

Literature Overview on WTO's accession

A. Russia's Experience

Bergsman, Joel; Harry G. Broadman, and Vladimir Drebentsov. Improving Russia's Policy on Foreign Direct Investment

The paper notes that Russia should phase out the three core pillars of the current FDI policy regime -- (i) all existing high tariffs and non-tariff protection for the domestic market; (ii) tax preferences for foreign investors (including those offered in Special Economic Zones), which bring few benefits (in terms of increased FDI) but engender costs (in terms of foregone fiscal revenue); and (iii) the substantial for foreign investors (including those offered in Special Economic Zones), which bring few benefits (in terms of increased FDI) but engender costs (in terms of foregone fiscal revenue); and (iii) the substantial number of existing restrictions on FDI (make them applicable only to a limited number of sectors and activities). This set of reforms would allow Russia to switch to a modern approach towards FDI.

Internet Availability - full report at <http://econ.worldbank.org/resource.php>

Broadman, Harry G. Reducing Structural Dominance and Entry Barriers in Russian Industry.

This paper assesses the incentives and constraints on enhancing structural aspects of inter enterprise competition and on reducing barriers to entry in Russia's manufacturing sector and recommends policies for the Russian authorities. The central conclusions are that in an economy as large as Russia's that is undergoing a complex transition, the appropriate competitive horizontal and vertical restructuring of industrial markets needed to strike a balance between reducing anti-competitive conditions and allowing for sufficient economies of scale can only be accomplished in the medium term. But reducing policy-induced and institutional barriers to entry of new private sector competitors can—and should--be implemented in the short run. Indeed, even where excessive horizontal and vertical structural dominance remains, facilitating free entry can help

make such markets contestable and provide strong pressures to compel competitive performance from incumbents.

Internet Availability - full report at <http://econ.worldbank.org/resource.php>

Buchalova, Martina. The Role of Internal Factors in Delaying Russia's Accession to the WTO (#48-1998). . ISBN 1-896871-13-5

The acceptance of Russia and its involvement in the world political and economic community is an important step for the stabilization and success of economic reforms and democracy in the Russian Federation. After the collapse of the Soviet Union in 1991, Russia's integration into the global community became a priority for both the Russian government and the West. Russia became quickly a member of the most important international organizations, except the World Trade Organization (WTO). However, Russia applied for membership and its bid seemed to be fully supported by the international community. Russian official statements acclaimed membership by 1998. Did the accession process stall? And if so, why? The paper seeks to explain the failure of the Russian Federation to become a full WTO member as anticipated, by analyzing various factors that directly or indirectly have influenced the process of accession

Internet Availability - abstract at <http://www.carleton.ca/ctpl/opapers.htm>

Van Rijckeghem, Caroline ; Weder, Beatrice S. Sources of Contagion: Finance or Trade? IMF. Working Paper No. 99/146. October 1, 1999.

This paper presents evidence that spillovers through bank lending, as opposed to trade linkages and country characteristics, can help explain contagion. Authors construct a measure of competition for bank funds and find evidence in favor of a common lender effect in the Mexican, Thai, and Russian crises, after controlling for macroeconomic fundamentals.

James Stamps. Russia's WTO Accession: Many Hurdles Remain. International Economic Review. July/August 2001

Based on a sample of recent economic literature and press reports, current estimates are that Russia's WTO accession could be sometime between 2002 and 2005.

Constantine Michalopoulos. The Integration of Transition Economies into the World Trading System. 1999

Michalopoulos analyzes current trade policies and challenges faced by the transition economies - especially countries in the former Soviet Union - as they are integrated into the world trading system.

With few exceptions, transition economies in Central and Eastern Europe, including the Baltics, have been well integrated into the multilateral trading system. Their trade regimes differ - and the main challenges they face involve their integration into the European Union.

The momentum for market and trade reform appears to have stalled in some of the larger countries of the former Soviet Union: Kazakhstan, Russia, and Ukraine. Their trade regimes are not especially restrictive, but weak operations in fundamental market institutions inhibit their effective integration into the world trading system. These problems, together with persistent protective pressures, inhibit progress and accession to the WTO.

Internet Availability - full report at <http://econ.worldbank.org/view.php?type=5&id=972>

Constantine Michalopoulos. WTO Accession for Countries in Transition. 2000

Countries in transition have considered membership in the World Trade Organization (WTO) an important step toward integration in the international economic system. After several years of negotiations, five members of the former Soviet Union (FSU)-Armenia, the three Baltic countries, and the Kyrgyz Republic-became a members in 1998. It will probably take longer for Russia, Ukraine, and some others.

Internet Availability - full report at <http://econ.worldbank.org/view.php?type=5&id=735>

B. Other Countries Experience

Athukorala, and Sarath Rajapatirana. Economic Liberalization and Industrial Restructuring: The Sri Lanka Experience. 1999

Sri Lanka's economic liberalization provides an important and continuing experiment for examining how trade, finance, and exchange rate reforms affect a country's industrial structure. This study examines the results of liberalization at the firm level in Sri Lanka. It also attempts to find out how long a reform impact lasts and where the main changes occur in industries and in patterns of industrial development following a multifaceted liberalization. The postliberalization period in Sri Lanka is sufficiently long to distinguish the long-term resource allocation effects of liberalization from the short-term impact effects. The purpose of the research is to derive lessons for other countries undertaking liberalization.

Internet Availability – only abstract at

<http://www.worldbank.org/html/dec/Publications/Abstracts97/05macro/macro4.html>

Bacchetta, P. and H. Dellas. Firm Restructuring and the Optimal Speed of Trade Reform. 1997

The authors study the consequences and optimality of alternative speeds of trade liberalization when investment (restructuring) activities help firms learn their true level of efficiency and determine survival prospects. In contrast to the existing literature, they find that a gradual trade reform might be preferred when authorities are more preoccupied with the longer term. The authors also show that costs of business closures have an ambiguous impact on the optimal pace of liberalization.

Internet Availability - only abstract at

<http://netec.mcc.ac.uk/BibEc/data/Articles/oupoxecppv:49:y:1997:i:2:p:291-306.html>

Ben-David, Dan. International Trade and the Growth of Nations. 1999

This module focuses on the relationship between trade, growth and income disparity among countries. It provides a non-technical summary. It continues with an analysis of trade's impact on the degree of income disparity between countries and provides a number of examples of the role that trade plays in reducing this disparity. The emphasis then shifts to an examination of the long-run growth paths of countries over the past century and a look at how postwar developments appear when examined from a long-run perspective.

Also available at <http://spirit.tau.ac.il/public/bendavid/worldbank/>

Bernard Hoekman. Strengthening the Global Trade Architecture for Development. 2000

Despite recurring rounds of trade liberalization under GATT/WTO auspices, complemented by unilateral reforms, many developing countries have not been able to integrate into the world economy. This paper argues that from the perspective of the poorest countries, a multi-pronged strategy is required to strengthen the global trading system and that much of the agenda must be addressed outside the WTO. The most important contribution the WTO can make from a development perspective is to improve market access conditions — for goods and services—and ensure that trade rules are useful to developing countries. Enhancing trade capacity requires concerted action outside the WTO ('aid for trade') as well as unilateral actions by both industrialized and developing countries to reduce anti-trade biases.

Available at http://econ.worldbank.org/files/3606_wps2757.pdf

Bijit Bora, P. J. Lloyd and Mari Panetsu. Industrial Policy and the WTO. 1999

Review the objectives and instruments of industrial policy in a changing global context and multilateral rules and discipline. In today's competitive environment developing countries are attempting to boost their competitiveness by selecting industries and products with the potential for high growth and high value added. The debate on the role of the government in achieving this objective continues. The theoretical literature surveyed in this paper shows that a case for government intervention is weak. On the other hand there is empirical evidence to show that some governments have had a role in

the export and growth success of some countries. The prospects for including investment into the WTO either by way of a specific agreement on investment or allowing for ownership to matter within the context of WTO rules are poor. The WTO rules both in terms of their language and interpretations of panel dispute are ownership neutral. Efforts by developing countries to challenge this by allowing an exemption for foreign affiliates could create conflicts in the application of the MTAs. Developing countries may want to consider these implications further before advocating such a position.

Internet Availability -

http://www.worldbank.org/research/abcde/washington_12/pdf_files/bora.pdf

Bhagwati, Jagdish (Editor), et al. Fair Trade and Harmonization: Economic Analysis. 1996

The original contributions in Fair Trade and Harmonization investigate the growing conflict between free trade policies and the domestic environmental, labor, and antitrust policies of individual nations. They clarify the issues and offer a critical economic and legal analysis of the contending positions along with a series of proposals for resolving or reconciling them. Taken together, the two volumes present a comprehensive catalog of the government actions that are causing conflict in these areas and a critique of the existing scholarly literature on the subject. In each area, the contributors extensively discuss and analyze forms of policy harmonization and the arguments for and against it, with a goal of better understanding as a constant throughout. A more particular goal, however is to take a sober second look at, and impose some restraint upon, the growing chorus of demands to push aside the existing trade institution (the World Trade Organization) in the name of social policies, especially those regarding environmental and labor rights.

Internet Availability –not available

Choudhri, Ehsan U. and Dalia S. Hakura. International Trade and Productivity

Growth: Exploring the Sectoral Effects for Developing Countries. 2000

The paper estimates an empirical relation based on Krugman's "technological gap"

model to explore the influence of the pattern of international trade and production on the overall productivity growth of a developing country. A key result is that increased import competition in medium-growth (but not in low- or high-growth) manufacturing sectors enhances overall productivity growth. The authors also find that a production-share weighted average of (technological leaders) sectoral productivity growth rates has a significant effect on the rate of aggregate productivity growth.

Internet Availability – <http://www.imf.org/external/pubs/ft/wp/2000/wp0017.pdf>

Cornia, Giovanni Andrea. Liberalization, Globalization, and Income Distribution. Helsinki, WIDER/UNU, 2000.

Recent mainstream analyses of changes in income distribution over the post World War II period have concluded that income inequality within countries tends to be stable, that there is no strong association between growth and inequality and that, therefore, poverty is best reduced through growth-oriented, rather than distributive, policies. Study shows the significance for developing countries to liberalize their trade and the way it affects income distribution.

Internet Availability – only abstract at

<http://netec.mcc.ac.uk/BibEc/data/Papers/fthwodeec157.html>

Ebrill, L., J. Stotsky, and R. Groppe. Revenue Implications of Trade Liberalization, IMF Occasional Paper No. 180, Washington DC. 1999

The argument that trade liberalization enhances economic efficiency and accelerates growth is now nearly universally accepted. However, because freer trade may lead to a loss of tax revenue as tariffs and other trade taxes are cut, it is important to evaluate the revenue implications of trade liberalization, focusing on what has actually happened to revenue during liberalization, with a view to drawing policy implications. Clearly, for countries with significant fiscal imbalances, any loss of revenue would be an important consideration. Moreover, for many developing countries, taxes on international trade are a large source of revenue. Indeed, an impetus for this paper was the observation, in a recent evaluation of IMF-approved Structural Adjustment Facility (SAF) and Extended

Structural Adjustment Facility (ESAF) programs, that some countries had targeted an increased reliance on revenue from international trade taxes or, in any event, had attained higher ratios of international trade tax revenue to GDP at the end of the SAF/ESAF-supported adjustment period.

Internet Availability – oder at <http://econpapers.hhs.se/paper/imfimfocp/180.htm>

Easterly, W. and Aart Kraay. Small States, Small Problems? 1999

Small states, no different from large states in income and growth, should receive the same policy advice large states do. Because of their greater openness, they may be more vulnerable to volatility in terms-of-trade shocks—but their openness pays off in growth.

Small states have attracted a good deal of research. Easterly and Kraay test whether microstates are any different from other states in income, growth, and volatility.

They find that, controlling for location, smaller states are actually richer than other states in per capita GDP. This income advantage largely reflects a productivity advantage—evidence against the idea that microstates are unable to exploit increasing returns to scale.

Small states do not have different per capita growth rates, with or without controls.

Internet Availability – full report at

<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2139/wps2139-abstract.html>

Edwards, S. Openness, productivity and growth: what do we really know? *Economic Journal*, 108, March, 383-398.

Some studies have suggested that countries that are more open to the rest of the world are better able to absorb the rapid technological advances of leading nations. If the costs of technological imitation are lower than the costs of internally developed innovations, then a poorer country will grow faster than a more developed one. This faster rate of

growth will continue so long as that country remains open to capturing new ideas until, at some point, an equilibrium is reached and the rate of growth slows.

Internet Availability – full report at <http://papers.nber.org/papers/w5978>

Hanson, Gordon and Ann Harrison. Who Gains from Trade Reform? Some Remaining Puzzles. National Bureau of Economic Research: Working Paper 6915. 1998

This paper focuses on three unresolved issues with regard to the impact of trade reform. First, many studies linking trade reform to long run growth are surprisingly fragile. To illustrate the problems with this literature, authors examine a popular measure of openness recently introduced by Sachs and Warner (1995). Paper shows that their measure fails to establish a robust link between more open trade policies and long run growth. The second puzzle authors identify is the small impact of trade reform on employment in developing countries. Finally, paper analyzes evidence on the relationship between trade reform and rising wage inequality, focusing on the 1985 Mexican trade reform. Wage inequality in Mexico rose after the reform, which is puzzling in a Heckscher-Ohlin context if Mexico has a comparative advantage in producing low skill-intensive goods.

Internet Availability – full report at <http://papers.nber.org/papers/W6915>

Finger, J. Michael. Market Access Advances and Retreats Since the Uruguay Round Agreement. 2000

The focus of this study is on the market access dimension of policy changes covered by the Uruguay Round Agreements. Authors calculations (explained in more detail below) measure generally, how commitments made at the Uruguay Round will affect applied protection. That paper is focusing on market access may seem an obvious point, but experience with previous drafts indicates that readers will view existing information from different perspectives.

Internet Availability – full report at

http://www.worldbank.org/research/abcde/washington_11/pdfs/finger.pdf

Finger, J. Michael. GATT Experience with Safeguards: Making Economic and Political Sense of the Possibilities that the GATT Allows to Restrict Imports

Suggested guidelines for a safeguards process that emphasizes an import restriction's impact on the domestic economy: Domestically, who would benefit from the proposed restriction and who would lose, and by how much? And how would import-using interests be affected?

Internet Availability – full report at

http://www1.worldbank.org/wbiep/trade/c_papers/wnt-papr.pdf

Jeffrey A. Frankel, David Romer. Does Trade Cause Growth? 1999

Examining the correlation between trade and income cannot identify the direction of causation between the two. Countries' geographic characteristics, however, have important effects on trade and are plausibly uncorrelated with other determinants of income. This paper, therefore, constructs measures of the geographic component of countries' trade and uses those measures to obtain instrumental variables estimates of the effect of trade on income. The results provide no evidence that ordinary least-squares estimates overstate the effects of trade. Further, they suggest that trade has a quantitatively large and robust, though only moderately statistically significant, positive effect on income.

Internet Availability – full report at

<http://netec.mcc.ac.uk/WoPEc/data/Articles/aeaacrevv:89:y:1999:i:3:p:379-399.html>

Ann Harrison, Gordon Hanson. Who gains from Trade Reform? 1999

This paper focuses on three unresolved issues with regard to the impact of trade reform. First, many studies linking trade reform to long run growth are surprisingly fragile. To illustrate the problems with this literature, authors examine a popular measure of openness introduced by Sachs and Warner (1995). Authors show that their measure fails to establish a robust link between more open trade policies and long run growth. The

second puzzle paper identifies is the small impact of trade reform on employment in developing countries.

Internet Availability – full report at <http://papers.nber.org/papers/W6915>

Kala Krishna, Ataman Ozyildirim, and Norman R. Swanson. Trade, Investment and Growth: Nexus, Analysis, and Prognosis. 1998

This paper looks at the patterns of causation between income, export, import, and investment growth for 25 developing countries. Approach differs from previous efforts in a number of ways. Paper finds that countries with high trade exposure fare poorly in this dimension and posit that the GDP growth in such countries is best modeled using an index of global business cycle conditions, in addition to the above variables. Paper finds that in around two thirds of the countries, examined growth, is best explained by exports and/or imports. Further, and in contrast to previous findings of bi-directional causality, around 70% of the countries exhibit uni-directional causality.

Internet Availability – full report at <http://papers.nber.org/papers/W6861>

Kaminski, Bartek (1999): "Privatization, Foreign Direct Investment and Export Performance: Evidence from Transition Economies"; Mimeo, World Bank.

Empirical examination of exports of Central European EU candidates to EU markets sheds new light on the intricacy of links between the 'troika' of privatization, FDI inflows, and integration into international markets. It also provides a strong empirical support against fears that opening to FDI might lead to a catastrophic relocation of domestic industries and erosion of the potential for growth. With liberal trade policies and business environment friendly to both domestic and foreign firms, FDI is a powerful agent of economic development and integration. A well-conceived privatization program may in turn contribute to their inflows.

Internet Availability – full report at
http://www1.worldbank.org/wbiep/trade/papers/Kaminski-Premnote_1.pdf

Kim J. Liberalization of Trade in Services and Productivity Growth in Korea. 2001

This paper seeks to investigate whether liberalization of trade in services increases productivity of the service subsectors and of the related manufacturing sector in Korea. By examining the changes of productivity in 1970- 97, we find that liberalization may have positively contributed to the productivity of the liberalized service subsectors. But we failed to show any consistent pattern between liberalization of trade in services and productivity changes in manufacturing subsectors due to the relatively small input coefficients of services in the manufacturing subsectors.

Internet Availability – full report at

<http://www.nber.org/books/ease11/liberal5-21-01.pdf>

Knetter, Michael M. and Thomas J. Prusa. Macroeconomic Factors and Antidumping Filings: Evidence from Four Countries. 2000.

This paper examines the relationship between antidumping filings and macroeconomic factors. Authors show that real exchange rate fluctuations affect the two criteria for dumping in opposite ways, making the overall effect on filings ambiguous in theory. Interestingly, no such ambiguity is evidenced in the data. Examining the filing patterns of the four major users of AD law during the 1980--98 period authors find that real exchange rates and domestic real GDP growth both have statistically significant impacts on filings. Bilateral filing data indicate that a one-standard deviation real appreciation of the domestic currency increases filings by 33% while a one-standard deviation fall in domestic real GDP increases filings by 23%.

Internet Availability – full report at <http://papers.nber.org/papers/W8010>

Matusz, Steven J. and David Tarr. Adjusting to Trade Policy Reform. World Bank, Washington DC. 1999.

A survey of more than 50 empirical papers shows that the adjustment costs of trade liberalization are small relative to the benefits. Moreover, manufacturing employment typically increases with trade liberalization. The limited data suggest that trade liberalization reduces poverty.

Virtually all of the studies that quantify the adjustment costs of trade liberalization relative to the benefits point to the conclusion that adjustment costs are small in relation to the benefits of trade liberalization.

Internet Availability – abstract

<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2142/wps2142-abstract.html>

Constantine Michalopoulos The Role of Special and Differential Treatment for Developing Countries in GATT and the World Trade Organization. 2000

Weaknesses in the institutional capacity of many developing countries provide a rationale for continuing special and differential treatment under the World Trade Organization (WTO), but the benefits should be targeted only to low-income developing countries and those that need help becoming integrated with the international trading system. An effective system of graduation should be put in place for higher-income developing countries.

Internet Availability - <http://econ.worldbank.org/view.php?type=5&id=1143>

Rodrik, D. The New Global Economy and Developing Countries: Making Openness Work. Washington D.C.: Overseas Development Council. 1999.

Developing countries can thrive in the new global economy—but only if they combine economic openness with a clear domestic investment strategy and effective civil and political institutions, Dani Rodrik argues in this provocative new book published by the Overseas Development Council.

Emerging-market nations must participate in the world economy on their own terms, not the terms "dictated" by global markets and multilateral institutions. The pursuit of so-called "international competitiveness" has too often crowded out traditional development concerns related to industrialization and poverty in many emerging economies, says Rodrik.

The appeal of opening up to global markets is based on a simple, but powerful

Internet Availability - order at <http://www.odc.org/publications/pe24bib.html>

Rodrik, D. How far will international economic integration go?. Journal of Economic Perspectives, 14 (1), pp. 177-186.2000

This article speculates about the future of the world economy 100 years from now. It argues that the spread of markets is restricted by the reach of jurisdictional boundaries, and that national sovereignty imposes serious constraints on international economic integration. The political trilemma of the world economy is that international economic integration, the nation-state, and mass politics cannot co-exist.

Internet Availability - full report at
<http://ksghome.harvard.edu/~drodrik.academic.ksg/papers.html>

Rutherford, Thomas F. and David G. Tarr. Trade Liberalization and Endogenous Growth in a Small Open Economy: A Quantitative Assessment. World Bank. 1998

Rutherford and Tarr develop a numerical endogenous growth model approximating an infinite horizon, which allows them to investigate the relationship between trade liberalization and economic growth.

The authors apply the model to five developing countries and estimate the impact of the tariff changes those countries plan to undertake as part of Uruguay Round commitments. Because of the dynamic effects, estimated gains are considerably larger than those found in the literature on the impact of the Uruguay Round.

Internet Availability - full report at
<http://www.worldbank.org/html/dec/Publications/Workpapers/WPS1900series/wps1970/wps1970-abstract.html>

Srinivasan, T.N. Developing Countries in the World Trading System: from GATT, 1947, to the Third Ministerial Meeting of WTO. 1999.

The paper describes how concerns about development of less developed countries were reflected in the evolution of the multilateral trading system, from GATT 1947 to the

conclusion of the Uruguay Round of multilateral trade negotiation and the establishment of the World Trade Organisation.

Internet Availability - abstract at

<http://netec.mcc.ac.uk/BibEc/data/Papers/fthyalegr566.html>

Wacziarg, Romain. Measuring the Dynamic Gains from Trade. Policy Research Working Paper. World Bank. 2001

This paper investigates the linkages between trade policy and economic growth in a panel of 57 countries, between 1970 and 1989. Authors develop a new measure of trade policy openness, based on the effective policy component of trade shares. This is used in a simultaneous equations system aimed at identifying the effect of trade policy on several determinants of growth. The results of this paper suggest a strong positive impact of trade policy openness on economic growth, with the accelerated accumulation of physical capital accounting for more than one half of this total effect; smaller effects operate through enhanced technological transmissions and improvements in the quality of macroeconomic policy. This decomposition is robust with respect to alternative specifications and time periods. Authors also successfully test whether the model exhaustively captures the effects of trade policy on growth.

Internet Availability - full report at

<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2001/wps2001-abstract.html>

Zhang Shuguang, Zhang Yansheng and Wan Zhongxin. Measuring the Costs of Protection in China. Institute for international economics.

Measuring the Costs of Protection in China analyzes some of the costs of trade protection and the corresponding benefits of liberalization for 25 highly protected sectors in China. The book begins with a description of the development of China's trade administration system, sketching the obstacles to and prospects for further liberalization. The authors

analyze the structure of Chinese trade protection and present their estimates of its static costs.

Internet Availability - abstract and order at
http://www.iie.com/publications/publication.cfm?pub_id=31

Zdenek Drabek, Sam Laird. Can trade policy help mobilize financial resources for economic development? WTO WORKING PAPERS. 2001

The linkages between trade and resource mobilization are complex and not well defined in theory. To what extent does trade policy affect resource mobilization and what are the mechanisms? We argue that trade policy is a key factor of influencing the domestic fundamental balance between aggregate savings and investment. The main effect of trade policy on resource mobilization stems from its contribution to static and dynamic gains from trade. But the effect of trade policy on the supply of financial resources also operates through several channels including through linkages of trade policy with foreign investment, government revenues, income distribution, foreign aid. The paper looks at direct and indirect channels, and makes a distinction between short and long term effects of different trade strategies.

Internet Availability - full report at
http://www.wto.org/english/res_e/reser_e/ae0102_e.htm

Marion, Jansen. International trade and the position of European low-skilled labour. WTO WORKING PAPERS. 2000

This paper presents a discussion of the potential channels through which international trade affects the position of low skilled workers in the European Union. After an analysis of the European Union's trade flows showing the predominant role of intra-industry trade with other industrialised countries, the discussion focuses on the potential effects of intra-industry trade on low skilled labour. Particular attention is paid to possible interactions between trade and technological change and to the possible effects of trade on the price elasticity of labour. The paper also discusses how trade may affect

incentives to invest in skills and thus a country's potential to alter the skill structure of its working force.

Internet Availability - full report at

http://www.wto.org/english/res_e/reser_e/ae0001_e.htm

Sam Laird. Transition Economies, Business and the WTO. WTO **WORKING PAPERS**.
1998

Transition economies are going through a process of changing the role of the state, allowing a greater role for the private sector. This is consistent with the market-oriented approach of the WTO. Remaining state agencies and enterprises will need to adapt their ways of doing business, including in their approach to procurement of goods and services, for economic and legal reasons. There is some hesitation about privatization, as for foreign direct investment, and, where accepted, about the precise timing. Where privatization of basic service monopolies occurs, the role of the state shifts towards a regulatory function. In some private sector activities, a non-interventionist approach to competition may be justified by market considerations, while in others a pro-active policy may be necessary to ensure the benefits of economic liberalization.

Internet Availability - full report at

http://www.wto.org/english/res_e/reser_e/tp9803_e.htm