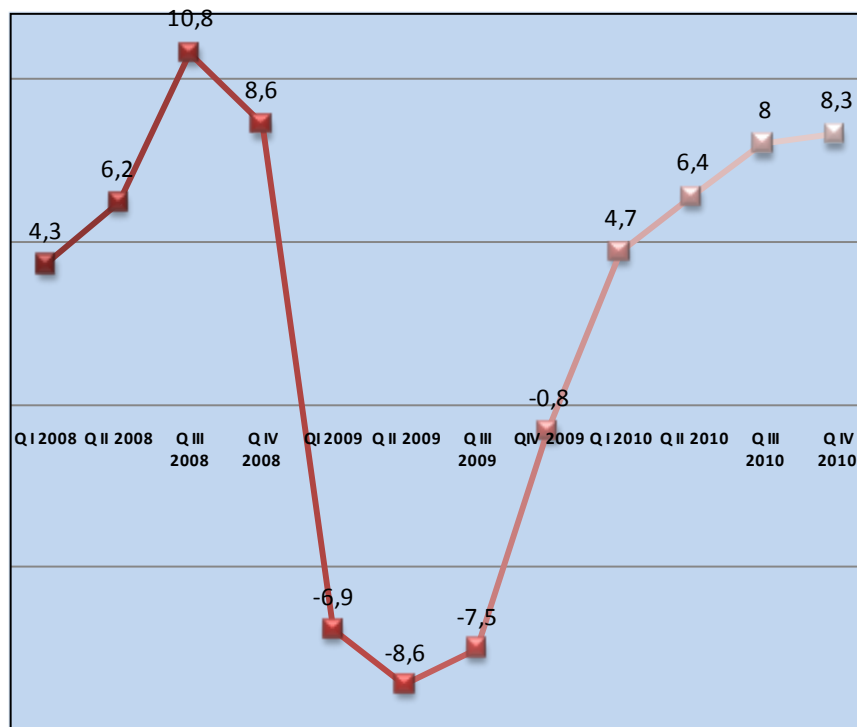
GDP growth – Economic recovery

GDP – yearly comparison

actual level and 1999's levels, in %



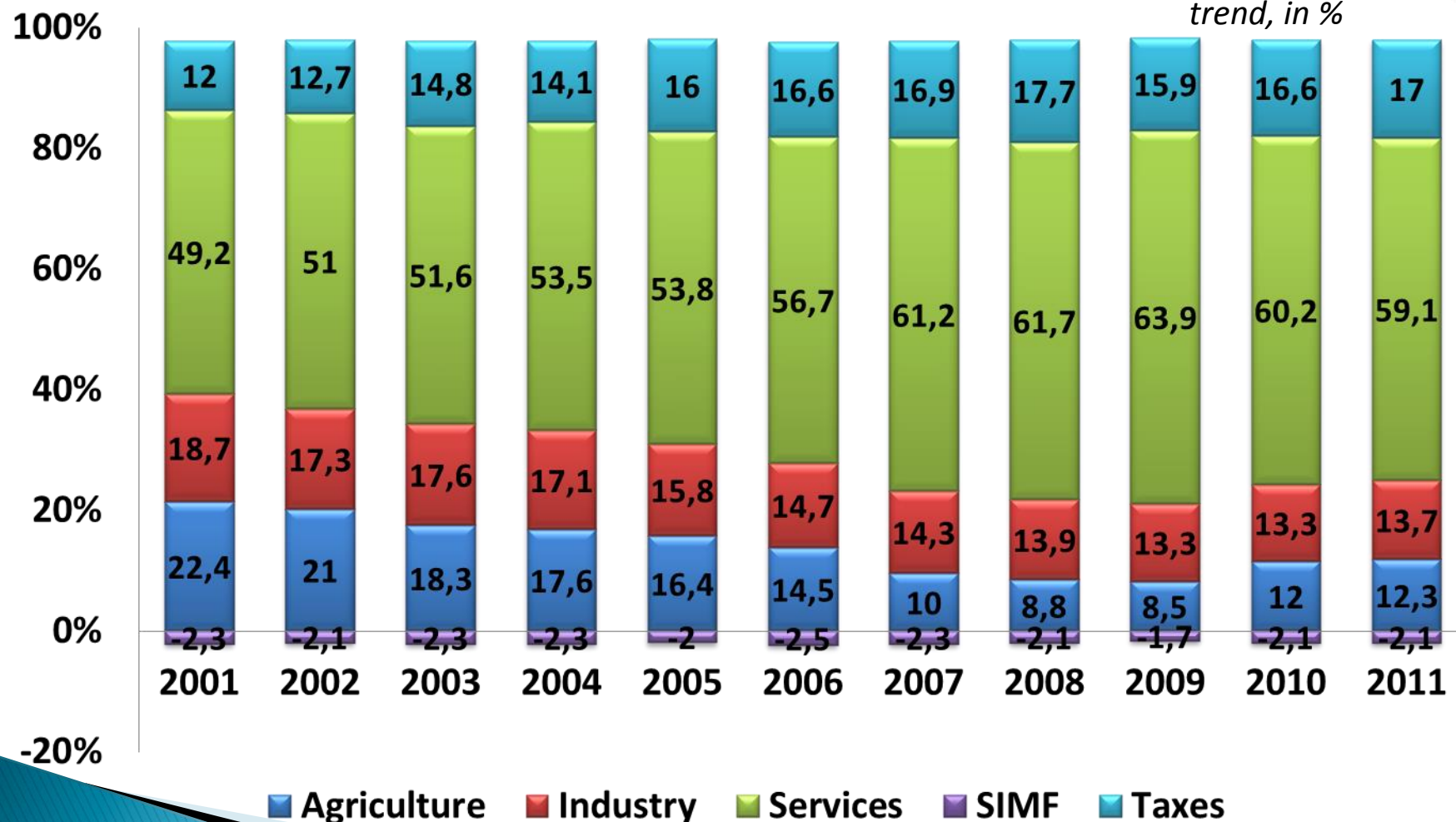
GDP – recovering recession
compared to the same period of 2010, %



Transition from an Agro-industrial –based economy to Services, information and innovation



GDP by type of resources, trend, in %

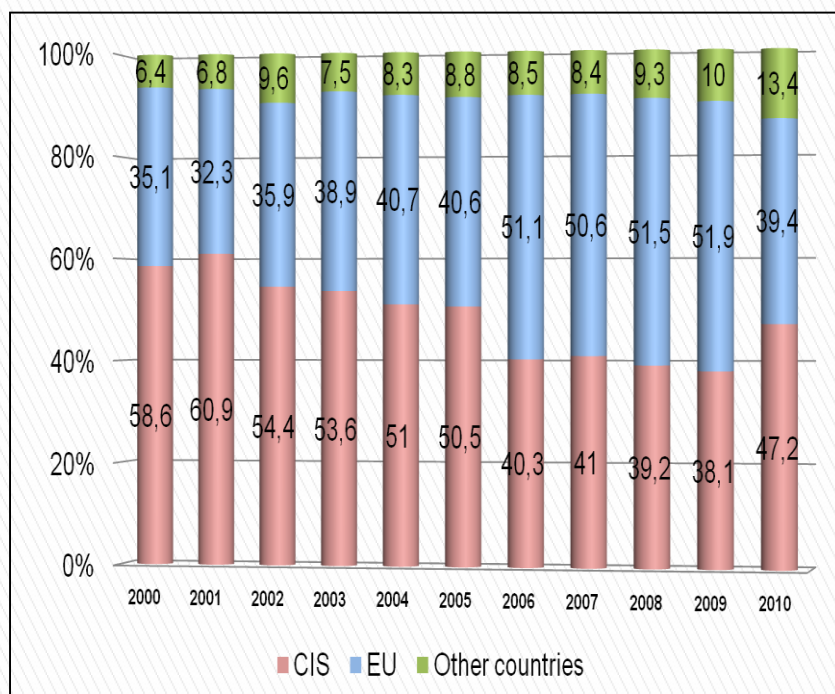




Foreign trade structure

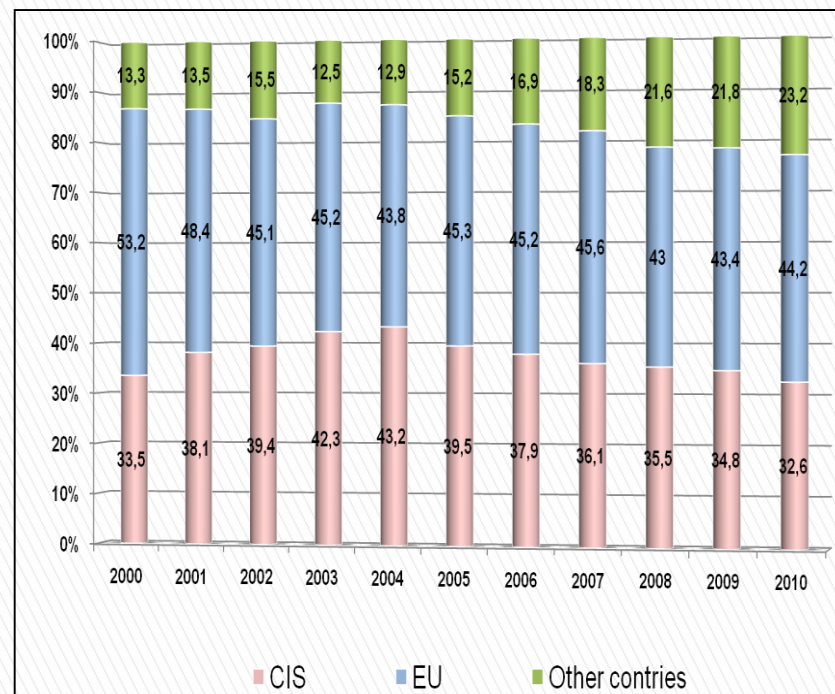
Export structure

in %



Import structure

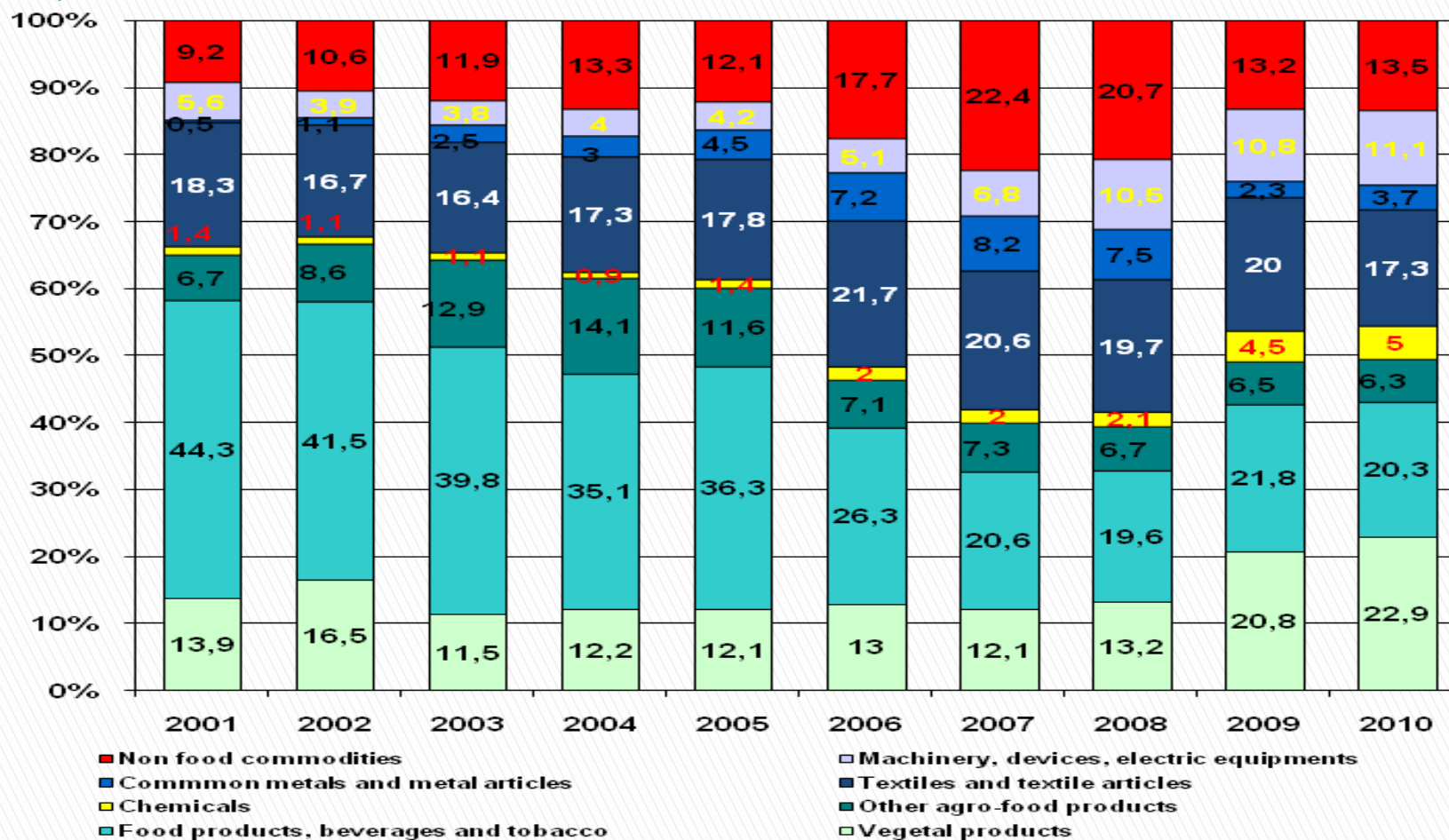
in %





Foreign trade dynamics

Development export structure, in %

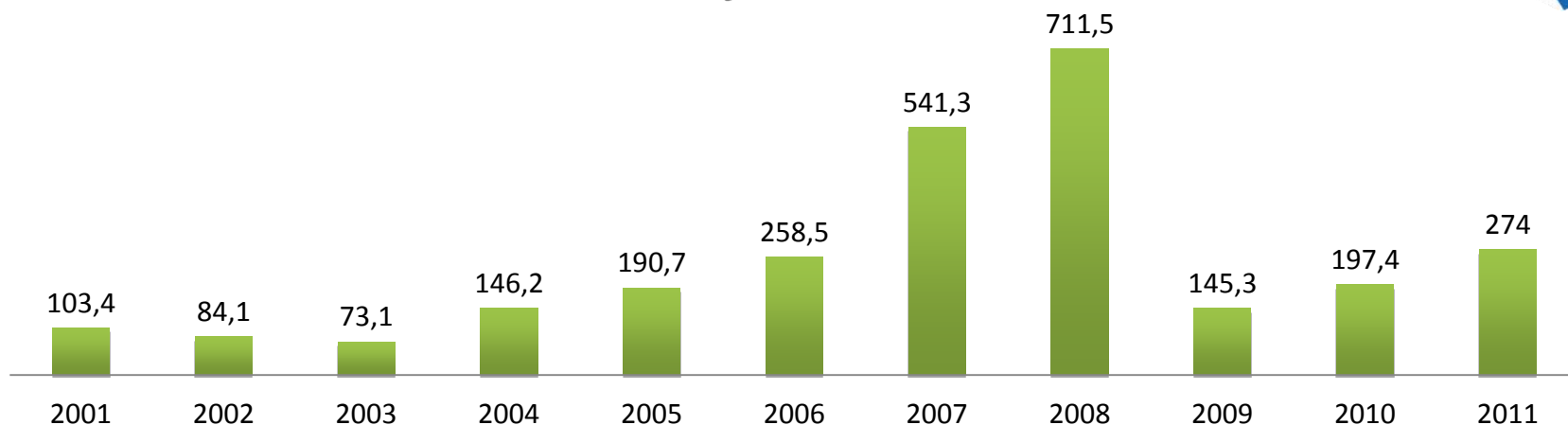


Foreign Direct Investments



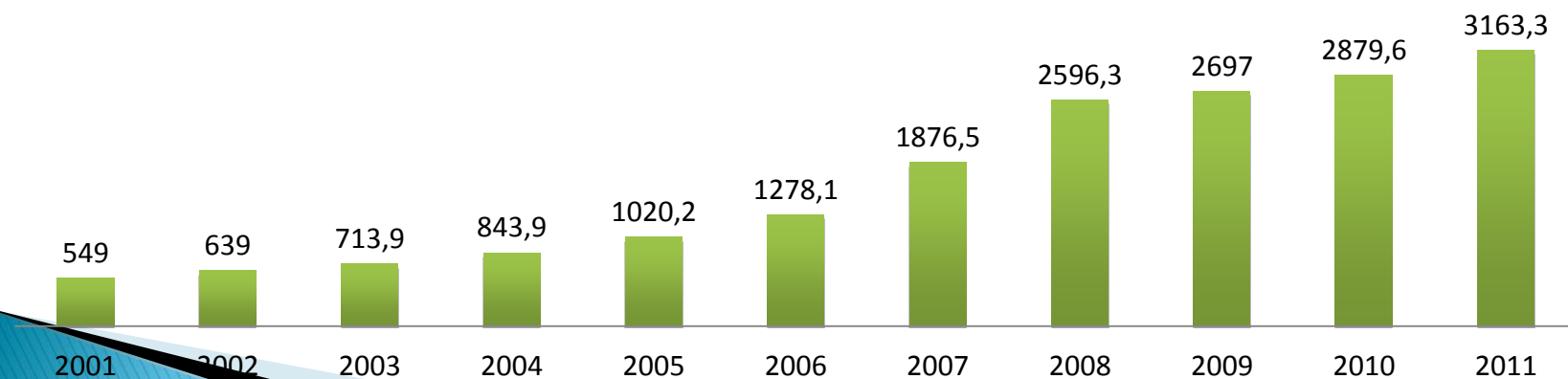
Yearly FDI inflow

FDI inflow, in mln USD



Cumulative FDI stock

FDI stock, in mln USD



Source: NBM, 2011

Successful Investors in Moldova



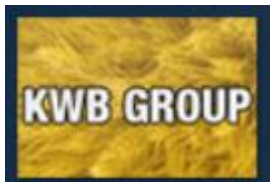
ProCredit
HOLDING



france telecom



TIREX
PETROL



Rödl & Partner

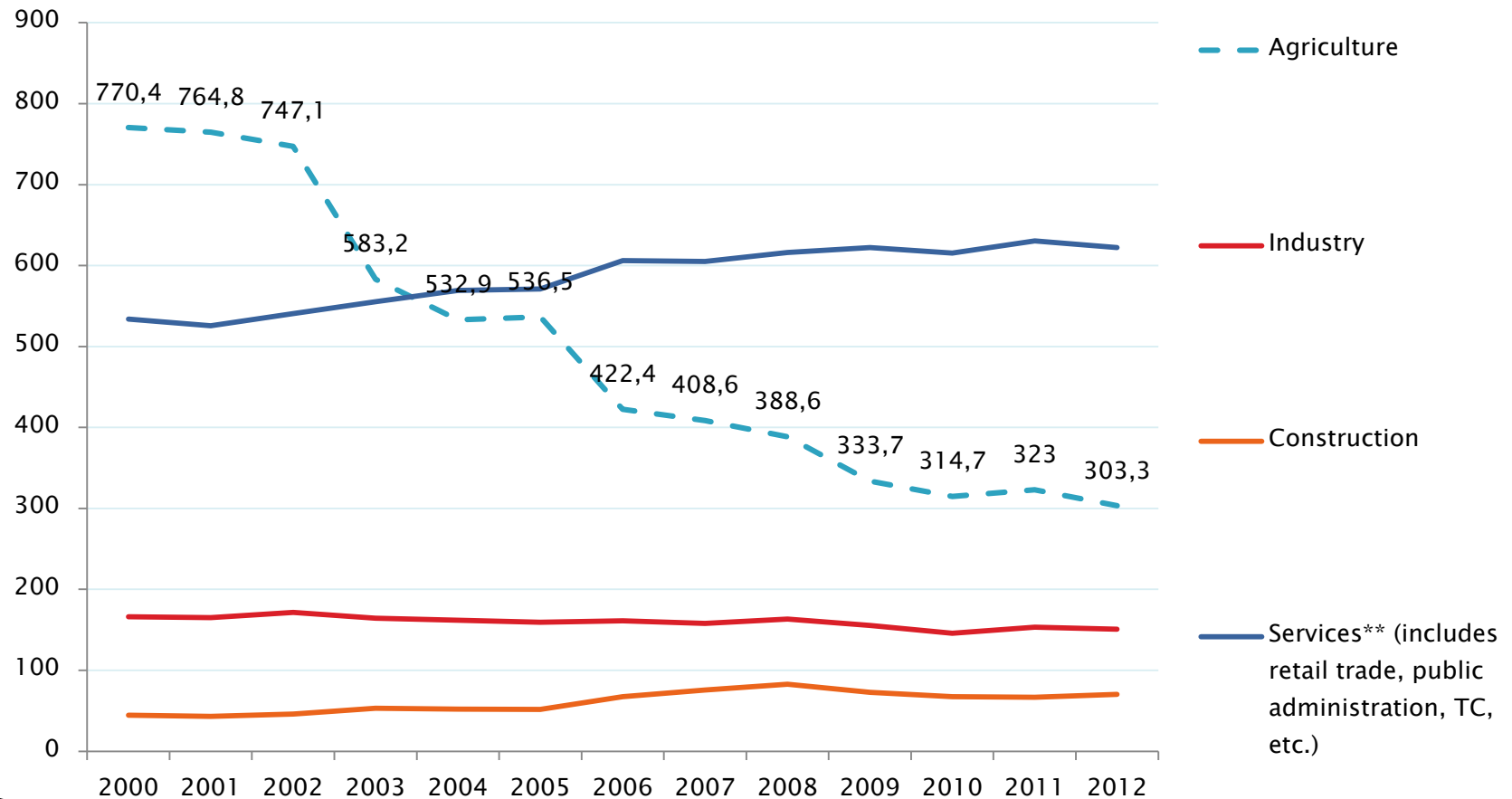


Bayer Schering Pharma
MOLDOVA

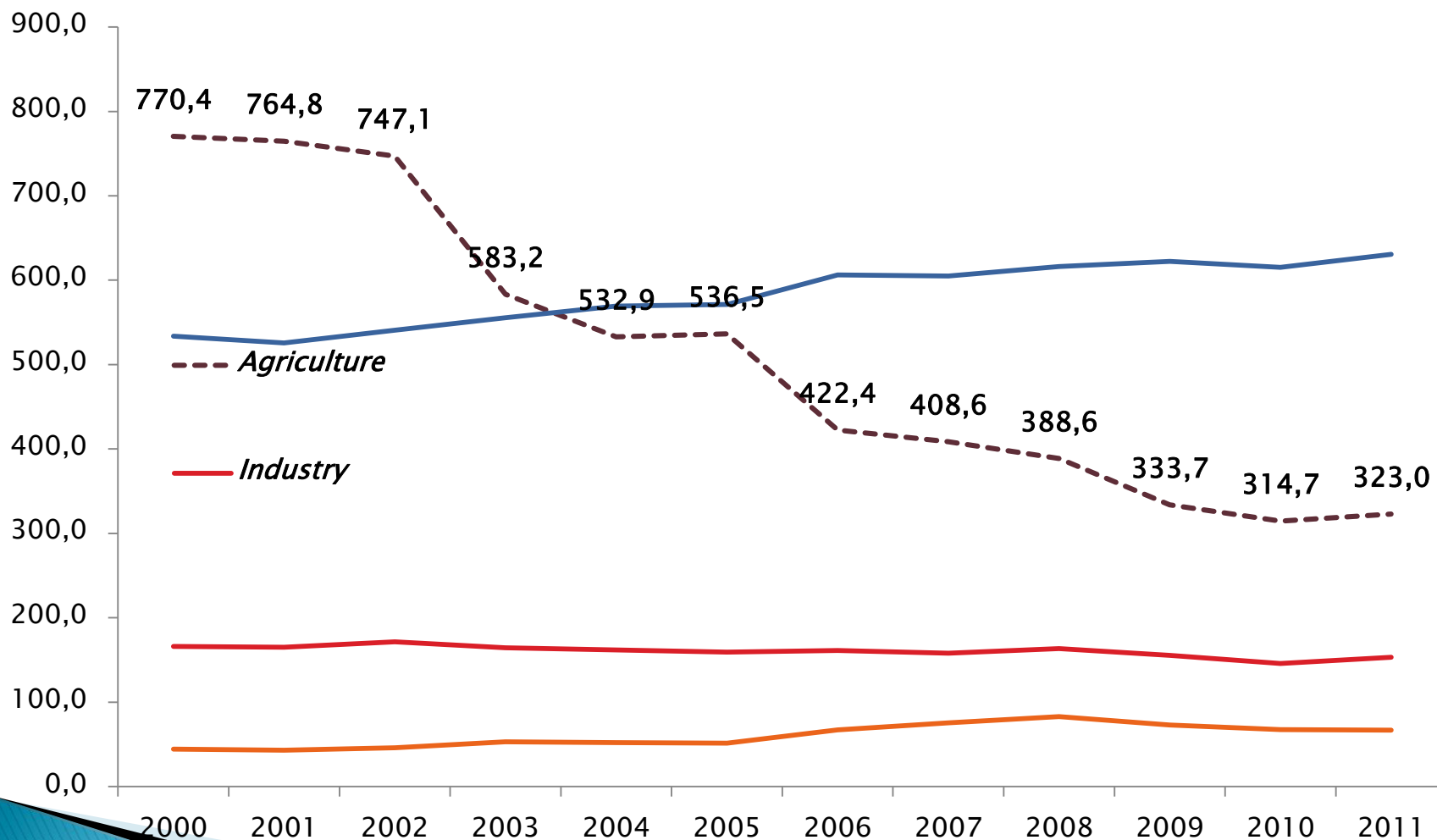


Ministry of Economy of Moldova

Controversial impact on Moldova's accession to the WTO

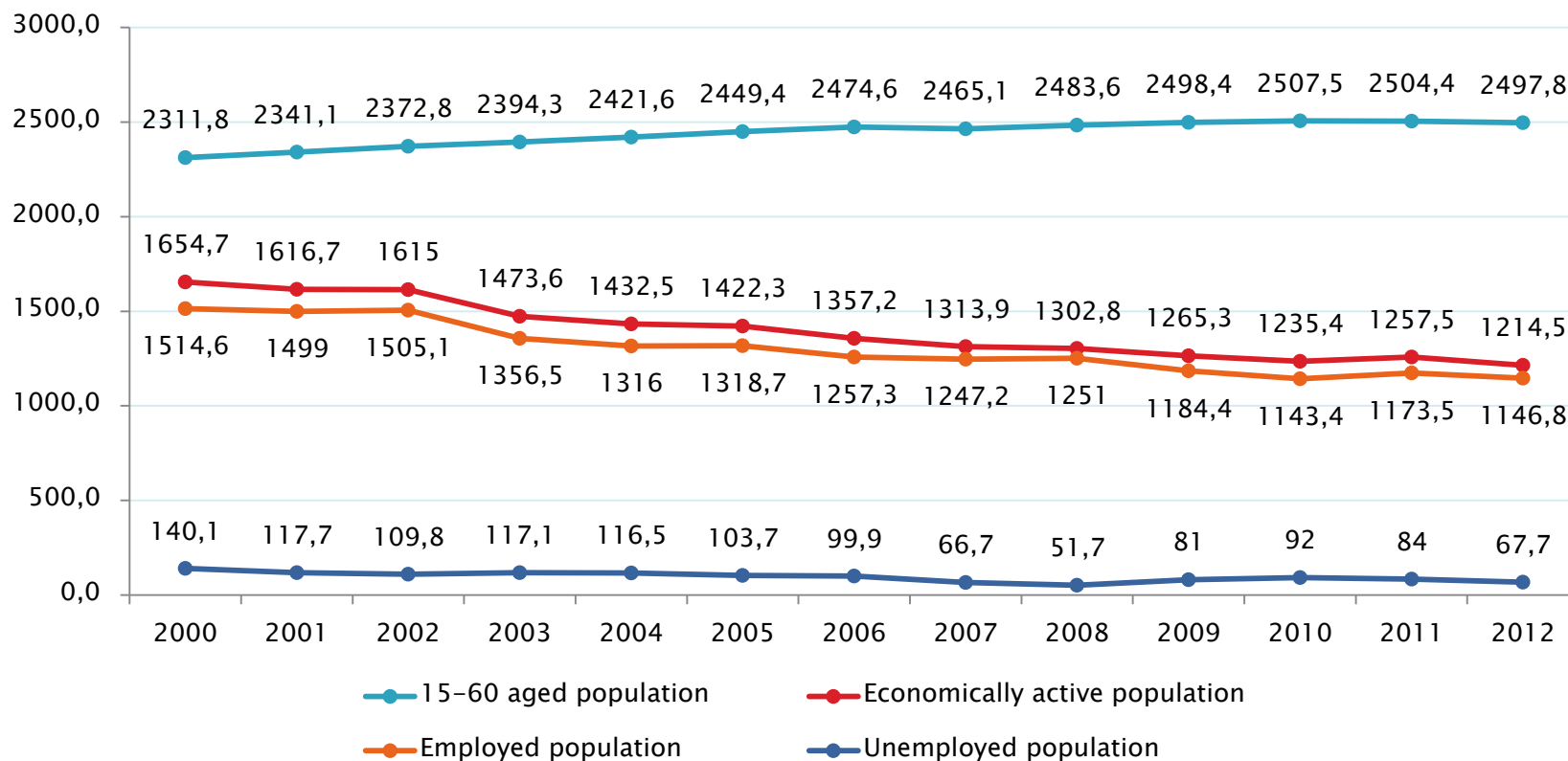


Controversial impact on Moldova's accession to the WTO

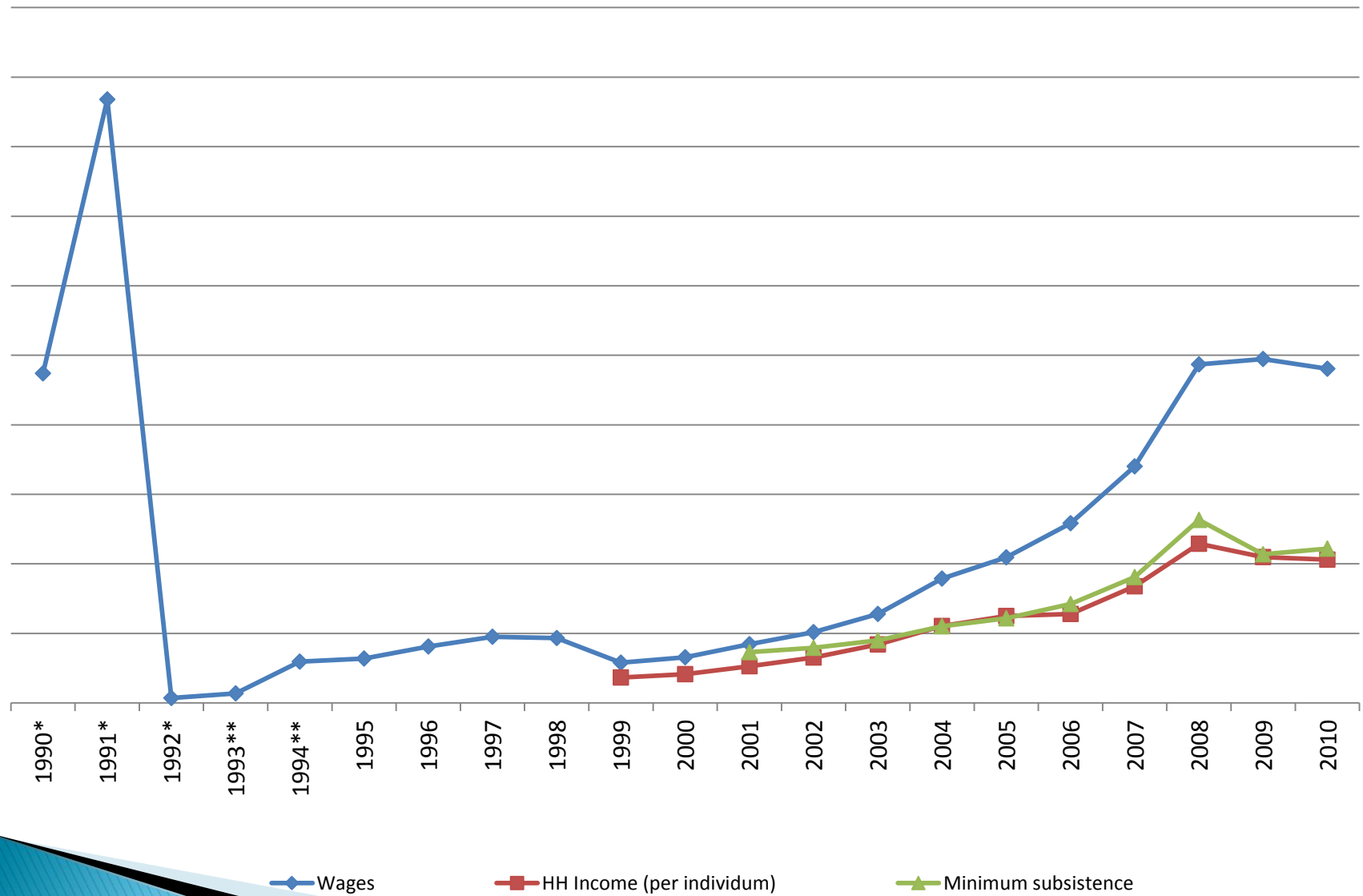


Controversial impact on Moldova's accession to the WTO.

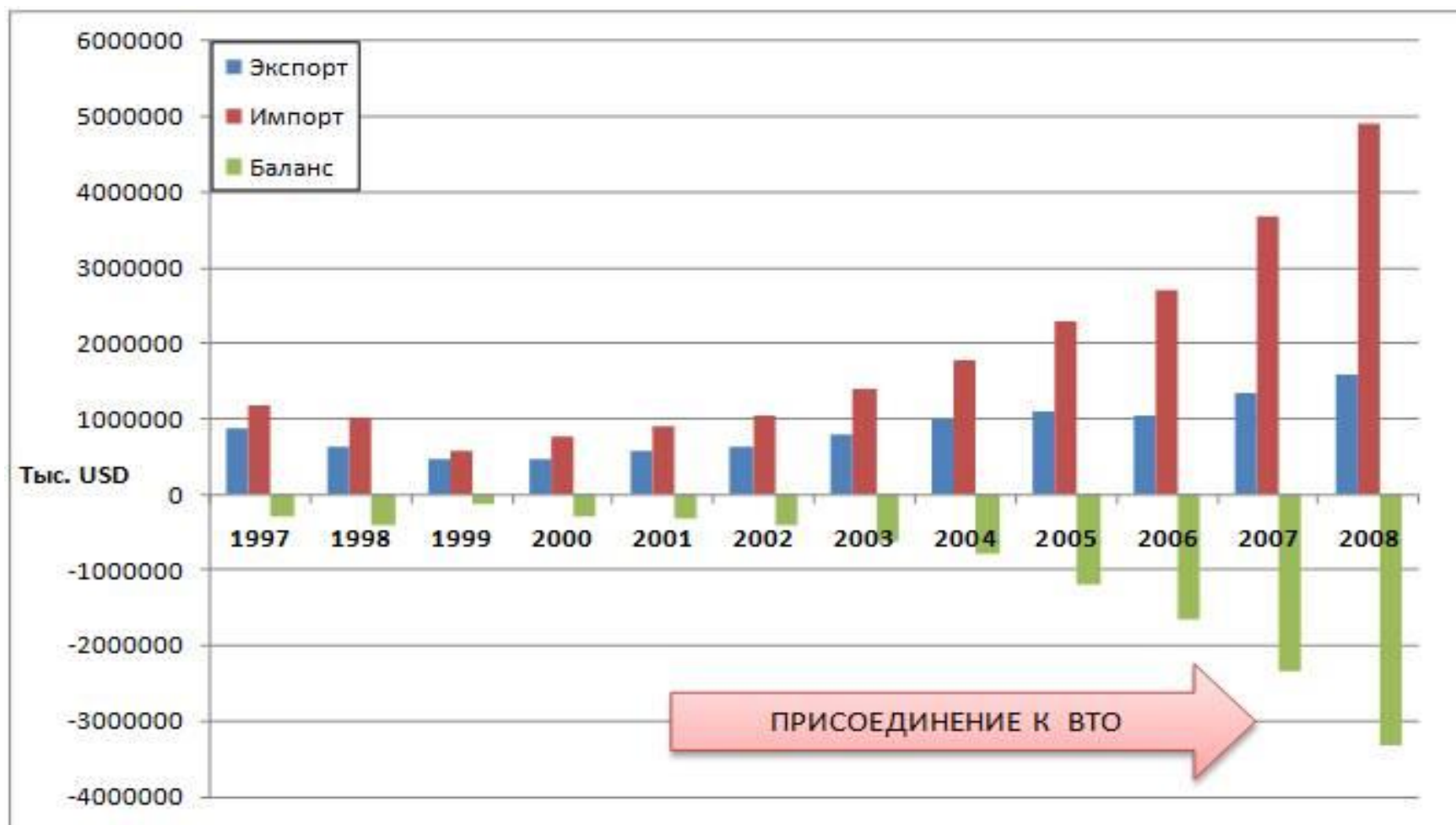
- ▶ The economically active, employed and unemployed population (aged 15 to 60 years)



After accession – Increase in both nominal and real level of wages



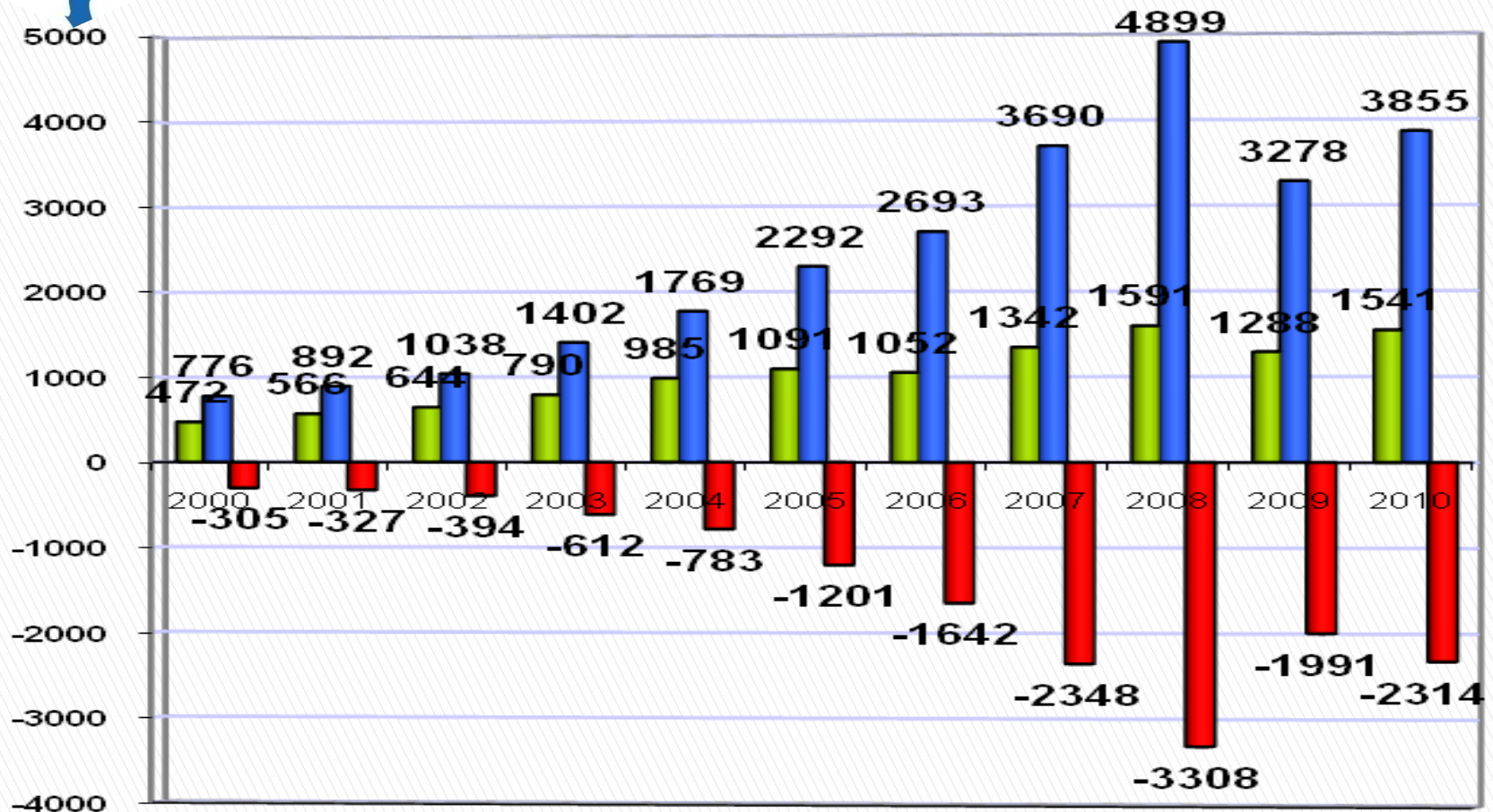
Since joining the WTO, has actively grow Trade deficit



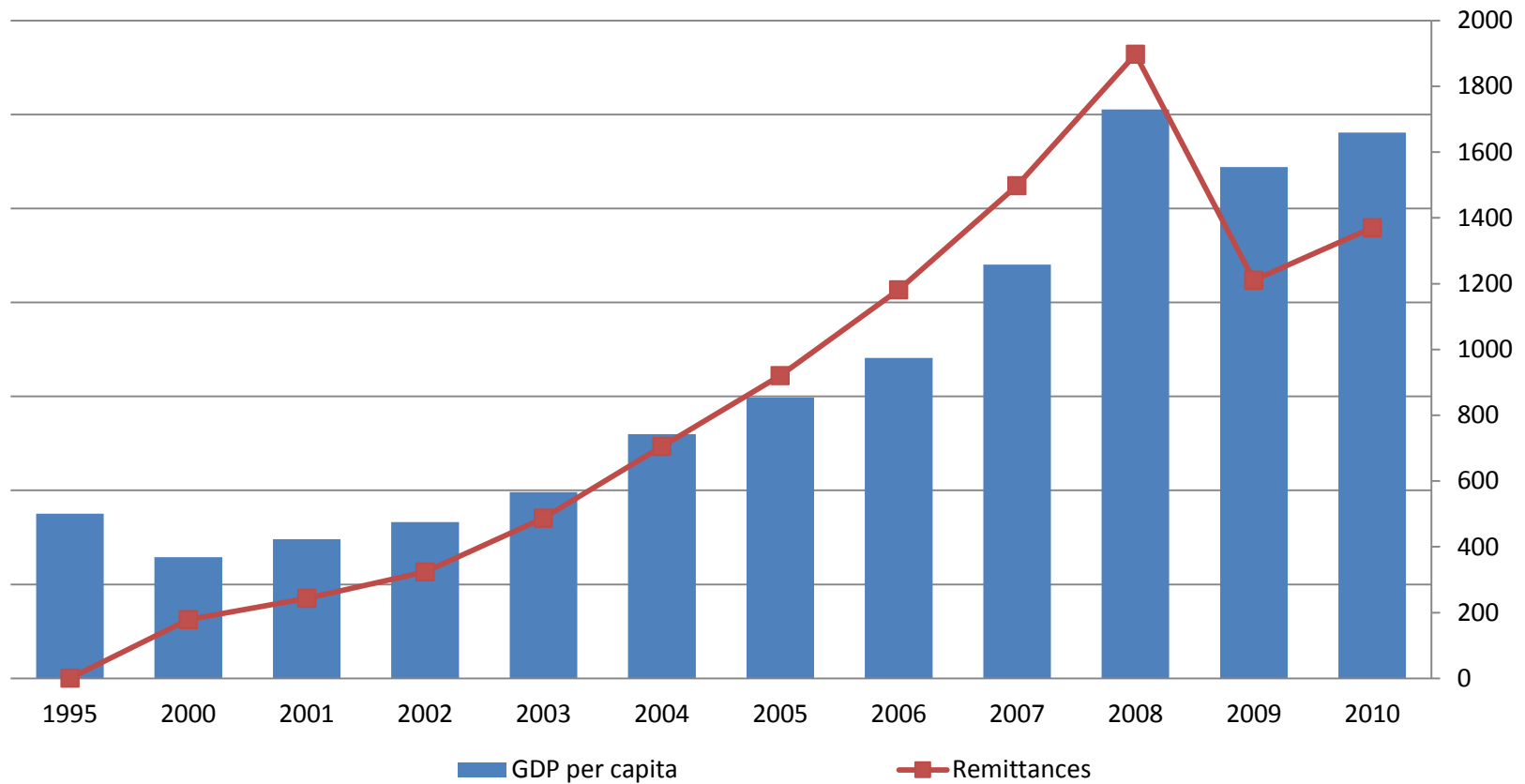
Foreign trade dynamics



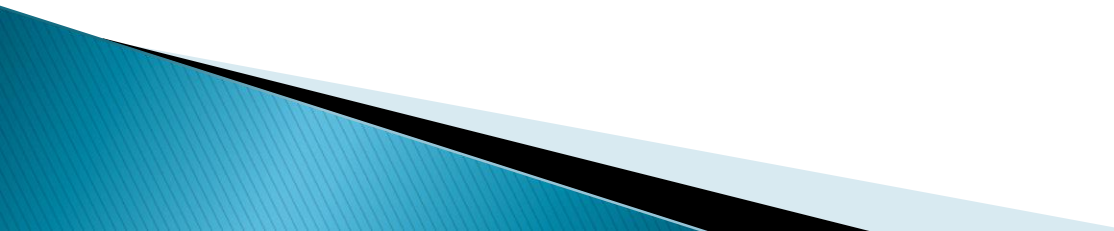
Trade Balance Deficit



Trends in per capita GDP and the flow of remittances (from 1995 to 2010)



Lessons Learnt

- ▶ Political will is a must
 - ▶ Well-trained, motivated Technical Team (Start–End)
 - ▶ All relevant gov.institutions be involved for home–work
 - ▶ All concessions to be asked, only on sound sectorial analysis back–up
 - ▶ Do not change the Negotiation Team
 - ▶ Put clear objectives to achieved for maximisation of effect, while minimizing the possible negative consequences of the accession.
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Lessons Learnt (continue)

- ▶ **Democratic and market economy reforms** can be speed-up during the period of accession, by
 - Mainstreaming in the legislation WTO principles and rules
 - More transparent and predictable environment for business and investors
 - ▶ **Public awareness of Business Implications** of WTO norms – is a must during the entire process, as well as immediately after ACC.
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Recommendations:

- ▶ Pay attention to Factors affecting the benefits and risks of joining the WTO:
 - the level of involvement public institution for effective implementation of the WTO rules and principles
 - The strategic economic interests of the country;
- ▶ Need of active participation of the state in maintaining and protecting the domestic industries, especially in the initial period after accession, following the accepted instruments;
- ▶ Study of the competitiveness of the national economy in the world;
- ▶ Accept only those liberalizations, which Belarus will be able to implement within the agreed period.
- ▶ Always follow-up WTO rules and norms efficiently get the full benefits of the Membership;

Conclusions

- ▶ The results are mixed. There are both positive effects and the controversial – disputed effects (avoid saying negative).

Accession to the WTO

- ▶ it is a necessary decision in political and economic terms,
 - ▶ provides conditions for trade negotiations and developments related to various aspects of the country–relationship, based on general accepted principles rules.
 - ▶ it is one of the essential steps towards integration into the regional structures (for MD – in EU)
 - ▶ facilitates the transition to a new quality of relation between government and business, business and consumers
 - ▶ Helps in identification of overall strategic priorities within new conditions of international competition and globalization.
 - ▶ access to DSU – mechanism to resolve disputes on trade (WTO)
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