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LITHUANIA

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(As an Observer)

The Delegation of Lithuania values very much this opportunity to participate at the Ministerial Conference in Geneva. It coincides with the 50th Anniversary celebration of the multilateral trading system at the WTO. We are convinced that the Conference will greatly contribute for further liberalization of global trade and further remove barriers between nations and between people. Lithuania, as an observer of the WTO, is willing to join the process together with the international community as soon as possible. We are also convinced that the Conference will result in better understanding of problems arising not only between the Members of the Organization but also between the Members and the acceding countries.

The Government of Lithuania considers the WTO membership as a major step forward in globalization of the Lithuanian economy and extremely valuable input in achievement of its economic policy objectives. Not least is the fact through the multilateral trading system Lithuania, which regained its independence only eight years ago, could get a solid access to a global political system with better security guarantees.

Lithuania has started joining the GATT/WTO in 1994. The accession goes in parallel with the implementation of the significant economic reforms in the country and contributes to it. Membership in the WTO for Lithuania is the fact of a great importance. It is important for our trade partners due to providing them a solid legal bases for trade operations in the Lithuanian market, as well as for our producers because it gives them the possibility to enter world market and to integrate into the world economy on the basis of internationally recognized rules. Membership, we are convinced, will ensure further smooth implementation of economic reforms with our main objective to create an efficient market economy. The accession of Lithuania to the WTO in this context is considered as a matter of the highest priority.

Lithuania's success in stabilizing its economy is the result of the implementation of comprehensive economic reforms since 1991. There were several urgent tasks such as to halt the decline of output, reduce inflation, begin structural changes needed for the transition to a market economy. The Lithuanian Government has established a legal framework providing good conditions for private ownership, entrepreneurial activity, open competition, protection of consumers etc. Trade liberalization has been one of the main issues of economic stabilization and reform along with price liberalization, monetary and fiscal control. Lithuania's trade regime is open, transparent and non-discriminatory in its treatment of foreign goods and services and can be considered as being among the most liberal in the region (the weighted average of the applied customs tariff rates for industrial products is about 3 per cent, for agricultural products - 12 per cent).

In the process of accession to the WTO, Lithuania is passing the process of legislative adjustment of trade policy according to the rules and agreements of the Uruguay Round.

In the course of market access negotiations Lithuania made a series of commitments leading to further liberalization of the country's market. Lithuania committed itself to implement all multilateral agreements of the WTO without transition periods, also joined to the Information Technology Agreement, the Agreement on Trade in Civil Aircraft and a number of the sectorial initiatives. The Lithuanian Government applied for the Observer status to the Committee on Government Procurement. Upon accession it will start negotiations for the membership in the Agreement on Government Procurement.

Thus, Lithuania has entered the final stage of the accession negotiations, which we hope would be successfully completed in the course of this year.

Lithuania practically finalized negotiations on tariff bindings for industrial products and commitments on trade in services. The biggest anxiety is given to the agriculture sector which is the most sensitive area in the country for political, economic and social reasons. The concern involves the commitments on subsidies as well as level of bindings.

Lithuania's agricultural sector is still in the process of transition and restructuring. Lithuanian land-based industries have gone through an unprecedented social, political and economic upheaval in the past few years. With the dissolution of the Soviet Union and the breakdown of all previously established production and trading practices, Lithuania has had to confront the demands of transformation to a market-based economy. For continuing development of market institutions and more flexible response by the agricultural sector to changes in both domestic product supply and price levels on the world market, Lithuania does still need to make improvements in a number of policy orientations.

As with the economy as a whole, Lithuania's food and agriculture sector is facing a difficult adjustment to the new market-oriented conditions. Agriculture is still in the process of recovery and productivity of the sector including food industry has not reached its potential level. This is due to inflation, distortion in production and prices, and a disruption in relations, and resulting competition with its main trading partners in the former Soviet Union. Growth and development within the sector is restrained by the insecurity of farm and land user rights, poor infrastructure, and lack of proper channelling of inputs and outputs. In addition to fragmented farms and insufficient competition, farmers' incomes are squeezed by a negative trade balance and a lack of access to credit. Land reform, in particular the process of restitution, privatization and the development of clear-cut ownership rights has not proceeded as quickly as was hoped.

However, within the context of a focused national agenda, the integration into the world market structures has an immense bearing on the country's outward looking policy successful implementation and the national trade balance improvement along the continuation of its economic development. This is because there is a sizeable rural economy share in the country's balance of payments. The food and agriculture sector is the second largest of the Lithuanian economy. The sector accounts for 20 per cent of GDP, 23 per cent of employment and 20 per cent of all exports. However, there is a huge structural overcapacity of an amount equivalent to the exports to the former Soviet Union whilst recently emerging new trade patterns have not been put on rational economic and marketing grounds yet. Having in mind high tariff protection and internal support for agriculture in Western countries, Lithuanian products are not able to enter and compete in Western markets. Export subsidies currently are the only way to dispose of rapidly increasing production and becoming a surplus as internal demand is still sluggish because of low incomes. Request to eliminate export subsidies for Lithuania is not reasonable taking into consideration the fact that WTO Members themselves apply such measures and that the Agreement on Agriculture does not preclude from the use of such kind of measures in agriculture.

However, we noticed, that some Members - key players - have demonstrated great interest in using WTO accession negotiations as a means of reducing applicant countries' levels of agricultural subsidization or tariff level, even when they themselves maintained such measures. Moreover, agricultural disputes have long been at the centre of commercial tensions between the some Members and the European Union. Negotiators of those countries bearing Lithuania's future EU membership in mind when they negotiate over the country's accession to the WTO.

Audiovisual services is another sensitive area in Lithuania's accession negotiations. It is complicated due to pending disputes between the United States and its European trading partners. One of the major disputes in the Uruguay Round centred on transatlantic differences over the audiovisual sector, including such topics as "screen quotas" for European films and television programmes. This dispute remains unresolved, therefore creates problems in accession process.

Members have welcomed and encouraged the recent wave of accessions by developing countries and economies in transition, but also emerged as the principal "excessive demand" in the negotiations. The scope of some accession negotiations has gone beyond the provisions of the WTO Agreements. Members view these talks both as means to deal with more specific issues of bilateral concern, and to advance their broader aspirations for the world trading regime. Members have become more demanding in the value of the "entry fee" that prospective contracting parties must pay, particularly with respect to the pursuit of "new issues". As a result, some accession negotiations have encountered undue delay.

Accession is a process in which there are considerable costs to be paid early in the process, in exchange for benefits that are much more long-term in nature. The acceding country is generally required to bring its economy into conformity with the obligations that WTO members have established for themselves in a half-century of negotiations. The bargaining is entirely one-sided: the acceding country is required to make concessions on issues ranging from its tariff barriers to its intellectual property laws, and in exchange can demand nothing from the current member countries other than its rights as a WTO Member.

The cost and benefits of acceding to the WTO can be properly understood only if one views the advantages of membership in their larger context. It can be somewhat misleading the common terminology of trade negotiators, in which the commitments that countries make are deemed to be "concessions" and hence imply that the country is surrendering something of value. These terms are unfortunate, as they seem to cast trade relations in a zero-sum framework, in which any one country's gain can come only at another country's loss. The level of trade liberalization which is required by some Members have gone beyond the limit of present development stage of many acceding countries and have a detrimental effect on the economic development of these countries. It is also important to bear in mind throughout the process that the ultimate objective is to enhance a country's competitiveness within a global economy that offers opportunities for mutually-beneficial trade and investment.

Since WTO is a universal negotiating forum set up to regulate multilateral world trade, nowadays it should be adapted to solving the problems of the economies in transition as well. Here we expect our trade partners to fully understand the notion of an "economy in transition" with concrete economic meaning. Members should be aware that each country needs specific economic and social adjustment when integrating into the international trading system. Each acceding country should be evaluated on an individual basis specific to the level of its economic and social development. This is an appeal to understanding of our objective situation. We simply need equal conditions of access to world markets, according to common rules of the World Trade Organization, without discrimination or restrictions.

The Government of Lithuania is going to strongly commit itself for effective implementation of the undertaken commitments. Therefore our approach to accession is pragmatic - not to take on more than is possible to implement. Only this could be the basis for confidence-building in the WTO.

We are ready to carry on the negotiations on the protocol and market access with Members on the basis of the Uruguay Round agreements and in consistency with Lithuania's own economic development level and the principle of achieving balance between rights and obligations. We hope the positive attitude will be given over into actions in resolving specific issues in the negotiations. On the other hand, after becoming the WTO Member, we will be open for participation in new multilateral negotiations aimed at broader liberalization and to solve remaining problematic issues. On our part, we shall take a flexible and forward-looking attitude and stay in a hope that other Members will do likewise. We are willing to work together to accelerate the process of negotiations and bring it to a successful conclusion as soon as possible.
