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**EXPERIENCE OF THE BALTIC STATES IN MANAGING MULTILATERAL NEGOTIATIONS ON  
TRADE IN SERVICES**

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The Secretary-General has agreed to declassify the document under his responsibility with the aim of bringing information on this subject to the attention of a wider audience.

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## **EXPERIENCE OF THE BALTIC STATES IN MANAGING MULTILATERAL NEGOTIATIONS ON TRADE IN SERVICES**

### **Introduction and Executive Summary**

1. The paper presents the results of a survey on the Baltic States' experience with intra-governmental co-ordination and consultations with domestic stakeholders carried out in preparation for multilateral negotiations on trade in services. The Baltic States' representatives responded to the questionnaire, which had been previously sent to all OECD and a number of non-OECD countries<sup>1</sup> and served as a basis for a recent OECD study on "Managing Request-Offer Negotiations under the GATS: Survey of Country Preparations for the Negotiations – Interim Report" [see TD/TC/WP(2002)47/FINAL]. This study provides a snapshot of current practices in this area and shows a great variety of approaches adopted in individual countries. The experience of the Baltic States has been considered particularly interesting as these countries have started to be involved in multilateral and regional trade negotiations only recently and their administrative resources are rather limited, yet their performance has been impressive.
2. The present paper shows that though their external exposure is quite recent, the Baltic States have developed a well-functioning intra-governmental co-ordination system for preparation of WTO negotiations. However, the involvement of the business community and other stakeholders in the consultation process on WTO-related matters has remained rather limited, despite the governments' efforts to encourage their participation. The co-ordination as well as consultation procedures seem to be of a rather informal nature, which is probably due to a relatively limited number of actors in the Baltic States.
3. The comparison of existing practices in the Baltic States to those in OECD countries reveals many common features, in particular as regards the role of a lead agency in WTO/GATS negotiations and the emphasis on informal and direct ad-hoc communication during the preparation process. As with some OECD countries, the involvement of parliamentary bodies in the Baltic States is generally limited to briefings provided by the government. Another common feature is the difficulty that can be encountered attracting interest from industry in GATS negotiations. The Baltic States display a few distinctive characteristics, for example an extensive reliance on information technology in co-ordination and consultation procedures and a relatively limited use of background papers on GATS-related issues prepared by OECD or UNCTAD.
4. Part I of this paper summarises the responses received to the questionnaire sent to the Baltic States. Part II highlights the main findings and briefly compares the answers of the three countries. Part III describes main similarities and differences in co-ordination and consultation procedures in the Baltic States compared to those adopted in some OECD countries, which were reviewed in the OECD Secretariat's study. The last section suggests some issues for discussion.

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<sup>1</sup> See TD/TC/WP(2002)30/FINAL: "Follow-up to 'Managing request-offer negotiations under the GATS': Questionnaire on preparations for the GATS negotiations".

## I. Responses from the Baltic States

### *Estonia*

#### *Intra-governmental co-ordination*

5. The agency responsible for general co-ordination of the WTO negotiations is the Ministry of Foreign Affairs (MFA). On the expert level the Ministry of Economic Affairs leads the working group for the GATS negotiations.

6. The main body for co-ordination of government positions for the multilateral trade negotiations is the delegation headed by the Minister for Foreign Affairs, which was formed by the Estonian Government on July 31, 2002. The Deputy Head is the Deputy Under-Secretary for External Economic Policy Affairs, MFA. The delegation consists of:

- a) main delegation, i.e. high officials from different governmental agencies and
- b) heads of working groups, i.e. experts responsible for a specific issue of negotiations. The head of the working group for (all) services is the Head of the Foreign Trade Policy Division, Trade Department, Ministry of Economic Affairs (MEA).

7. The formation of Working Groups (WG) for services is in process and it is the responsibility of each Head of a particular WG. The WG will include experts from relevant governmental agencies. All expert groups have one member from the Division for Multilateral Relations - International Trade, External Economic Policy Department, MFA. Officials from different governmental agencies, especially the ones representing MFA (including the Permanent Mission in Geneva) and MEA, dealing with services are in daily e-mail and/or telephone contact and meet on ad hoc basis, in spite of the fact that the official WG is yet to be formed.

8. The consultations are based mainly on:

- a) negotiating proposals from other WTO members;
- b) requests from other WTO members;
- c) occasionally the consultations include briefings by any specific or interested agency involved in the WG.

9. The parliamentary bodies (especially the Parliamentary Commissions for Economic Affairs and Foreign Affairs) are being regularly briefed by relevant officials of MFA and MEA on the course of the negotiations, with a view to the fact that the final result of the negotiations has to be ratified by the Parliament.

10. In the view of the Government of Estonia, the structure of governmental level negotiating team co-ordinating the Working Groups enables them to achieve a clear division of tasks and information, fast and flexible process of consultations as well as efficient formulation and implementation of national positions.

### *Consultations with domestic stakeholders*

#### *Industry*

11. The process for consultation with industry usually takes the form of ad hoc contacts (including e-mail consultation) with government officials. The MFA and MEA officials have held lectures for industry associations in order to promote general knowledge of the WTO among the national industry. A comprehensive website *Estonia and WTO* is run by the MFA ([http://www.vm.ee/est/kat\\_203/](http://www.vm.ee/est/kat_203/)) where, among other information, an Estonian version of the *Business Guide to the World Trading System* is presented. The website also gives an overview of the role of different governmental agencies in this process with links to relevant contact data.

12. Taking into account the relatively small size of the Estonian economy, the possibility to participate in the domestic preparations for negotiations exists for all interested parties (i.e. individual service exporters as well as industry associations). To date, consultations have been held with the transport sector. There are plans to consult the representatives of the financial sector in the near future.

13. Since there are no formal rules for consultations, the participants can be both self-selected and invited by governmental agencies and/or relevant industry associations. The basis for consultations is negotiating proposals and requests from WTO members, and Estonian draft requests. Input from industry has been minimal until now.

#### *Other stakeholders*

14. There is no formal process for consultations with other stakeholders and such consultations have not taken place until now. However, as mentioned above, all interested parties are welcome to visit the web page *Estonia and WTO* and contact relevant officials in case they have questions and/or concerns.

### **Latvia**

#### *Intra-governmental co-ordination*

15. The Ministry of Economy is the responsible institution for the GATS negotiations, including the overall co-ordination with business sector, various governmental bodies, etc. The Ministry of Economy, in cooperation with the Ministry of Foreign Affairs and other relevant Ministries, formulates the interests of Latvia in the framework of GATS negotiations.

16. The overall co-ordination of the participation of Latvia in the WTO including GATS negotiations is the responsibility of an inter-Ministry body called "Consultative Board for co-ordination of the participation of Latvia in the WTO", which was approved by the Cabinet of Ministers of the Republic of Latvia in February 1999. The Board is chaired by the State Secretary of the Ministry of Foreign Affairs. The Members of the Board are executives from various institutions, such as Ministry of Foreign Affairs, Ministry of Economy, Ministry of Finance, Ministry of Agriculture, Ministry of Transport, Ministry of Welfare, Ministry of Environmental Protection and Regional Development, Ministry of Education and Science, Ministry of Culture, Ministry of Interior, Bank of Latvia, etc. The Consultative Board prepares and co-ordinates government positions in the multilateral negotiations, including negotiations on GATS.

17. Meetings of the Board usually take place once in a month. If necessary, the Board may be summoned more often. Several inter-Ministry meetings might be called in order to discuss any issues

raised in the framework of GATS negotiations. *Ad hoc* contacts between the officials of relevant Ministries take place when necessary. Electronic communications are widely used among the relevant institutions.

18. The Cabinet of Ministers of the Republic of Latvia has approved a list of competent Ministries specifically responsible for GATS implementation and negotiations. The list includes Ministry of Economy, Ministry of Finance, Ministry of Transport, Ministry of Welfare, Ministry of Education and Science, Ministry of Interior and Ministry of Environmental Protection and Regional Development.

19. In general, briefings by the Ministry of Economy take place during the meetings of the Consultative Board. Background papers and draft national position papers are used when available. Negotiating proposals from other WTO Members are used regularly, whenever they are received from the WTO Secretariat.

20. Parliamentary bodies are not involved in consultations.

#### *Consultations with domestic stakeholders*

##### *Industry*

21. A process for consultation with industry benefits from formal sectoral advisory groups: a consultative institution called “The Expert Council at the Ministry of Economy”, which involves the industry associations, has been established. When there is a need for meetings to prepare position papers considering the interests of the industry associations, *ad hoc* contacts with government officials are undertaken. There are, however, no regular meetings or briefings. E-mail consultations are not used very often.

22. Individual exporters of services are not included in the industry consultations, since industry associations can give an overview of the situation and highlight current needs of the private sector. Representatives of foreign firms established in the local market can contribute to the preparations for negotiations via consultations with the Council of Foreign Investors. The invitees to consultations can be self-selected, or selected by the Ministries.

23. Position papers taking into account the interests of consumers and service suppliers can serve as a basis for consultations. Negotiating proposals from WTO Members, naturally, are also taken into account. Those give an opportunity to focus on priorities and strategy of the Members. Background papers drafted by relevant Ministries are also used during the course of consultations. In the view of the Government of Latvia, input from industry is of great importance, since it enables to consider the domestic objectives and commercial interests on the basis of fair competition.

#### *Lithuania*

##### *Intra-governmental co-ordination*

24. The Ministry of Foreign Affairs (MFA) is the leading institution in co-ordinating intra-governmental work with the WTO and dealing with all questions concerning the WTO and trade policy. Following Lithuania's accession to the WTO on May 31, 2001, the Permanent Commission for implementing Lithuania's WTO commitments and intra-institutional co-ordination for all matters related to the WTO was established. The MFA plays a leading role in this Commission, and the Commission itself includes representatives from 29 different Ministries and other governmental institutions. There are representatives of Ministry of Economy, Ministry of Finance, Ministry of Communication, Ministry of

Agriculture, Ministry of Culture, Ministry of Environment, Lithuanian Bank, State Patent Bureau, Customs Department, Competition Council, Standardisation Department and other governmental institutions related to trade, duties, economic policy, services policy, etc. The Chairman of this Permanent Commission is Director of Economics Department of the Ministry of Foreign Affairs. The appropriate Division of International Economic Organisations in the MFA is authorised to work on the WTO. This Division is in charge of all questions related to the WTO, including submission of information, co-ordinating activities of intra-governmental work, supervision of implementation of Lithuanian WTO commitments, presenting Lithuania's position and interests in the WTO negotiations. It also covers all activities related to GATS.

25. The above mentioned Permanent Commission, formed under the Government's decision and led by the Ministry of Foreign Affairs, is responsible for overall co-ordination of activities related to the WTO. Intra-institutional consultations, held within the framework of the Permanent Commission, result in determination of specific interests and formulation of Lithuania's position in the WTO negotiations. Relevant Ministries are contacted on an *ad hoc* basis in order to indicate the current situation and their interests on a specific issue. Where necessary, an *ad hoc* Task Force may be formed. Electronic communication (e-mail) is generally used, with *ad hoc* briefings organised if so required. There has been no need for regular meetings between relevant Ministries so far, since Lithuania's interests are properly indicated and reconciled on an *ad hoc* basis.

26. The Ministry of Foreign Affairs using the Permanent Commission and other relevant formats informs or/and delegates certain tasks to relevant Ministries and/or other institutions or agencies which are competent and responsible for certain services or relevant sub-sectors. At a minimum, Ministry of Economy, Ministry of Finance, Lithuanian Central Bank, Ministry of Communication, Ministry of Health, Ministry of Education and Science, Ministry of Culture, Ministry of Environment, State Insurance Supervisory Authority, Lithuanian Securities Commission, Department of Tourism, and Department of Statistics are involved in the process. The contribution of those institutions to setting a single negotiation position is substantial.

27. The way that the preparations for negotiations take place depends on the particular subject and the complexity of the issue. The consultations for trade in goods are organised in one way, and consultations for trade in services yet another way. Mainly, the process is divided into two stages. At the first stage the Ministry of Foreign Affairs usually activates the Permanent Commission in order to distribute the primary information to relevant institutions: briefings, background papers and negotiating proposals from other WTO Members are forwarded for their consideration. At the second stage, some kind of briefing or electronic communication, depending on the complexity of subject, takes place. In this way the national position for negotiations is developed.

28. The MFA, as the lead institution dealing with trade policy and the WTO, has close relations with relevant Parliament Committees, namely: Committee on Foreign Affairs, Committee on Economics, Committee on Rural Affairs, Committee on Finance and Budgeting, Committee on Developing of Information Society and other Parliamentary bodies, which are informed about the whole WTO negotiations process, implementation of Lithuania's commitments to the WTO, WTO requirements in certain legislative process and current activities of Lithuania in the WTO.

29. Lithuania became a WTO Member only recently (May 31, 2001), therefore the best practice of intra-governmental co-ordination of positions for the WTO negotiations is still being determined. The Government of Lithuania noted that the increasing requests and demands would contribute to the design of proper intra-governmental co-ordination system. Simultaneously, a significant effort should be given to inform the society and business community about activities in the WTO and benefits from global trade.

*Consultations with domestic stakeholders*

*Industry*

30. The MFA has established stable and permanent co-operation with domestic business associations and representatives of all industries, including the service industry. The permanent contacts and communication with business associations are a part of daily Ministry's work and the way of mutual co-operation, in opinion of the Government of Lithuania, is well settled. Actually, the MFA often initiates and/or takes a part in seminars or conferences or other meetings to distribute information concerning promotion of export, global trade and WTO policy. These meetings are regular and mutually beneficial to private and public sectors. The information about Lithuania's trade policy and co-operation with the WTO is available at [http://www.urm.lt/data/6/EF029113845\\_2ek.htm](http://www.urm.lt/data/6/EF029113845_2ek.htm), the page also contains e-mail addresses for feedback. *Ad hoc* consultations with interested parties via phone and e-mail, as well as face-to-face meetings, are a part of daily routine of the MFA. Taking into consideration the short experience of consultations with industry concerning WTO issues, there was no necessity so far to set up a formal sectoral advisory group for consultations with representatives of specific industries.

31. As mentioned above, the MFA and other relevant Ministries have already a well-settled practise in common work with representatives of industry and business associations. In the industry, consultations mostly involve the Confederation of Lithuanian Industrialists and specialised industry associations, such as Association INFOBALT (its members are IT related companies and education institutions), Lithuanian Association of Constructors, Lithuanian Association of Carriers, Lithuanian Commercial Banks Association, National Association of Hotels and Restaurants, etc. However, individual service exporters are also considered. Representatives of foreign enterprises established in Lithuania had founded the Forum of Investors, which also closely works with the Government. The consultations are held in different formats. Depending on the concrete subject and the complexity of issue, briefings, *ad hoc* contacts, e-mail consultations or correspondence are used. Invitees may be both chosen by relevant Ministry or/and business association and self-selected.

32. The grounds for consultations with representatives of industry are mainly changes in the country's trade regime due to Lithuania's accession to the WTO, future membership in the EU, and recent news of Doha negotiation process. The basis and format of actual meetings depends on the particular subject, but the general pattern is as follows. First of all, the current situation, challenges and trends of sector are analysed. Secondly, the interests of certain industry in foreign markets and the possibilities for domestic market liberalisation in specific sectors are identified. After that, the national position for negotiations is developed.

*Other stakeholders*

33. Firstly, the co-operation with Lithuanian Free Market Institute - LFMI (non-governmental) must be mentioned. LFMI is a private non-profit organisation established to promote the ideas of classical liberalism based on the principles of free market. LFMI's activities also include sociological surveys, publications, conferences, workshops, and lectures. The Ministry of Foreign Affairs, LFMI and domestic consumer groups or other interested members of the public work in close co-operation in formulation of national trade policy, accession to the WTO, export promotion, etc.

34. *Ad hoc* contacts and e-mail consultations, as well as meetings are used for the co-operation with LFMI. Periodic surveys by LFMI are provided on an ongoing basis. As mentioned above, the information about Lithuanian trade policy and co-operation with the WTO can be accessed at [http://urm/data/6/LF029112425\\_2eko.htm](http://urm/data/6/LF029112425_2eko.htm).

35. Considering that the basis for consultations directly depends on the specific issue and the format for consultations is determined by the requirements of the subject, the identification of interests determines the invitees. Invitees are either chosen by relevant Ministry or/and other related institution, or self-selected. The basis for consultations is overall discussion in order to elaborate positions, reflecting Lithuania's interests in the WTO negotiations. During the consultations, exchange of views and estimations on common situation and sensitive points are exercised, possible interests and commitments harmonised.

36. It is rather ambitious to try to assess the overall process concerning preparations for negotiations in the WTO at this stage. The process raises a lot of questions and inspires active discussions, which demand comprehensiveness, flexibility and mobility. In the view of Lithuania's government, an evaluation of the overall process will be possible only after the end of the new round negotiations.

## **II. Common features and main differences in co-ordination and consultation practices in the three Baltic States**

37. The following are initial observations drawn on the responses of the three Baltic countries. The main features of the management of request-offer negotiations in the Baltic States are the following:

- a) In all three Baltic States the Ministry of Foreign Affairs is the key institution responsible for overall co-ordination of preparation for the WTO negotiations. In Estonia and Latvia, GATS related issues are being handled by the Ministry of Economic Affairs, while in Lithuania those fall under the competence of the Ministry of Foreign Affairs.
- b) All respondents indicated that an intra-governmental body responsible for the co-ordination of preparation for the WTO negotiations is in place. In Latvia, the Consultative Board holds meetings regularly. In Lithuania, the Permanent Commission, including representatives from 29 governmental institutions, acts mostly on *ad-hoc* basis. In Estonia, the delegation consisting of high officials from government agencies and heads of working groups, which are still under development, has been established.
- c) In Estonia and Lithuania, intra-governmental consultations take place mostly on *ad-hoc* basis. In Latvia, the consultations are held regularly. In the process of consultations with industry stakeholders, unofficial *ad-hoc* contacts are heavily relied upon in all three Baltic States.
- d) In general, the mechanism of intra-governmental consultations appears to be more formalised than the mechanism for consultation with other stakeholders. Yet in both cases much of the work of preparation for negotiations is done using unofficial networks.
- e) The structure of consultations with industry as well as intra-governmental co-operation is heavily influenced by the nature of specific issue for negotiation, the complexity of the questions involved, the objectives to be achieved, etc.
- f) In Estonia and Lithuania, parliamentary involvement in consultations is limited to briefings to relevant parliamentary committees provided by the government. Latvia responded that there is no parliamentary involvement in consultation procedure.
- g) The Baltic States heavily rely on information technologies. Estonia and Lithuania have developed informative web sites on the WTO related issues, containing contact details of persons to whom questions could be referred. E-mail communication is used widely in all three Baltic States.

- h) In Estonia and Lithuania, individual business operators are welcome to participate in preparatory work along with industry associations. In Latvia, business sector involvement is limited to industry associations. All three Baltic States indicated the lack of interest in the process of preparation for GATS negotiations from their domestic stakeholders.
- i) Stakeholders other than representatives of government and business institutions have little if any impact on the preparatory process for negotiations in Estonia and Latvia. Meanwhile, in Lithuania a private non-profit organisation (Lithuanian Free Market Institute) serves as a relay to the government to communicate its policy objectives and obtain a feedback from the public at large.

**Table 1: Main aspects of intra-governmental co-ordination and consultations with other stakeholders in the Baltic States**

	<b>Estonia</b>	<b>Latvia</b>	<b>Lithuania</b>
Lead agency for WTO/GATS negotiations	MFA/MEA	MFA/MEA	MFA/MFA
Structures in place for intra-governmental co-ordination	Delegation	Consultative Board	Permanent Commission
Intra-governmental consultation process	Mainly <i>ad hoc</i>	Mainly regular meetings	Mainly <i>ad hoc</i>
Consultation process with industry	Mainly <i>ad hoc</i>	Mainly <i>ad hoc</i>	Mainly <i>ad hoc</i>
Representation of industry	Individual business operators and industry associations	Industry associations	Individual business operators and industry associations
Parliamentary involvement	Yes, briefings by government	No	Yes, briefings by government
Involvement of other stakeholders	No	No	Yes, LFMI

### **III. Preliminary observations regarding the experience of the Baltic States compared to some OECD countries**

38. This comparison is made on the basis of initial findings of the OECD interim report “Managing request-offer negotiations under the GATS: survey of country preparations for the negotiations” [TD/TC/WP(2002)47/FINAL]. The general conclusion is that the procedures adopted in the Baltic States display many similarities and only a few differences.

39. The main similarities between the three Baltic States and the reviewed OECD member countries are as follows.

- a) Both groups have an identified lead agency for the WTO/GATS negotiations.
- b) Although not always explicitly pointed out, the Baltic States also acknowledge a “two-way” nature of consultations, providing an opportunity to encourage a greater understanding of the GATS issues and to collect information for the negotiations.
- c) Both groups rely mainly on informal and/or direct ad-hoc communication in the course of preparation for the WTO negotiations.

- d) The role of parliamentary bodies in consultation procedure is limited to briefings to relevant parliamentary committees provided by the government both in the Baltic States and most reviewed OECD member countries.
- e) Both groups indicate the difficulty that can be encountered in attracting interest from industry in GATS consultations.

40. The main dissimilarities characterising the Baltic States' experience compared to the procedures in reviewed OECD countries are limited to the following aspects:

- a) In contrast to many OECD countries, the Baltic States seem to use very actively available modern technologies for consultation on WTO-related matters. In particular, Estonia and Lithuania put in place special websites on the WTO matters, which contain, besides other information, contact details of persons to whom questions could be referred.
- b) The Baltic States appear to make a less extensive use of background papers drafted by OECD or UNCTAD on the GATS-related issues.