

## INTERNATIONAL TRADE AND INVESTMENT: STRENGTHENING THE MULTILATERAL TRADING SYSTEM AND MOVING AHEAD IN THE DDA

OECD members recognise the importance of creating momentum in the Doha Development Agenda (DDA) by moving forward on issues of substance and by addressing developing country concerns. They are committed to strengthening the multilateral trading system and related policy areas in an effort to increase the benefits of globalisation and enhance human welfare in all countries.

### **Market access**

In order to ensure a successful conclusion of the DDA, it is important to make concrete progress in the negotiations as quickly as possible. Along with agriculture (see *Agricultural Trade* chapter, page 23), negotiations regarding market access for goods and services are a major pillar of the DDA, and a key component for success will be finding ways to provide enhanced special and differential treatment for countries that need it most.

### **Tariffs**

Recent OECD research shows that the potential welfare gains from dismantling tariff barriers are substantial for all regions of the world: up to USD 100 billion globally, with up to 70% of those gains going to developing countries. While developing countries have much potential benefit from improved access to the developed country markets, a substantial share of their potential gains is associated with the liberalisation of their own tariff regimes.

A number of developing countries have expressed concerns that multilateral tariff reductions may in some cases have negative economic impacts associated with declining tariff revenues and shrinking preference margins. The OECD is responding to these concerns with two studies that will assess each issue empirically. The aim is to examine these issues in the broader economic context and, where appropriate, to consider possible policy responses to address developing countries' genuine concerns while promoting access to the larger benefits of trade liberalisation.

### **Non-tariff barriers**

In addition to tariffs, DDA negotiations in the area of market access for non-agricultural products also include the reduction or elimination of non-tariff barriers (NTBs). Intergovernmental discussions have made clear that the issue is not only traditional non-tariff measures at the border, such as import licensing, quotas and prohibitions, but also difficulties arising from behind-the-border policies in importing countries. World Trade Organization (WTO) members have started to provide notifications of non-tariff barriers but have yet to decide on the modalities for dealing with such measures. Given the wide

spectrum of NTBs and the difficulty governments have in obtaining good data, discussions on NTBs lag somewhat behind tariff negotiations.

To support and facilitate the NTB discussions, the OECD has taken stock of the range of non-tariff measures that are of concern to traders, and is currently pursuing a more detailed examination of the use and trade impact of individual types of border and behind-the-border measures.

### ***Trade in services***

A key challenge in the negotiations on trade in services is to ensure that all countries actively participate in the negotiations. OECD work provides analysis on issues and challenges for DDA negotiations on services and tools to assist governments in managing those negotiations. Recent OECD work on *Services Trade Liberalisation: Identifying Opportunities and Gains* has identified concrete examples of developing country services exports and presented the latest economic research quantifying the gains from liberalisation. Another important challenge in current negotiations relates to the potential impact of services liberalisation on countries' regulatory frameworks. The OECD is participating in concrete capacity-building in co-operation with the United Nations Conference on Trade and Development (UNCTAD) by producing practical checklists designed to strengthen negotiators' understanding of the issues involved in liberalisation, including benefits and regulatory challenges and how the WTO takes these into account. In addition to a generic negotiating checklist, sector-specific checklists have been developed for insurance and energy services, with legal, environmental and construction services under way.

The movement of people as service suppliers is among the most difficult issues in the services negotiations, and is particularly important for ensuring that developing countries fully reap the benefits of liberalisation. To inform this important debate, the OECD has recently produced a study on mutual recognition agreements. The temporary movement of services personnel was also the focus of a recent joint OECD/World Bank/International Organization for Migration seminar with non-members on trade and migration, as part of the annual series of OECD-World Bank meetings of services experts.

### ***Trade facilitation***

International trade has grown rapidly in recent years, and with it the relative importance of border procedures such as customs requirements, adding to the transaction costs for governments, businesses, and ultimately the customer. Surveys suggest that in some cases border-related costs could total as much as 15% of the value of the goods being traded. This is why trading nations have been seeking ways to make the whole process simpler and smoother, an endeavour now commonly called trade facilitation. Since 1996, trade facilitation has also been one of the topics under discussion in the WTO.

The OECD has carried out extensive analysis of this topic to help better understand the potential gains from international co-operation in the area of trade facilitation, as well as to identify possible approaches for putting any agreement into practice at the national level. Analysis has focused on assessing the costs of introducing and implementing trade facilitation measures, as well as the benefits of such measures to businesses, particularly small and medium enterprises (SMEs), and to governments, particularly in developing countries. The OECD has also analysed country practices aimed at harmonising and simplifying applicable border procedures, highlighting their strengths and weaknesses, and discussed possible approaches to trade facilitation reforms and related technical assistance and capacity building.

### **Trade and structural adjustment**

A healthy multilateral trading system is one of the essential conditions – linked with sound macroeconomic, structural and social policies and good governance – for reaping the benefits of globalisation. Based on a Swedish proposal at the Ministerial Council Meeting in 2003, the OECD is presently examining the nature of these policy interlinkages and the gains they promise through enhanced human welfare – for developing and developed countries alike. The multidisciplinary project on trade and structural adjustment centres on sector-focused and forward-looking analysis, supported by country-specific case studies. The first part of the study will identify challenges in eight selected sectors (agriculture, fisheries, textiles and clothing, steel, shipbuilding, motor vehicles, health services, and outsourced business process services). The second part will discuss domestic structural policies that facilitate adjustment, drawing on the *OECD Growth Study*, *Jobs Strategy* and stocktaking of structural reforms. The third part will include case studies of national experience in dealing with structural adjustment in the eight areas identified earlier and the policy implications that might be drawn. The goal is to complete the project in time for the Ministerial Council Meeting in 2005.

### **Export credits**

It is necessary to regularly update and maintain the international disciplines on officially supported export credits established and managed in the OECD, in particular the Arrangement on Export Credits. This need arises in the context of new emerging markets offering competing export credit products. The OECD has continued to review and improve disciplines for officially supported export credits, taking account of the need for more transparency and accountability. In this context, the OECD has achieved consensus and delivered concrete outputs over recent months: an improved text of the Arrangement on Export Credits which gives better access for non-participants wishing to know and possibly apply its disciplines, and an OECD Recommendation on Export Credits and the Environment which provides for a high level of due diligence with regard to the environmental impact of projects supported by export credit agencies.

### **Trade and investment, and trade and competition**

In the context of the ongoing Doha mandate for WTO negotiations, a number of sensitive issues continue to present stumbling blocks. In view of the setback at the WTO ministerial meeting in Cancún and uncertainty since then at the WTO about the possibility of continuing previous work in Geneva on the “Singapore Issues”, including trade and investment and trade and competition, OECD members have generally been eager to keep analysis and dialogue alive on these important trade-related subjects through OECD committees and various outreach events.

An important new initiative on Investment for Development is under way at the OECD to help promote investment in developing countries. This new initiative involves three dimensions: drawing lessons on the use of official development assistance (ODA) in support of countries’ efforts to mobilise investment for development; sharing the OECD’s experience with investment policy peer reviews as capacity-building mechanisms; and developing a Policy Framework for Investment conceived as an operational guide on good practices for improving the investment environment. Other analytical work under way on trade and investment focuses on regional trade agreements and the impact on foreign direct investment (FDI) flows of commitments under the WTO General Agreement on Trade in Services (GATS).

OECD work on trade and competition continues to address concerns of developing countries. Before the Cancún ministerial, the OECD studied the perceived needs of developing countries for flexibility and progressivity in assuming possible multilateral obligations on competition policy. Post-Cancún, further analysis and advocacy work on trade and competition centre on two broad categories: addressing developing country concerns, including through trade and competition advocacy and outreach programmes; and analysis of frameworks and modalities for multilateral co-operation, which includes monitoring developments in negotiations at the WTO. The current work is based on the analysis of case studies on how anticompetitive behaviour affects the performance and competitiveness of firms in developing countries and transition economies. These case studies aim to increase appreciation of how strong competition policies complement liberalised trade policies in making export sectors in developing countries more competitive, thereby fostering economic growth and development.