



BS/TED/WG/R(98)1

**REPORT OF THE
MEETING OF THE WORKING GROUP**

ON

TRADE AND ECONOMIC DEVELOPMENT

Yerevan, 3-4 February 1998

1. The Meeting of the Working Group on Trade and Economic Development was held in Yerevan on 3-4 February 1998.

2. The Meeting was chaired by Mr. Karen CHSHMARITYAN, First Deputy Minister of Industry and Trade of the Republic of Armenia who also made an opening statement underlining various priority issues the Working Group will need to address in the deliberations envisaging to establish BSEC Free Trade Area.

This was followed by a brief statement made by Ambassador Nurver NURES, First Deputy Secretary General of the BSEC PERMIS, elaborating the agenda and the work program to be followed in this respect.

3. The Meeting was attended by the following Participating States :

Republic of Armenia
Georgia
Hellenic Republic
Romania
Russian Federation
Republic of Turkey
Ukraine

4. The Meeting was also attended by the representative of the BSEC Business Council as an Observer and by the representative of the PABSEC as a guest.

5. The representatives of the Arab Republic of Egypt and the Republic of Poland attended the said Meeting as Observers.

The list of participants of the Meeting is attached as Annex I.

6. The draft agenda of the Meeting which was discussed and adopted is attached as Annex II.

- FOLLOW-UP OF THE SPECIAL MEETING OF THE MINISTERS OF FOREIGN AFFAIRS WITH THE PARTICIPATION OF THE MINISTERS RESPONSIBLE FOR ECONOMIC AFFAIRS

- DECLARATION OF INTENT FOR ESTABLISHMENT OF THE BSEC FREE TRADE AREA AND EXAMINING WAYS AND MEANS OF ITS REALIZATION

7. As a follow-up of the Special Meeting of the Ministers of Foreign Affairs with the participation of the Ministers responsible for Economic Affairs, the WG seized the Declaration of Intent for the Establishment of the BSEC Free Trade Area and examined ways and means of its realization on the basis of concrete proposals as indicated hereunder (The texts of these are attached as Annex III):

- Memorandum on the Plan of Actions (Armenia);
- Memorandum on an Action Plan (Greece);
- Working Paper on an Action Plan (Turkey);
- Memorandum on the Plan of Actions (Ukraine);
- Recommendations Nos. 22/1997 and 23/1997 of the PABSEC.

ELABORATION OF THE PLAN OF ACTION FOR THE ESTABLISHMENT OF THE BSEC FREE TRADE AREA

8. The WG thereafter discussed at length the above-mentioned documents and confirming the objective outlined in the “Moscow Declaration of Heads of States or Governments of the BSEC Participating Countries” and the “Declaration of Intent for the Establishment of the BSEC Free Trade Area” to establish a free trade area, adopted a systematic approach towards this objective and accordingly made the following observations which will shape the Plan of Action:

- a) On the basis of a consensus the WG requested the Secretariat to integrate the documents indicated under paragraph 7 and present it to the next meeting of the WG as basis for further discussion with a view to finalizing the Plan of Action.

In accordance with the BSEC Calendar of Events the meeting of the WG to follow will take place at the PERMIS premises in Istanbul prior to the next Meeting of the Senior Officials which will precede the Eleventh MMFA on 30 April 1998.

- b) In the discussions, it was agreed that the suggestions made under paragraph 7 will serve as basis and the suggestions made during the deliberations by the participating delegations will be utilized in the development and finalization of the Plan of Action.

c) The WG assessed the priority subjects to comprise the Plan of Action in terms of short, medium and long term undertakings directed to the establishment of the BSEC Free Trade.

9. In the ensuing discussions the WG identified hereunder the priority topics which will comprise the Plan of Action:

PLAN OF ACTION FOR THE ESTABLISHMENT OF THE BSEC FREE TRADE AREA

The Participating States of the BSEC confirming their commitment in the “Moscow Declaration of Heads of States or Governments of the BSEC Participating Countries” dated 25 October 1996 and the “Declaration of Intent for the Establishment of the BSEC Free Trade Area” issued in Istanbul on 7 February 1997 to establish progressively a BSEC Free Trade Area as part of the European architecture, adopted a systematic approach towards this end in order to create the necessary preconditions and accordingly identified the priority subjects herebelow as elements to comprise the Plan of Action:

- To create the legal and economic framework for the establishment of the BSEC Free Trade Area and meanwhile in order to ensure the progress on this score promote bilateral free trade agreements between the BSEC Participating States, duly observing the obligations resulting from EU and WTO and other international arrangements. (*short term*)

- To reduce and progressively eliminate the existing tariff and nontariff barriers between the Participating States in the trade of manufactured products and formulate recommendations to overcome these obstacles. (*long term*)

- To keep aside as a starting point the traditional trade flows in agriculture in order not to distort them; liberalize progressively trade in other agricultural products beginning with those less contentious specific items where application of reciprocal preferential treatment will lead to the expansion of agricultural exchange on the basis of mutual interests while holding in sight the target of free trade in the agricultural sector as a whole. In this context the member states should be in conformity with their obligations and commitments undertaken towards the WTO. (*long term*)

- To initiate and conclude the process of accession, if not done so far, to the WTO and its relevant organizations and assist those who are in the process of accession by sharing available experience and information. (*medium term*)

- To bring the national legislations in conformity with the GATT 1994 and its agreements regarding trade in goods and the GATS concerning trade in services. (*long term*)

- To improve certification procedures in order to facilitate mutual recognition of certificates of conformity and in the longer term harmonization of standards. (*long term*)

- To reform and modernize economic and social structures giving priority to the adoption and the implementation of technical support programs for the SMEs in order to fully utilize the facilities emerging from the free trade area and to the establishment of appropriate institutional and regulatory framework for the development of market economy. (*long term*)

- To promote effective mechanisms to facilitate transfer of technology by creating an environment conducive to investments through elimination of obstacles. (*medium term*)

- To gradually harmonize the customs and foreign trade legislation of the Participating States. (*medium term*)

- To establish close cooperation among institutions of statistics of the member countries and promote active and durable cooperation with the BSEC Center for Statistics and Exchange of Economic Information, including developing statistics on harmonized basis. (*short term*)

- To improve border crossings and facilitate movement of commercial goods and services over the borders, including facilitation of transit movements. (*short term*)

- To develop the necessary mechanisms for the creation of transfrontier trade and coastal free zones. (*short term*)

- To promote and conclude bilateral agreements between the BSEC Participating States on encouragement and protection of foreign investments and avoidance of double taxation. (*medium term*)

REVIEW OF THE PROGRESS OF THE WORKING GROUP ON TRADE AND ECONOMIC DEVELOPMENT

10. Under item 4 of the agenda all the topics which were addressed in the previous WG on Trade and Economic Development were discussed at length with the participation of all the delegations. The exchanges which took place were of substance and found stimulative and purposeful. The following observations and recommendations emerged:

- In the sector of investments it was noted that all Participating States are open to and eager for direct foreign investments and in that spirit many adjusted their regulations

and enacted new ones in order to create an investment-friendly environment. In this context the Armenian Delegation proposed to initiate a BSEC Investment Forum which will concentrate solely on the introduction of the obtaining investment circumstances in the respective member states as well as existing investment projects and investment prospects extending into the future. It was agreed that a working paper will be presented by Armenia to the PERMIS which will study this matter and convey its findings to the Participating States.

- In the national presentations relating to the Agreement on the Promotion and Protection of Foreign Investments and Agreement on the Avoidance of Double Taxation full information was exchanged between the delegations. It was noted that the subject is actively pursued by all the member countries and many of them already concluded a series of agreements in this respect. It was equally observed that there still was scope to complete the network of agreements in this frame.

- The subjects of cross border trade/coastal trade/free trade zones were discussed at length. Suggestions were made in order to use territories of contiguous markets as possible free trade zones or sights for cross border trade and where possible conclude border trade agreements between neighboring countries.

- In the same context a project profile proposal was made by the Turkish Delegation aiming to establish a BSEC Trade Center. In the discussions a suggestion was made to extend the activity of this Center to cover investments as well. It was observed thereof that this initiative would be a BSEC Trade and Investment Center serving all the Participating States. The Turkish Delegation agreed to study this new initiative with its original proposal and present its result to the PERMIS which will transmit it to the next meeting of the WG on Trade and Economic Development to take place during the next session starting 1 May 1998. It was further noted that a detailed suggestion made by Armenia on the paramount importance of the flow of information could be covered within the frame of the BSEC Trade and Investment Center. In order to integrate the information aspect into the said Center, it was decided that the proposal on information will be forwarded to the PERMIS in writing which the PERMIS will transmit to Turkey in order to undertake the necessary work on this score.

- A strong consensus emerged for improving the present visa regimes of the Participating States in order to facilitate both the movement of commercial goods, services and individuals. The Romanian Delegation thereupon proposed that this subject be brought to the attention of the competent national authorities. The PERMIS was requested to seize this subject and present it to the said authorities for consideration and action. The PERMIS will report to the next meeting of the WG on the result of its initiative.

ANY OTHER BUSINESS

11. No topics were raised by the delegations under this agenda item.

DATE AND VENUE OF THE NEXT MEETING

12. The WG on Trade and Economic Development will convene its next meeting sometime in the following session of the BSEC process starting 1 May 1998. Both the venue and the exact date of the following meeting will be established by way of diplomatic channels and communicated to the Participating States in due course through the PERMIS.

EXPRESSION OF THANKS

13. The delegations expressed their thanks and appreciation to the Government of the Republic of Armenia for the warm hospitality and courtesies extended to them and for the excellent arrangements made for the Meeting.

ADOPTION OF THE REPORT

14. The WG adopted the present report for submission to the Eleventh Meeting of the Ministers of Foreign Affairs.
