

Will Belarus Ever Become a WTO Member?

Two weeks ago, Belarusian Deputy Foreign Minister Aliaksandr Hurjanau declared Belarus was planning to finish all of the necessary technical work for the country's accession to the World Trade Organisation (WTO) in one year's time. However, exactly three years ago he also projected that Belarus would join the WTO by the end of 2013. Is this time going to be any different?

The history of Belarus applying to join the WTO is a story of unfulfilled promises to liberalise and privatise the economy. Instead of firmly declaring its aspirations to join the WTO by establishing its strong political commitment that could motivate it to introduce reforms, the Belarusian authorities have preferred to imitate engagement.

Belarus remains one of the very few countries in the world that does not belong to the WTO. To name but two issues, the overwhelming role of the state in the economy and its extensive agricultural subsidies are the clearest obstacles for Belarus' accession to the WTO.

Everyone but Belarus

The WTO's mission is to negotiate global rules for export-import relationships, developing multilateral trade agreements and reducing trade barriers. To date, 161 countries, which account for over 98 per cent of global GDP, have joined the WTO. Another 23 countries, including Belarus, are in the process of negotiating their accession, and only 14 states have shown no interest in joining. No country has ever left the WTO.

Russia's accession to the WTO in 2012 automatically forced

other members of the Customs Union of Belarus, Kazakhstan, and Russia to comply with trade liberalisation policies in accordance with Russia's obligations to the WTO.

Therefore, since 2012 Belarus has experienced the negative impact of Russia's membership in the WTO with no direct benefits to its own economy. Goods made in Belarus neither have easier access to foreign markets, nor does Belarus have the right to use the WTO's protection regulations for litigation purposes. Yet, Russia's accession to the WTO has raised the level of competition within the Customs Union and squeezed out a number of Belarusian manufacturers from the market.

Unfulfilled Promises of Successive Governments

Belarus started negotiations on entering the WTO in 1993. After 22 years its WTO membership remains a distant prospect, though other countries in the world have a track record of between 3 years (Kyrgyzstan) to 19 years (Russia) in their attempts to join the organisation.

In 2014 the Russian government decreed it would spend \$0.6m on initiatives supporting Belarus' accession to the WTO

In over 20 years Belarus participated in numerous events to bring the national economy closer to the global organisation. The Working Party on the Accession of Belarus to the WTO, which is comprised of 41 countries, assesses the progress of Belarus in bringing national legislation into compliance with WTO agreements. To date, the Working Party has already held 7 formal meetings in 1997-2005 and five rounds of informal consultations between 2006-2013.

In 2008-2013 the UN Conference on Trade and Development (UNCTAD) and the United Nations Development Programme (UNDP) Country Office in Belarus conducted a technical assistance project in support of reforms. The project consisted of many analytical studies, expert study tours, technical know-how exchange, seminars, and round tables. Two independent think tanks, Warsaw-based CASE and Minsk-based IPM, implemented another minor project in 2013. Last but not least, in December 2014 the Russian government decreed it would spend \$0.6m on initiatives supporting Belarus' accession to the WTO.

Minsk, however, has only been putting on a facade of deep concern about its quick accession to the WTO. Belarus' application process is abound with numerous declarations by the Belarusian authorities to accelerate the process. In 2005, 2010 and 2012 Minsk claimed that it would successfully wrap up negotiations in a year. Meanwhile, all of its neighbours and all of the current members of the Eurasian Economic Union have already joined the WTO (see the table below). □

Selected countries	Year of accession	Private sector share in GDP in the accession year
Armenia	2000	70
Kazakhstan	2015*	65
Kyrgyzstan	1998	60
Russia	2012	65
Ukraine	2008	65

Source: *Transition Report (1995-2012)*, EBRD

* The year of completion the negotiation with the WTO

Stumbling Blocks for Belarus's Accession to the WTO

With an economy where state-owned enterprises produce about 70 per cent of GDP according to the European Bank for Reconstruction and Development (many of which are subsidised), Belarus does not have the slightest chance of joining the WTO.

WTO membership requires that candidate-country commits to liberalise their economy and reduce the role of the state. The

WTO has never admitted a country with such a quasi-socialist economy. For instance, the private sector in all 22 (out of 29) post-socialist countries in Central and Eastern Europe and in Central Asia that have successfully joined the WTO accounted for 50 to 75 per cent of GDP at the moment of accession. The private sector's minor role in Belarus's GDP clearly reflects the scope of its lack of transition towards a market economy.

The agricultural sector would immediately go bankrupt without the support of state subsidies

State support for the agricultural sector remains a particularly sensitive area of negotiations for Belarus' potential accession to the WTO. Although its role in the economy has been diminishing over the last 25 years – from 23 per cent GDP in 1990 to 7 per cent in 2013, it still accounts for a rather significant part of the economy, employing 9.5 per cent of the total workforce according to the official government statistics.

The agricultural sector is comprised mainly of state-owned collective farms which would immediately go bankrupt without the support of state subsidies. Only 10 per cent of agricultural firms could operate profitably without this support according to a study published in December 2013 by the Economic Research Institute of the Ministry of Economy. If Belarus were to join the WTO, it would have to cut significantly its financial support to this sector. Without the prior liberalisation and privatisation of the agricultural sector, this would likely signal its collapse.

Yet, Belarus's membership in the Eurasian Economic Union does not interfere with its aspiration of joining the WTO. On the contrary, since the customs policy in the Eurasian Economic Union is the same for Belarus and all other member-countries that have already joined the WTO, it means that Belarus is

generally ready to instate a WTO-compliant customs policy. In other words, Belarus and the WTO could rather easily find some compromise in negotiations on tariff and non-tariff regulations of market access for goods and services.

Keeping The Quasi-Socialist Economy Alive

Though international competition defines growth in the long run, for an unreformed economy it poses a significant threat. The Belarusian authorities are aware of all of this, but remain reluctant to transform the economy. This is precisely why they continue to stall on implementing their promises towards quickly gaining membership in the WTO.

Without deep structural reforms, Belarus neither has a chance of join the WTO nor will it receive the benefits from accession. For the sake of its own national interests Belarus should at first advance its economic transition towards a market economy, including small and large scale privatisation, and at a later point focus on further foreign trade liberalisation, including its accession to the WTO.