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EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

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(As an Observer)

The European Bank for Reconstruction and Development (EBRD) strongly appreciates the opportunity to participate in the Second WTO Ministerial Meeting. The health of the multilateral trading system is crucial to the Bank's effectiveness in its own tasks. We have a particular interest in the success of the WTO accession process for the economies in transition of Eastern Europe and the former Soviet Union, most of which are currently negotiating to become WTO Members.

The EBRD was set up in 1991 to promote the transition of the former centrally-planned economies of Eastern Europe and the former Soviet Union to open market economies and pluralistic, multi-party democracies. It pursues its mandate by investing in the private and public sectors of its countries of operations and has been endowed with a full range of commercial and investment banking capabilities. It also draws on grant funds to extend technical assistance, primarily in relation to the development and implementation of its investment operations. The EBRD has 59 shareholders, including 57 governments and two institutions (EU Commission and EIB), and an authorized capital of ECU 20 billion.

The international trade and investment environment is of great importance to the scope for the quality of the EBRD's activities. The Bank does not specifically engage in policy-based lending. Its ability to further market-oriented transition at the project level, and in particular the promotion of a competitive environment, is conditioned by the trade policy regime, by the regulatory framework for private sector activity and by specific provisions regarding the infrastructure and service sectors. Where the policy and institutional environment ensures the discipline of market forces, the Bank can, through its investments, strengthen these forces and turn them into effective agents of prosperity.

Many economies in transition have adopted trade regimes that are liberal by international standards. Policies on service sectors generally allow for market entry and there is continuing progress in limiting the market power of existing, public and privatized operators. In fact, after a wave of privatizations and liberalization in the first-half of the decade, most countries in transition now have the basic elements of market economies. The challenge of the current phase of the transition is to make these emerging market economies function well, involving difficult and long-term tasks of building and strengthening institutions, promoting predictability and transparency in government economic management as well as sound corporate governance, and more generally shaping behaviours both in the public and private sectors that are compatible with rule-based, market-oriented activity.

Membership in the WTO, in fact the accession process itself, can be powerful forces in helping the transition economies tackle these challenges. In this perspective, it is the predictability and openness to competition provided by an internationally agreed framework of laws, policies and institutions that is of the greatest benefit to the transition process. For the reform-minded governments of Eastern Europe, the Baltics and the CIS, WTO membership can provide valuable support in deepening domestic reforms and "insure" them against reversals. There have been numerous examples in the EBRD's project work in which the existence or prospect of WTO disciplines have provided the necessary comfort to take investment decisions with the confidence that a competitive market environment was ensured.

Seven of the EBRD's 26 countries of operations are Members of the WTO, 16 are currently negotiating membership and only three have not so far applied. It is in the interest of the applicant countries - for the reasons described as well as for the well-known benefits of international economic integration - but also for the interest of the existing membership of the WTO and certainly of the EBRD that membership negotiations be brought to a swift and successful conclusion.

The pace of the accession process would benefit from enhanced coordination of the technical assistance extended to the candidate countries, perhaps by further strengthening the ability of the WTO Secretariat to provide guidance. Existing Members need to remain aware of the weaknesses of the nascent market-oriented institutions in these countries, which may at times require suitable and time-bound extensions in meeting WTO obligations. On the other hand, the applicant countries themselves would benefit most from terms of entry that limited their own scope for administrative and policy discretion. Negotiating strategies which offered tight disciplines in areas essential for competition and a predictable business environment would both speed the accession process and further the transition to open market economies.

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