

Lithuanian experience with WTO membership

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Kiev, 2 February 2006

The way to Lithuanian WTO membership

- On September 1992 Lithuania became GATT observer
- In 1995 Lithuania became WTO observer
- WTO membership negotiations started on September 1994
- Negotiations lasted six years, mainly due to tough Lithuanian position on farm subsidies and imports
- On May 31, 2001, Lithuania formally became the 141st member of the WTO

What is WTO for Lithuanian businesses and consumers?

- Membership in WTO liberalised the country's trade regime, encouraged Lithuanian economy and legal reforms
- Membership in WTO helped recovery from the Russian economic crisis of 1998-1999
- WTO introduces predictable trade policy outside and inside the country, since the policy is protected from political experiments that are limited by WTO membership obligations
- As a WTO member, Lithuania becomes a more reliable and attractive partner
- Membership in WTO opens to Lithuania markets of 140 countries along with a status of most favoured nation and non-discrimination principle

Principal advantages

- Membership in WTO provides Lithuania with better access to international financial markets
- More transparent, reliable and predictable rules offer more guarantees to local and foreign investors
- Numerous WTO requirements are in line with the EU entry conditions, hence WTO membership did facilitate EU accession
- WTO membership increases competition in internal market, which is useful for consumers, and allows producers to compete in export markets
- Increased competition results in more efficient allocation of the economic resources of the country

Some practical examples from Lithuania

- Gasoline import duties reduced from 15% to 10%, what drove gasoline prices down
- Agricultural produce import tariffs and duties were significantly reduced or even abolished (sugar excise in Lithuania)
- Significantly reduced stamp duties and licensing requirements for import and wholesale of alcohol, oil products, etc.

Dealing with WTO membership fears

- WTO membership did not brought-in any liberalization revolution for Lithuania – 60% of all foreign trade was effectively unrestricted (no import duties or import duties below WTO requirements), following the WTO membership import restrictions on 40% of imports were mostly reduced
- Lithuanian exports to WTO members noticeably increased past WTO accession and continue to grow
- The prospects of WTO membership facilitated and increased pace of inevitable reforms (esp. agricultural policies, privatization, etc.)
- WTO allows limited exceptions for most sensitive economic sectors (Lithuania took advantage of exceptions for traditional beer and mead industries)

WTO effects on Lithuanian foreign trade

	Export		Import		Balance	
	mln. Lt	mln. USD	mln. Lt	mln. USD	mln. Lt	mln. USD
1999	12015,2	3003,8	19337,9	4834,6	-7322,7	-1830,8
2000	15237,5	3809,4	21826,0	5456,6	-6588,5	-1647,2
2001	18332,0	4583,0	25413,2	6353,4	-7081,2	-1770,4
2002	20290,7	5475,6	28562,2	7709,4	-8271,5	-2233,8
2003	22145,1	7162,4	30268,7	9803,8	-8123,6	-2641,4

Global considerations

- WTO is the forum for further liberalization of world trade – e.g. cutting of farm subsidies in the developed world and opening markets for imports from
- WTO provides a working mechanism for resolving international trade disputes
- EU lost the WTO case on agricultural produce export subsidies
- US lost case on steel import tariffs

The Bottom line

- Despite numerous fears WTO membership is clearly beneficial as proved by the Lithuanian case
- WTO membership is a key to economic growth though:
 - more efficient and transparent national economy and
 - access foreign export markets
- The importance of WTO membership for any country will depend upon the ability of institutions, officials and producers to make use of all the benefits, rights and obligations the membership provides – it is not enough to be passive partner, the country has to be active and make use of all that the WTO can give

Thank you for your attention!

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