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**REPORT ON THE WORKSHOP ON  
“EU ENLARGEMENT: REGULATORY CONVERGENCE IN NON-ACCEDING COUNTRIES”  
7-8 November 2003, Athens, Greece**

**DOCUMENT FOR INFORMATION**

Note by the secretariat

**A. Introduction**

1. Common rules and standards are indispensable to enable non-acceding countries to benefit from the enlarged EU Internal Market. To address how to increase economic cooperation and facilitate trade between the enlarged EU and non-acceding countries through harmonization of regulatory measures, such as technical regulations, standards, and legislation, the UNECE with the support of the Ministry of Foreign Affairs of Greece and the Institute of International Relations of the Panteion University, Athens organized a workshop on “EU Enlargement: Regulatory Convergence in Non-acceding Countries”. This workshop was part of a series of workshops within the UNECE’s “Wider Europe” project, and was held on 7-8 November 2003 in Athens, Greece.

2. The Workshop discussed how non-acceding UNECE member countries in Southern and Eastern Europe, the Caucasus and Central Asia could increase their trade and economic cooperation with the enlarged EU by harmonizing their legislation and technical regulations and standards and thus contribute toward avoiding new divisions in the region.

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3. Speakers included representatives from the European Commission, European universities, business and the UNECE. Participants included representatives of national standardization offices, other EU integration related governmental bodies and business associations from the CIS and the Western Balkan countries. Presentations and a lively discussion looked at regulatory convergence at international and regional levels.

4. This paper will highlight the main topics and themes that were presented and discussed at the Workshop.

5. The Opening Session and Session II on "EU Policies" were chaired by Professor Constantine Stephanou (Department of International and European Studies, Panteion University, Athens; Special Advisor to the Greek Presidency of the EU (1<sup>st</sup> semester 2003), Greece), Session I on "Horizontal Issues of Regulatory Convergence" was chaired by Dr. Panayiotis Roumeliotis (former Minister of Economy of Greece and former Member of the European Parliament, Athens, Greece) and the Round Table dedicated to "Convergence of Non-accessing Countries" by Ms. Carol Cosgrove-Sacks (Director of the Trade Development and Timber Division, UNECE).

6. Presentations were made by: Ambassador Dimitris Contoumas (Director General of European Affairs, Ministry of Foreign Affairs, Greece), Mr. Evangelos Vardakas (Director of the Directorate G: Single market: regulatory environment, standardisation and New Approach, Enterprise Directorate-General, European Commission, Brussels), Professor Constantine Stephanou (see para 5.), Professor Damien Neven (Graduate Institute of International Studies, University of Geneva, Switzerland), Professor Yannis Papadopoulos (Department of Political Science, University of Lausanne, Switzerland), Professor Tibor Palankai, (Budapest University of Economics; President of the Hungarian European Community Studies Association, Budapest, Hungary), Professor Jean-Claude Gautron (Université Montesquieu Bordeaux IV, France), Dr. Christos Gortsos (Secretary-General, Hellenic Banking Association, Athens, Greece), Dr. Alexander Spachis (Adviser, Financial Institutions-Enlargement, Internal Market Directorate-General, European Commission, Brussels), Ms. Libuse Romanovska (Rapporteur Working Party on Technical Harmonisation and Standardisation Policies, UNECE), Ambassador Dencho Georgiev (Permanent Representative of Bulgaria to the World Trade Organisation, Geneva, Switzerland), Mr. Volodymyr Shevtchenko (Head of the Department of Bilateral Economic Relations, Ministry of Economy and European Integration of Ukraine, Kiev, Ukraine), Dr. Zoran Bohacek (Managing Director, Croatian Banking Association, Zagreb, Croatia) and Dr. Yelena Kalyuzhnova (Director of the Centre for Euro-Asian Studies, The University of Reading, United Kingdom).

7. Opening the workshop, Ms. Brigita Schmögnerová, the UNECE Executive Secretary stressed UNECE's commitment to mitigating the impact of EU enlargement in the region and the UNECE's conviction that the adoption and implementation of international standards by all countries was fundamental to making their products competitive in international markets. She pointed out that the regulatory convergence process is a dynamic one and it is clearly a "moving target", however overregulation should be avoided. As an example of one way to cope with such a "moving target", she explained the UNECE Recommendation "L" on Standardization Policies. The Executive Secretary highlighted the role of the UNECE in post-enlargement Europe, based on its well-recognized expertise in developing norms, standards, conventions and other regulatory measures in different fields, where the UNECE could assist non-accessing transition economies.

8. Mr. Vardakas, on behalf of Mr. Liikanen, the European Commissioner in charge of Enterprise and Information Society and the approximation of laws, explained how the approximation of the standards of the ten newly acceding countries with the EU's *acquis*, could be an example also for the non-acceding countries. He spoke about EU initiatives toward a mutual opening of markets with the CIS and the Western Balkan countries. These initiatives foresee a convergence of regulatory measures in the future. He reported that negotiations with the CIS countries on the implementation of the EU's trade *acquis* have already started. Mr. Vardakas stressed the importance of mutual recognition agreements and the implementation of international standards by non-acceding countries.

## **B. Horizontal issues of regulatory convergence**

9. In Session I on "Horizontal issues of regulatory convergence" participants addressed some cross-cutting issues related to regulatory convergence, for example competition enforcement and the regulatory environment necessary for attracting FDI. The goals and means of achieving regulatory convergence were explained in detail and concrete examples of voluntary, semi-voluntary and mandatory convergence were pointed out. Some questions were raised about how to improve the regulatory environment in order to eliminate "free riders" in non-acceding countries? It was noted that simple, clear and transparent standards and norms could help reduce free riding and corruption. However, adoption of such regulatory measures is not sufficient, their implementation is of major importance.

10. Participants recognized that non-acceding countries would face stronger competitive pressures from the enlarged EU in their own markets as well as in their export markets. Therefore, it is necessary to improve and encourage competition in non-acceding countries. Competition could also be a useful tool for fostering domestic markets in these countries which would have an overall positive impact on their economies. The need for having an effective institution to enforce competition policy was seen as crucial.

11. Participants heard how economic regulatory reforms have been carried out by a non-EU member in the specific case of Switzerland. Switzerland rejected participation in the European Economic Area in 1992. This event was followed by an economic liberalization programme, which encouraged convergence with the EU. Despite refusing to join the EU, deep convergence with the EU *acquis* in Switzerland has been continuous and incremental.

12. Questions regarding the regulatory environment as a determinant in attracting FDI were also discussed. The Hungarian case served as an example, where regulatory frameworks and incentives played a role in attracting FDI. However, liberalization and the image of political and legislative stability together with a relatively predictable and transparent business environment, the size of the market and production costs were of much more importance. In addition, the impact of FDI incentives is not negligible, especially if one country offers incentives and another does not.

## **C. EU Policies**

13. Session II of the workshop looked at EU policies and practices in the area of state enterprises and financial services with a particular focus on banking services. Competition clauses regarding the concentration of state enterprises in the market were the traditional issue, stemming from the fear of old cartels such as those in the steel industry in the 1930s. In this regard, the neutrality of EU law regarding public or private ownership was explained in detail and changes with regard to the treatment of some state enterprises in the EU were highlighted.

14. The importance of regulatory convergence in the field of financial services between the 25 countries of the EU (EU25) and non-accessing countries was stressed. For example, the *acquis* in financial services will apply fully to accession countries. The right of establishment and free movement of services are increasingly vital to prosperity in the Single Market. The EU approach to ensure that the process of EU enlargement does not disrupt financial services markets was clarified. Regarding banking services, it was noted that the goal is to create a single European payments area, with common consumer protection throughout. This included transposition checks, peer reviews, action plans, and monitoring and safeguard measures. More needs to be done regarding pension reforms, auditing and accounting throughout the EU25. However, much of the banking sector remains under national rather than community legislation, where the principle of mutual recognition of EU national laws and harmonization at the community level of national rules is required.

#### **D. Convergence of Non-accessing Countries**

15. The round table concentrated on non-accessing countries and their needs regarding the adoption of regulatory measures set by international organizations, such as the UNECE and the WTO and the harmonization of their regulatory measures with those of the EU or within the regional arrangements.

16. The work of the UNECE's Working Party 6 was explained, especially its role in guiding cooperation between standardization bodies, regulatory bodies and business. The International Model developed by this working party, which is being used by standardization bodies throughout the CIS countries, was pointed out as a good example in this regard. The core UNECE mission regarding the full integration of all its member States in the regional and global economy was seen very positively.

17. The mandatory convergence of countries acceding to the WTO and to all relevant WTO agreements was also largely discussed. A key question was raised: What is it that the countries wishing to accede to the WTO have to converge to? The accession negotiations result in a package of commitments, consisting of national schedules of commitments in the field of goods and services and other commitments conforming with rules and obligations set out in the Agreement Establishing the WTO. Those rules do not constitute a full-fledged model; rather they are a set of "negative" rules (i.e. They are rules setting out what should not be done). Participants noted that there should be positive benefits from the creation of more predictable and stable conditions for trade once the countries had joined the WTO, but what model is most appropriate? The EU model was seen as one model and its *acquis* as probably the most well-defined model available.

18. As an example of the regional approach to increasing economic cooperation and integration, the issue of regulatory convergence foreseen in the recently signed agreement on the establishment of a Single Economic Zone among Russia, Ukraine, Belarus and Kazakhstan attracted particular attention. This agreement aims at achieving the free movement of goods, services, capital and labour, together with a common external tariff, and the convergence of standardization, sanitary and phytosanitary and other policies of participating countries. Ukraine signed the agreement with some reservations and insisted that it must not inhibit accession to the WTO. Questions about the future functioning of this arrangement and about other CIS countries possibly following this model were raised. It was explained that this agreement could be a success story since the parties to the agreement committed themselves to create single institutions, such as a single standardization body, to implement commitments stipulated in the agreement.

19. Economic cooperation in the Caspian region was also looked at with special emphasis on the energy and water sectors, which both present opportunities for economic cooperation. For example, while Uzbekistan's and Turkmenistan's gas have a natural market in Kazakhstan and Russia, Kazakhstan seeks market diversification for its oil.

20. A case study of Croatia, moving towards convergence and hopefully membership of the EU, was also presented. It was found to be a useful example to follow for the Western Balkans countries, who have been given a prospect for joining the EU in the future.

## **E. Conclusions**

21. The Workshop stressed the importance and relevance of the UNECE after EU enlargement as the most appropriate and neutral platform to evaluate and manage various implications of enlargement for the non-acceding countries in Southern and Eastern Europe, Caucasus and Central Asia, in order to avoid new divisions in the UNECE region. However, it was recognized that all main stakeholders – the EU, the governments of non-acceding States, the business sector, NGOs, and relevant international organizations – need to make a positive contribution.

22. Non-acceding transition countries also increasingly recognized the importance of regulatory convergence in the context of their future participation in globalized markets. Implementing common rules and standards will assist economic operators of non-acceding countries to compete in the EU market and international markets when they move away from their domestic markets. Their success or failure will often depend on how familiar they become with the regulations and standards in export markets. In those areas where differences exist between the standards applied in the non-acceding countries and those applied in the EU, trade with the enlarged EU will be more difficult for companies from non-acceding countries. Furthermore, trade liberalization and the adoption of common rules and standards are fundamental components not only for creating greater market integration between the enlarged EU and non-acceding countries, but also for creating greater trade and market integration among the non-acceding countries themselves. So, the driving force behind regulatory convergence should not only be EU enlargement and existing bilateral agreements with the EU, but also their ambitions to compete in global markets which are institutionally linked to their WTO membership.

23. The UNECE "beyond enlargement" workshops were viewed positively as a good capacity building tool, especially for transition economies. The UNECE's role as a multilateral platform for promoting economic cooperation in its region, providing equal participation in the decision-making process to every UNECE member together with its technical work and expertise, would continue to be much appreciated. In this regard, it was noted that the UNECE could also provide expertise in regulatory analysis and assistance to the countries in the process of accession to the WTO, depending on the availability of resources.

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