

Technical Capacity Building Workshop on Afghanistan's Accession to WTO

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Report

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Abbreviations

ESCAP-SSWA	:	ESCAP South and South-West Asia Office
FICCI	:	Federation of Indian Chambers of Commerce and Industry
GATS	:	General Agreement on Tariffs and Trade
IIFT	:	Indian Institute of Foreign Trade
ITC	:	International Trade Centre
LDCs	:	Least developed country
MFTR	:	Memorandum on the Foreign Trade Regime
MoCI	:	Ministry of Commerce and Industry – Afghanistan
SAWTEE	:	South Asia Watch on Trade, Economics & Environment
SPS	:	Sanitary and Phytosanitary measures
UN ESCAP	:	United Nations Economic and Social Commission for Asia and the Pacific
WTO	:	World Trade Organization

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INTRODUCTION

ESCAP South and South-West Asia Office (ESCAP-SSWA) in New Delhi, in collaboration with the International Trade Centre (ITC) based in Geneva organized a public - private dialogue from 22 to 24 August 2012 in New Delhi to assist in building capacity in Afghanistan for its Accession to the WTO. Afghanistan applied for WTO Membership in 2004 and the Second Working Party was set up 2012 indicating that the negotiations has entered an active phase.

In line with the Istanbul Programme of Action (IPA) which underlines the importance of supporting and facilitating the accession of LDCs to the WTO, and the Almaty Programme of Action that emphasizes on the need to assist landlocked countries in their WTO accession, this capacity-building Programme on WTO Accession of Afghanistan was mainly designed to initiate and nurture a well-informed and structured policy dialogue between public and private sector officials by addressing knowledge-gaps and related trade policy and development issues.

Recognizing that each accession process is unique, the three day programme (Annex 1) was customized, and reflected the specific issues of interest to the Afghanistan's WTO Accession process. The programme covered a diverse set of subjects relating to the accession process and negotiations including rules, market access, trade in services, standard and SPS Agreement, generating a rich debate among the participants. Besides, the programme also drew lessons from Nepal's experience as the first Least Developed Country to have acceded to the WTO and helped national officials develop a road map for WTO accession.

The participants at the workshop included 22 officials from Ministry of Commerce and Industry and several leading trade chambers in Afghanistan. The list of participants is at Annex II. ESCAP-SSWA and ITC considered the workshop as the first in a series of planned activities to assist Afghanistan for the accession process with more specific themes to be addressed in subsequent capacity building exercises in the future. As Afghanistan is moving into a crucial and demanding phase of accession negotiations, with several Working Party meetings scheduled from 2012 to 2014, this type of programme would gain even more relevance over time.

BACKGROUND: WTO ACCESSION OF AFGHANISTAN

Since applying for WTO Membership in 2004, the Government of Afghanistan has worked actively to accelerate the WTO accession process. Led by the Ministry of Commerce & Industry, the Government has identified policies and laws to be brought into compliance with WTO, and started to develop initial offers for market access negotiations in goods and services. The second Working Party of the Accession of Afghanistan took place in 2012 which signaled that

the process has entered into higher gear of negotiation. WTO Members, during the Eighth WTO Ministerial Conference (December 2011), applauded the Government of Afghanistan for its liberal and export-led strategy as a basis for negotiating WTO membership. However, Afghanistan's strong Government commitment alone will not be sufficient to conclude the negotiations; technical capacity and dialogue will need to be stepped-up in order to ensure backing of all players.

In Afghanistan, as in most acceding countries, enhanced technical capacity of all stakeholders, public and private sector, will be required to establish and nurture meaningful dialogue throughout the negotiation process. In specific, a wider and deeper awareness of not only the benefits of openness, competition and the role of the WTO but also the importance of preserving the policy space for development is needed to bring about a national consensus for WTO Membership. A pro-active and constructive dialogue among key stakeholders in particular with the private sector, is needed in informing and consulting their member-base, as well as advocating their business interests in the negotiation process. This can only exist upon enhancing their understanding of the pros and cons of WTO Accession for their country.

Day 1: Wednesday, 22 August 2012

Inaugural Session

Dr. Nagesh Kumar, Chief Economist of ESCAP and Director, ESCAP-SSWA welcoming the chief guest His Excellency H E Shaida M. Abdali, Ambassador of Afghanistan and other guests and participants stated that he was greatly encouraged by the overwhelming positive response received from the Government of Afghanistan when the proposal was forwarded to capital Kabul through the Embassy, in particular from H.E Mozammil Shinwari, Deputy-Minister of Commerce and Industry who responded immediately endorsing this programme.

He further emphasized that UNESCAP SSWA has committed to support Afghanistan in providing technical assistance capacity building and training to support Afghanistan's national effort of integrating with the world economy. In that light the accession to the World Trade Organization (WTO) which is the only multilateral trade rule making body is an important step for small countries like Afghanistan to further harness the benefits of participation in international trade despite the fact that Doha Round of trade negotiation is currently lagging behind. WTO membership can also help Afghanistan to initiate vital domestic legal and economic policy reform

He highlighted the importance of weighing the cost of accession to the WTO against the benefits, which would otherwise result in compromising vital national interest such as loss of

policy space that is needed to address future development needs of Afghanistan. In concluding his opening remarks, it was stated that this programme on WTO accession would not be one off event but the ESCAP-SSWA in partnership with the ITC would be happy to continue the programme in accordance with the specific need of the Government of Afghanistan including for building productive and trade capacity for taking advantage of the market access that may become available from a successful accession to WTO.

Mr. Rajesh Aggarwal, Chief, Business and Trade Policy, ITC, Geneva, while thanking UNESCAP for its collaboration for hosting this workshop, described this three-day event as the first of its kind being organized by the International Trade Centre (ITC) in partnership with UNESCAP, in support of Afghanistan's bid to WTO membership. He observed that this workshop was a part of ITC and WTO's joint programme on building trade capacity for acceding LDCs under which ITC had supported Samoa, which acceded earlier this year, Lao PDR and Yemen, which are likely to complete their accession process later this year, and Ethiopia, where the pace of negotiations is yet to pick up.

While emphasizing the importance of improved understanding by all stakeholders of the business implications of WTO membership, its opportunities and challenges, he outlined three basic principles of ITC's strategy in implementing this ITC's support programme on WTO Accession. First, ITC has always advocated the notion that WTO negotiations cannot be successfully concluded unless they are conducted in the backdrop of an already on-going domestic reform process which has the backing of all the important stakeholders. Second, the actual involvement and commitment of the private sector would be crucial in order to successfully conclude WTO accession deal to that extent this programme could play a part in widening and deepening the awareness of the benefits of openness, competition and the role of WTO. Third, ITC encourages the collaboration between the Government and the private sector on a regular and sustained basis through well-established and functioning mechanisms to ensure that the genuine concerns of the private sector are fed into the negotiating positions. In closing he stated that ITC was keen to continue this programme and plan on future activities in consultation with the Government of Afghanistan and private sector with UNESCAP.

His Excellency Mr **Shaida M. Abdali, Ambassador of Afghanistan in India**, inaugurated the conference and in his opening address, he extended the gratitude of the Afghan people and government to UNESCAP and the International Trade Centre (ITC) for co-sponsoring the training seminar. He underlined that the benefits of accession to WTO would help Afghanistan to realize full multi-dimensional potential for sustainable development and achieve the core objective of the WTO itself, that is, to facilitate unhindered international trade and investment. Thus reforming legal environment and implementing improved trade facilitations must be seen as a source of welfare for the citizens of Afghanistan.

In this regard, he recalled the historical importance of the geo-strategic position of the country in international trade relations, and enhanced the emerging economic regional opportunities in which Afghanistan should now be involved. Afghanistan –a landlocked country still faces various challenges such as terrorism, but is situated at the crossroads of the new centers of the world economy and will develop through bilateral and multilateral trade partnerships. His Excellency praised the progress made by his country on its path to WTO accession but also added that it was urgent to accelerate the process. He stated that the programme of this nature not only built the critical institutional capacity that is direly needed in Afghanistan but also encourage and facilitate public-private dialogue on issues that cannot be addressed by one side alone. Perhaps, more than in any country, the two sectors must communicate and collaborate closely in order to address the many intertwined security and economic needs of Afghanistan. he was delighted to see both sectors well represented at the workshop.

Session 1

Multilateralism, Regionalism and Development Challenges

Dr. Nagesh Kumar, Chief Economist of ESCAP and Director, ESCAP-SSWA in his presentation, provided insights into the relationship between trade and development, the advantages of the multilateral framework for trade liberalization from a development perspective and challenges it faces. The presentation comprehensively covered the recent trends in regionalism and its place in a country's trade policy in the context of recent trends in global economic order and multilateral trade negotiations. Dr. Kumar stressed the importance of strong multilateral framework and effective negotiation by leveraging the coalitions during the multilateral trade negotiations, especially for weaker players. The presentation emphasized on increasing regional economic integration as key step for countries' development strategy, especially for the South and South West Asian countries.

Session 2

Introduction to the WTO Accession: Functioning, Main principles and procedural aspects of accession: Benefits and challenges of WTO Membership

Mr. Arif Hussain, Senior Adviser on WTO Accession, ITC (and former Director of the WTO Accessions Division) introduced the principal functions of the WTO and familiarized participants with the benefits and challenges of becoming a member of WTO. In the discussion Mr. Hussain introduced to participants the functions of the multilateral trading system and core principles that

are the foundation of the multilateral trading system. He explained the functions, strengths, the effective dispute settlement system and the limitations of WTO as a multi-lateral organization.

Mr Hussain highlighted, that the WTO membership is important for a country as it brings in predictability, transparency and enables to secure access for its products and services to foreign markets. The membership shall be an opportunity for Afghanistan to initiate effective national and domestic economic reform. And, as an LDC, Afghanistan will be eligible for concessions and flexibilities.

Mr. Hussain also provided an overview of the accession process to the WTO, focusing on the organization and the flow of the work involved during the accession process. He explained the increasing role and active participation by Least Developed Countries (LDC's) in bilateral negotiations and decision making process at WTO and on the vital role played by international organization like ITC in the accession process. Mr. Hussain applauded the efforts that have been so far made by the government of Afghanistan in submitting the Memorandum on the Foreign Trade Regime (MFTR) to the WTO

Session 3

WTO Accession of Afghanistan: Status of the negotiation process; Benefits and Challenges

Mr. Hafizullah Baha, Professional Member of WTO Directorate, International Trade Department, Ministry of Commerce and Industry, Government of Afghanistan presented the current status of his country's WTO accession process. In the session Mr. Baha described briefly the objectives pursued by Afghanistan in pursuing WTO membership. He explained that presently the private sector is handicapped, for lack of internationally accepted trading companies, appropriate marketing, financing and support institutions. The WTO membership shall pave the way for addressing the above issues, bringing stability in policy and attracting foreign investments to the country. Afghanistan being a land locked country, the WTO membership shall also help gain transit rights to access to sea route through neighbouring countries and in turn to international markets.

Mr Baha explained that the accession strategy would be mainly guided by above objectives as part of country's effort to effectively integrate into the global economy. He also narrated the process and steps initiated by Afghanistan in pursuit of the accession to WTO to-date. Mr. Baha provided an update on the proceedings of Working Party meeting of Afghanistan which was held on 18th June 2012 and the first round of bilateral negotiations regarding services was conducted with the United States in June 2012. He informed the meeting that Afghanistan is in the process of drafting and amending laws, regulations and procedures to bring domestic

legislation in line with WTO rules. Mr. Baha emphasized on the challenges and opportunities for Afghanistan in gaining WTO membership.

Session 4

Case Study: Lessons Learnt from Nepal's Experience

During the session **Dr. Posh Raj Pandey**, Executive Chairman, South Asia Watch on Trade Economics and Environment (SAWTEE) who had been deeply involved in Nepal's accession process presented a case study on 'Nepal's accession to WTO'. Nepal completed the negotiation process for WTO accession, and obtained WTO membership in 2003. The session discussed on the issue of 'stakeholder confidence' and the interplay between Government, society and private sector contributing to Nepal's accession to the WTO. The case study of Nepal's accession was interesting and relevant as both Afghanistan and Nepal are both land locked countries with LDC's status facing similar development challenges in particular with respect to participation in international trade.

Dr. Pandey, described how Nepal recognized WTO membership as a means for overall development by improving democratic accountability, identifying development needs of different sectors and capacity building of institutions. Nepal, after joining the WTO experienced high growth rate in GDP, investment, national savings, exports and overall economy. He highlighted industrialization, protection of local farmers, encouraging foreign investment, and improving exports as the basis for Nepal's WTO negotiations.

Dr Pandey emphasized the importance of wideranging consultation process and involvement of private sector in the accession process. In Nepal's case establishment of high level committee, the technical committee, dedicated team and technical assistance received from UNDP and UNCTAD accelerated the accession process. He also briefed on Nepal's WTO negotiations and commitments in goods and services. Dr. Pandey, based on his experience also put forward a few suggestions to Afghanistan as to the process and substance of negotiations.

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