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Trade needs assessment

Summary of major findings: Belarus Trade needs assessment study*

Note by the secretariat

Following discussions among UNECE member States on the future direction of the Committee on Trade, the Executive Committee (EXCOM) recommended at its thirty-fourth meeting of February 2010 that the Committee carry out three trade needs assessments in countries with transition economies before 2013 (ECE/EX/5).

These assessments will focus on procedural and regulatory barriers to trade in goods, with a view to informing policy discussions within the Committee and providing recommendations to: individual UNECE member countries and/or regional groupings on how to improve institutions and processes supporting international trade transactions; donors on where assistance is required; and, to UNECE subsidiary bodies on where additional work is required.

This paper summarizes the findings of the first needs assessment carried out in Belarus during 2010. A detailed discussion of these findings and UNECE recommendations are provided in a separate document (ECE/TRADE/C/2011/6). The results of the needs assessment will provide an important input to UNECE programme of cooperation for supporting the Customs Union (CU) of the Belarus, Kazakhstan and the Russian Federation, as per the Memorandum of Understanding (MOU) between the Secretariat of the Commission of the Customs Union and the UNECE, signed on 7 April 2011.

* This document was submitted late due to delayed inputs.

Introduction

1. An upper-middle income country, Belarus stands out as the Commonwealth of Independent States' (CIS) top performer in economic growth. It was the first CIS country to resume positive growth following the disintegration of the Soviet Union, and its average annual gross domestic product (GDP) growth rate since 2003 has been 9 percent. Poverty rates have been falling, reaching 6.1 percent in 2008, accompanied by reduced income inequality. The country also stands out due to its tradition of high human development indicators.¹

2. Belarus has achieved significant progress towards its transition to a market-based economy. Reform measures have involved price liberalization, streamlining taxation and improving the business environment. These measures have been paralleled by trade liberalization efforts, which find their strongest expression in Belarus' efforts to join the World Trade Organization (WTO). To date, Belarus has concluded ten bilateral market access negotiations, including with India, Turkey, Panama, China and the Dominican Republic. Most recently, Belarus has entered into a Customs Union (CU) with Kazakhstan and the Russia Federation, which involves the creation of a single trade regime in relation to third countries and harmonized trade policies.

3. Nonetheless, Belarus still has a long way to go before it can achieve sustained income growth. It is reliant on the export of refined oil products, along with a narrow range of manufactured products. In addition, the private sector remains too thin on the ground, accounting for around 25 percent of GDP in 2005, the lowest among transition economies.

4. The government continues to play an essential role in achieving and maintaining overall living standards via public-sector wages, subsidies and income transfers. Hence, there is a high level of indebtedness, with the share of gross external debt to GDP ratio projected to be 29.8 percent in 2010, up from 11.5 percent in 2008. External indebtedness is compounded by a persistent and expanding trade deficit, which is characterized by a heavy concentration of trade with a limited number of countries, particularly the Russian Federation which accounts for around 59 percent of Belorussian imports and 31 percent of exports.

5. As such, Belarus continues to suffer from a high degree of economic vulnerability to changes in government expenditures; oil price fluctuations; and, external shocks stemming from major trading partners. The need for further reform measures to achieve economic diversification is evident. Equally important is the necessity of complementing these measures with targeted efforts to overcome regulatory and procedural barriers to trade. Otherwise, Belarus' economic development efforts are likely to be defeated by high transaction costs, which reduce enterprises' competitiveness in local, regional and international markets.

6. Based on a comprehensive evaluation methodology, the UNECE trade needs assessment seeks to support the reduction of regulatory and procedural barriers to trade. This paper summarizes the findings of the needs assessment, with a view to facilitate the Committee on Trade's deliberations. The paper provides a brief overview of the UNECE methodology, and of Belarusian capacity building needs in the areas of trade facilitation, standardization policies and technical regulations.

¹ Data on Belarus economic indicators were obtained from the World Bank Database, the World Trade Organization Database, and the International Monetary Fund Database.

I. UNECE needs assessment methodology

7. UNECE evaluation methodology is based on a series of needs assessment questionnaires, which draw on existing trade facilitation evaluation methodologies and the secretariat's own experience in the areas of trade facilitation and regulatory cooperation².

8. The methodology aims at identifying:

- Issues that traders and service providers face in exporting and importing goods, while highlighting sectors that are particularly affected;
- Existing constraints in regulatory, documentary and procedural requirements related to international trade transactions;
- The quantitative (time/money) and qualitative impact of barriers along the trade and transport chain;
- The availability and structure of logistical services (e.g. transport, forwarders, brokers) in the participating country, and any potential obstacles to the modernization/development of these services;
- Shortcomings in terms of operational efficiency of these and related services, and consequently, the remedial actions to consider in both the short and long run;
- The existence, if any, of conflicting objectives related to trade and trade facilitation;
- The availability, at reasonable cost, of internationally recognized testing, inspection and certification services;
- Shortcomings in the country's quality infrastructure (internationally accredited testing laboratories, conformity assessment, certification and accreditation bodies, as well as metrology institutions) and related expertise leading to additional costs and delays in export practices;
- If appropriate institutional consultative mechanisms exist for the development and implementation of regulatory policies which ensure that concerns of the business sector are taken into account;
- Gaps in a country's participation in the activities of relevant international standards-development bodies.

9. The questionnaires were addressed to around 132 stakeholders representing exporters, importers and relevant government officials, as well as transport and logistics service providers. Then face-to-face interviews with these stakeholders were conducted by UNECE international and local consultants in the summer and fall of 2010. The consultants were guided by the findings of a Desk Study on the institutional and regulatory framework supporting Belarusian trade, standardization and technical regulations. The UNECE also organized a follow-up mission to Belarus in early 2011 to solicit feedback on pertinent issues emerging from the field work carried out in 2010.

² The UNECE methodologies drew on: World Bank (2010) "Trade and Transport Facilitation Assessment: A Practical Toolkit for Country Implementation"; WTO (2009) "Negotiations on Trade Facilitation: Self Assessment Guide"; United Nations Development Programme (2008) "Trade and Human Development: How to Conduct Trade Needs Assessment in Transition Economies"; International Trade Centre (ITC) (2004) "Road Map for Quality"; ITC (2010) Non-Tariff Measures Survey Questionnaires, mimeograph; and, the United Nations Conference on Trade and Development (2009) "Classification of Non-tariff Measures".

10. Both the design and implementation of the needs assessment were carried out in close consultation with the Belarusian government. To support this collaboration, the government established a National Advisory Committee, which brought together representatives from all relevant ministries and public institutions under the leadership of the Belarusian Deputy Minister of the Economy.

II. Major findings

A. Regulatory cooperation and standardization policies

11. Belarus has been actively engaged in reforming the overall regulatory system related to standardization policies and technical regulations. Specific measures have focused on anchoring standardization policies in internationally recognized technical standards and regulations, with a special emphasis on those of the European Union (EU), in addition to modernizing the conformity assessment infrastructure and procedures. Key achievements to date have included the establishment of an accreditation body; increased harmonization of technical regulations and standards; and, the removal of around 40 percent of the items listed in the Belarusian compulsory product certification catalogue.

12. The assessment identified the need for targeted capacity building efforts in four major areas:

- (a) Development and implementation of standards
 - Strengthening Belarusian capacities in the area of regulatory cooperation. Priority should be given to helping Belarus strike a balance between the requirements of harmonizing its technical regulation plans with those of the Eurasian Economic Community (EurAsEc) and the Customs Union with Russia and Kazakhstan on the one hand, and, on the other hand, ensuring greater harmonization with relevant EU legislation.
 - Assisting Belarus in adapting EU legislation (e.g. the new Approach Directives) to Belarusian needs.
- (b) Development and implementation of technical regulations
 - Consolidating a more participatory approach to planning and formulating technical regulations.
 - Priority should be given to modernizing horizontal technical regulations on overall product safety, in general, and food products safety, in particular.
- (c) Metrology, conformity assessment and accreditation
 - Strengthening the State Center for Accreditation with the required institutional structures, technical knowledge and skills, in addition to helping it sign multilateral recognition agreements with International Accreditation Forum, Inc. (IAF), the International Laboratory Accreditation Cooperation (ILAC) and the European co-operation for Accreditation (EA)
 - Developing Belarus's metrological infrastructure, including testing laboratories; strengthening the institutional capacity of the National Metrology Institute; and helping Belarus accede to the "Metre Convention".
 - Strengthening Belarusian conformity assessment capacity with the expertise, skills and technical knowledge for implementing advanced standards and certification approaches. Priority should also be given to enabling the

Belarusian authorities to use risk assessment and management tools, so as to tailor conformity assessment procedures to a products' risk levels.

- (d) Market surveillance
 - Consolidating information exchange systems on dangerous products with partner countries, and supporting Belarus' participation in inter-regional warning systems against dangerous and hazardous goods such as the EU's Rapid Alert System for Dangerous Products (RAPEX).

B. Trade facilitation

13. Belarus has implemented comprehensive reform measures to improve its business environment. These measures have moved Belarus' overall ranking in the World Bank Ease of Doing Business index up from 115 (among 178 economies) in 2008 to 68 (among 183 economies) in 2011. The most comprehensive measures were in the area of starting a business, with the creation of a one-stop shop for property registration and a broad administrative simplification program that sets strict registration time limits and implements computerized records. Trade facilitation measures remain at an early stage, with the least-developed measures on the World Bank Doing Business index appearing to be those related to "trading across borders".

14. The assessment has identified the need for targeted capacity building efforts in nine major areas:

- (a) Reducing, simplifying and harmonizing export-import documentary requirements.
- (b) Simplifying customs procedures at main border crossings
- (c) Improving interfaces between the information systems and procedures of the different government institutions engaged in supporting import-export activities. The focus should be on harmonizing data structures and information requirements, and on automating data exchange and processing.
- (d) Strengthening Belarusian Customs with modern information and communications technology (ICT) tools, such as Electronic Data Interchange (EDI).
- (e) Establishing a trade information facility that creates bridges between the standards and regulations established under the CU of Belarus, Russia and Kazakhstan and those used by the EU, as well as recent standards published under the World Customs Organization (WCO). The focus should be on transforming and adapting the CU standards and regulations to meet international standards.
- (f) Applying internationally recognized risk assessment and management tools, as well as advanced electronic information exchange systems, where feasible, to address security concerns and avoid physical inspection of goods.
- (g) Improving transit trade through immediate neighbours, especially the Russian Federation, by streamlining and harmonizing documentary requirements, improving electronic transmission of documents, and developing physical infrastructure at border points.
- (h) Developing the railway transport system to improve the predictability, safety and quality of its services.
- (i) Developing the Belarusian logistics industry so as to position Belarus as a regional transit hub. Priority areas include the revitalization of existing warehousing facilities and the establishment of logistics centres.

C. Cross Cutting issues

15. The trade needs assessment also identified a number of areas for development that cut across all trade areas, and these include the following:

(a) Fostering participatory approaches to planning and policy formulation, which facilitate dialogue between stakeholders from the public and private sectors.

(b) Fostering public-private dialogue so that regulators and decision-makers can obtain ex-post feedback on the impact of trade policies, procedures and regulations, and enterprises can better understand the objectives behind government decisions.

(c) Consolidating and further developing inter-agency coordination at both the planning and implementation levels.

(d) Establishing help desks and/or information facilities for disseminating up-to-date information on import-export procedures, technical regulations and standards.

(e) Increasing private sector participation in the provision of transport and logistics services.

(f) Developing an overall ICT infrastructure to enable greater use of internationally recognized electronic business tools and instruments.

(g) Familiarizing Belarusian enterprises with best practices in the areas of trade and business development, as well as with European and international quality requirements.
