

Achieving a Successful Doha Development Agenda: The OECD Contribution

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Introduction

The Convention of the OECD, which provides the Organisation's mandate, includes among the OECD's fundamental aims to promote policies designed to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

In line with this basic mandate, OECD members welcomed the Doha Declaration, which launched new multilateral trade negotiations within the WTO and have committed to build on the promise embodied in the Doha Development Agenda (DDA). They are aware of the benefits to be reaped by all countries if negotiations are successfully completed, as well as the dangers to the multilateral trading system and the global economy in case of failure.

Trade and investment liberalisation, underpinned by strengthened multilateral rules and combined with well-designed policies, contributes directly to global economic stability and growth, as well as improved welfare, sustainable development and poverty reduction. OECD member

1) The views expressed in this paper are those of the authors and do not necessarily represent those of the Organisation or its members.

countries understand the need to demonstrate that liberalisation can be conducted in a way that enables the costs of adjustment to be minimised; the right to regulate in the public interest preserved; and the benefits of globalisation to be shared more widely. With important new players now engaged in the multilateral trading system, it is important for all countries to consider how liberalisation can help their economic welfare. Analysis carried out by the OECD Trade Directorate, overseen by its Trade Committee, and dialogue with non-OECD economies, aims to support and contribute to achieving progress in these areas.

The emphasis placed by the Doha Declaration on the delivery of trade-related capacity building calls for the OECD to participate in the international effort in this respect, and to enhance its trade-related analytical work on developing countries and trade issues of importance to them. The response to the DDA has become a core responsibility of the OECD, which is uniquely placed to contribute to the WTO process.

The forum provided by the OECD Trade Committee allows trade negotiators from OECD and several Observer countries to discuss issues of importance to them in an informal, non-negotiating setting, supported by analytical work carried out by the OECD Secretariat and regular consultations with civil

society stakeholders. This can be seen as complementary to the actual negotiations taking place within the WTO. The Trade Committee deliberately positions itself upstream from the WTO, taking innovative approaches and cracking the hardest nuts. In this way, the OECD seeks to make a significant contribution to the debates taking place in Geneva. Close co-operation with the WTO Secretariat and the briefing of the WTO membership is an important part of this process.

Working towards a successful DDA

The strengthening of the multilateral trading system and the facilitation of broad-based negotiations within that system, under the DDA, requires action on three fronts. First, it is necessary to strengthen the constituency for free trade by listening to the views of economic actors and other stakeholders; by demonstrating the costs of barriers to trade and investment and the corresponding benefits from their removal; and by allaying the concerns associated with a more liberal trade and investment environment. Second, it is necessary to bridge the gap in areas which are particularly sensitive and which could present a stumbling block to broad-based negotiations. And third, it is necessary to foster agreement

on the modalities by which negotiations should be concluded and help countries to better prepare for and engage in WTO negotiations.

The OECD is actively engaged in each of these three areas, through its analysis and peer review, and through the sharing of its work - and work in progress - with a wider audience, including outside its membership. In particular, the need to foster agreement on modalities for negotiation, in consultation with other international organisations and with non-members, has taken on increased importance and the run-up to the Cancun Ministerial Meeting, and in response, the OECD has increased its efforts on this front.

Facilitating negotiations

The need to foster agreement on modalities for negotiation, in consultation with other international organisations and with non-members, has taken on increased importance in the run-up to the Cancun Ministerial Meeting. The OECD is seeking, through its analytical and advocacy work, to contribute to facilitating WTO negotiations.

Improved *market access* for all WTO members is at the heart of a successful DDA. And market access represents perhaps the single most important trade issue for developing countries. In the sectors of

agriculture, textiles and clothing, services and some industrial products, to name just a few areas, market access barriers continue to limit export prospects for developing countries. In June 2003, the OECD organised an international conference on The Market Access Challenge in the Doha Development Agenda which brought together trade experts and practitioners from developed and developing countries. Discussions covered a number of generic issues related to market access, including both non-tariff measures and tariffs, along with issues of particular interest for developing countries, such as the specific challenges of services liberalisation, trade facilitation and sectoral issues in agriculture, textiles and clothing and environmental goods.

Making progress in *agriculture* is crucial to the success of the negotiations and to making the DDA a true development round. Benefits and costs of further reform and trade liberalisation in agriculture are being explored along with appropriate policies to facilitate the necessary adjustments. The OECD is systematically estimating levels of support and protection using an agreed methodology and examining specific trade policy questions concerning market access, export competition and trade-distorting domestic support. Forward-looking analyses quantify the relative impacts of alternative trade policy outcomes.

The Directorate for Food, Agriculture and Fisheries is preparing a synthesis report on export competition which will cover such diverse topics as export subsidies, export credits, price discrimination, state trading and food aid. In-depth explorations of reform impacts are being undertaken for a number of specific commodity sectors where levels of support and protection are high and where resistance to reform has been particularly strong.

Concrete capacity-building on *services trade* is key to helping WTO members prepare for the market access stage of GATS services negotiations. To assist countries with negotiations, the OECD recently developed a request-offer template setting out good practices for consultation with domestic stakeholders and intra-governmental co-ordination. Now, with UNCTAD, it is developing negotiating checklists for specific sectors, such as insurance, legal, energy and construction services. The OECD is also assisting the WHO to adapt the checklists for health services.

The OECD is also analysing the use and trade effects of specific *non-tariff measures*, including non-automatic import licensing, export duties, export restrictions and labelling. Other work provides an overview of non-tariff barriers from a business perspective. This work

is timely in the light of the agenda set by the WTO Negotiating Group on Market Access for the tabling of proposals and subsequent work in the area of non-tariff measures.

The OECD is supporting WTO negotiations on the reduction or elimination of tariff and non-tariff barriers to *environmental goods and services*, through analytical work related to the definition and classification of environmental goods. OECD work has provided input to ongoing trade discussions on how the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development. In November 2002, the OECD held a workshop in New Delhi on the effects of environmental measures on market access, especially for developing countries. As a follow-up, the OECD is identifying practices that could minimise adverse trade effects, including technical and other capacity-building assistance.

In light of ongoing WTO discussions on *trade facilitation*, the OECD has examined national experiences with past implementation of proposals made in the WTO to clarify and improve GATT Articles V, VIII and X. This analysis has supported discussions in the WTO Council for Trade in Goods in the area of trade facilitation. A study on trade facilitation for developing and transition countries will

analyse the relative costs and benefits for non-OECD countries of applying trade facilitation programmes. These efforts aim to clarify the issues that could be addressed through multilateral negotiations.

Drawing on earlier work on integrity and trade facilitation to provide relevant perspectives relating to good governance in government procurement, analysis of *transparency in government procurement* has placed particular emphasis on the benefits that can accrue to nations through adopting more transparent procurement procedures. Selected country approaches in the area of transparency in public procurement highlight good practices.

Leading up to Cancun, the OECD continues to explore the complex interaction between *trade and investment* from both an economic and a policy perspective. Work is underway on the impact of trade policies on FDI flows and on the relationship between bilateral investment treaties, regional trade agreements and multilateral disciplines. Analysis of trends in investment liberalisation as reflected in the evolution of mode 3 commitments under the GATS and the OECD investment instruments, as well as progress in the implementation of existing investment-related commitments at the WTO, is also underway. The OECD is also engaged in outreach in the area of trade and investment,

working with African countries to help them make the most of the benefits of globalisation. In April 2003, the OECD organised a conference on trade and investment in Dakar, Senegal, on the theme *Maximising the Benefits of Globalisation for Africa*. This conference considered the regional, national and multilateral dimensions of trade and investment in the African context, bringing together a wide cross-section of stakeholders from the public and private sectors.

The OECD Trade Directorate and Directorate for Financial, Fiscal and Enterprise Affairs are exploring how *trade and competition policies* can best complement and reinforce each other. Supporting WTO discussions, studies have looked at subjects directly relevant to a multilateral agreement on competition (MFC), such as core principles for such an agreement, and the role of peer review and other potential compliance mechanisms. Future work will place particular emphasis on the fundamental question of how best to provide flexibility for developing countries while helping them to adopt the sound competition laws and policies needed for their development.

As a contribution to the Doha mandate, the OECD is investigating the degree to which the provisions for *special and differential treatment* are supportive of development, along

with stakeholders' views on this question.

In September 2002, the OECD issued a CD-ROM: *The OECD Tool Kit for Trade Policy-Makers - Responding to the Doha Development Agenda*, grouping more than 40 OECD analytical publications and reports on trade policy issues of relevance to the DDA. It provides a valuable tool for governments and the public to enhance their understanding of trade policy issues and negotiating procedures. A second CD-ROM *Tool Kit* will be issued in August 2003 and presented during the Cancun Ministerial.

The OECD and WTO have created a user-friendly joint database that provides information about *trade-related technical assistance and capacity building* in three areas: trade policy and regulation; trade development; and infrastructure. This will help the development and trade communities improve co-ordination, share information and monitor implementation of the technical assistance commitments made at Doha.

The OECD also has a long-standing role in negotiating and developing disciplines in the field of export credits. Officially supported export credits are an integral part of the multilateral trading system and through their work in the OECD, Members have, over the past 20 years, sought to phase out trade distortions and reduce subsidies to encourage a

level playing field. The Arrangement on Officially Supported Export Credits is being revisited in the light of recent developments in the WTO, with a view to making it more user-friendly, especially for non-Participants who may wish to make use of its provisions. The Participants will also continue to exchange views on the ongoing WTO discussions relating to export subsidies and consult with interested non-Participants.

Building bridges in sensitive areas

The OECD is working to build bridges of understanding on a range of sensitive issues which could present a stumbling block to broad-based negotiations under the DDA. These issues are sometimes associated with strongly divergent views. In agriculture, work is ongoing on key issues at the interface of domestic and trade policy, such as decoupling economic growth from environmental degradation, and multifunctionality - for example, agriculture's contribution to maintaining a rural population, preserving the landscape, etc. The work on decoupling aims to clarify the mechanisms of and extent to which different types of policy measures affect production and trade. The work on multifunctionality is defining optimal policy strategies consistent with the need to minimise

production and trade effects of domestic measures.

Trade in services remains a sensitive issue, particularly the movement of people as service suppliers (GATS Mode 4). The Trade Directorate has produced leading work on the definition, measurement and economic impact of Mode 4, as well as on the issue of mutual recognition. The OECD continues to play a major role in launching a constructive dialogue on this issue, including between trade and migration officials. A meeting of Services Experts, planned for late 2003 with the World Bank, will bring together trade negotiators, industry specialists, academics and - for the first time - regulators from both OECD and non-OECD countries to explore and debate key issues in an informal, non-negotiating setting.

Trade-related regulatory issues continue to attract wide attention. Reducing regulatory barriers to trade and investment enables countries to benefit more fully from technological innovation and achieve greater efficiency in production and marketing. While recognising the right of national governments to establish regulations, the OECD has been exploring the least trade restrictive means of regulation. The OECD has drawn on material from the 18 country reviews of regulatory reform conducted since 1998 to prepare a cross country analysis of good practices in

integrating the concept of market openness into the regulatory process. In 2003, the Global Forum on International Investment will address the theme of improving public governance and transparency for investment, including the principle of international investment openness through the regulatory process.

Work continues on the 2001 agreement among most OECD countries to unilaterally and voluntarily apply Common Approaches for assessing the environmental impact of projects benefiting from officially supported export credits. In 2003, members of the Working Party on Export Credits and Credit Guarantees will report on the projects to which they have applied the Common Approaches as part of the review to enhance them; NGOs and other stakeholders will be consulted in the review process and an OECD recommendation may be concluded.

Strengthening the constituency for free trade

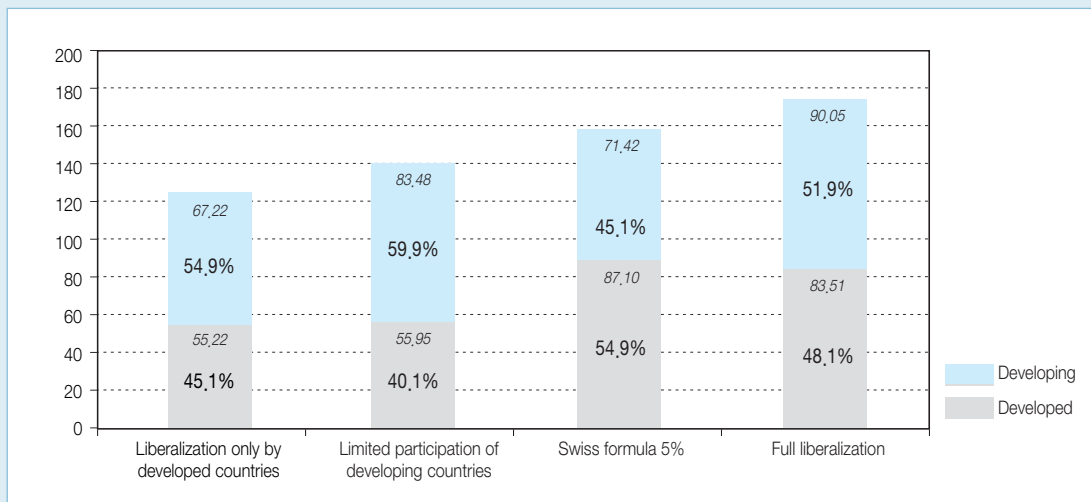
Building consensus among governments and the broader public in support of market openness can strengthen the negotiations process. The OECD fosters this process through analytical work and by providing a forum for constructive dialogue among OECD members and with non-members.

The Trade Directorate recently launched a quantitative study of the *potential welfare gains from further tariff reduction*, using information on recent negotiating proposals concerning tariffs, and taking into account an estimate of gains from trade facilitation. The study emphasises the positive implications for developing countries of further trade liberalisation. In relative terms, developing countries would be amongst the major beneficiaries of further tariff reduction (Figure 1). Particularly large gains are likely in sectors critical to developing countries, such as agriculture, as well as in manufacturing sectors, such as textiles and clothing and motor vehicles and parts (Figure 2). Work is also

being undertaken to examine the impact of various tariff liberalisation scenarios on government revenues in developing countries.

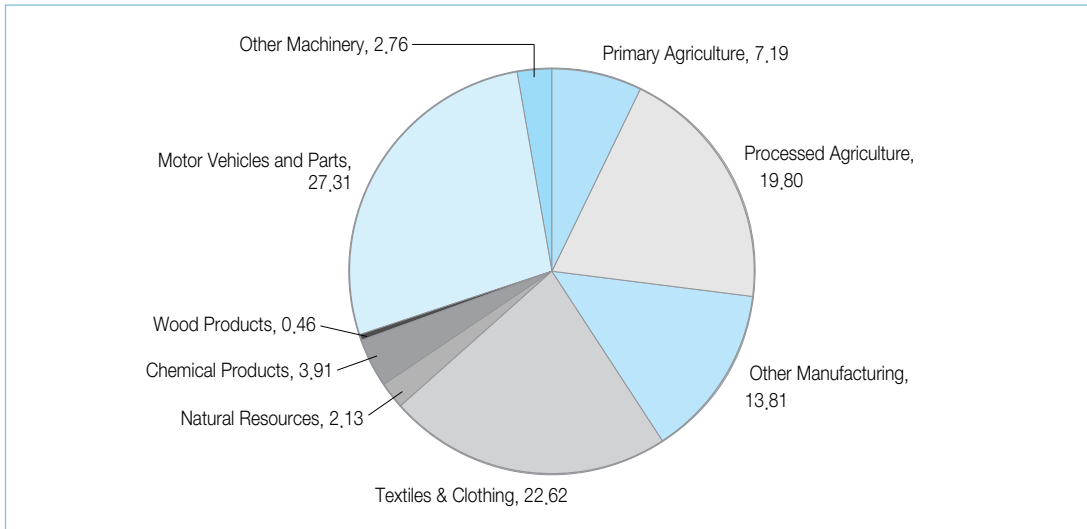
There is a continuing need to demonstrate the benefits of services liberalisation for all WTO members. The OECD is identifying concrete examples of developing country services exports, including exports to other developing countries, complemented by empirical and econometric work to demonstrate the benefits of liberalising trade in services for the wider economy. An important premise of the study is that much of the gain arises from the fact that services trade liberalisation is an agent for enhanced mobility of factors of production: capital (through

Figure 1. Distribution of the welfare gains by selected liberalisation scenario



Source: Compiled from OECD (2003), "The Doha Development Agenda: Welfare gains from further multilateral trade liberalisation with respect to tariffs", TD/TC/WP(2003)10/FINAL.

Figure 2. Sectoral sources of developing countries' welfare gains from tariff cuts (%)



Source: Compiled from OECD (2003), "The Doha Development Agenda: Welfare gains from further multilateral trade liberalisation with respect to tariffs". TD/TC/WP(2003)10/FINAL.

GATS mode 3) and labour (through mode 4). Both of these modes of supply offer of course great opportunities for developing countries. The study finds that gains from the liberalisation of trade in services have the potential to far exceed those, already considerable, from freer trade in goods, and that the biggest gains go to those with the highest barriers. Again, developing countries stand to be among the principal beneficiaries.

The OECD is trying to strengthen the constituency for further trade liberalisation in agriculture. A major report published in 2002 entitled *Agricultural Policies in OECD Countries: A Positive Reform Agenda* looks at the costs and benefits of agricultural trade

reform, including issues such as market access, export subsidies and domestic support to farmers. The report highlights policy reforms that would yield better domestic results, while at the same time avoiding negative international spillovers and trade distortions.

The Trade Committee has launched a project on *textiles and clothing* ahead of the phase-out of the Multi-Fibre Arrangement by the end of 2004 to analyse the likely impact of liberalisation. It will include a study of structural adjustment policies in these industries in selected OECD and non-OECD countries, focusing on four policy areas (trade, labour adjustment, technology and innovation, and business facilitation).

Following the WTO's discussion on *trade, debt and finance*, which emerged from the Doha Ministerial Meeting in 2001, the OECD has also initiated analysis on the role of trade policy in contributing to financial stability in developing countries. In the context of the Heavily Indebted Poor Countries (HIPC) Initiative, the OECD has conducted a preliminary assessment of the impact of trade and trade-related policy reforms on economic performance, export capacity and the ability to attract foreign direct investment.

Trade policy dialogue with *transition economies* is important for promoting open markets and the fuller integration of these countries into the world economy. In May 2003, the OECD published a study on the role of regions in Russia's trade policy. It is working with officials from the Russian Federation to bolster their analytical capacity in trade policy, with an expert meeting on trade policy analysis held in June 2003 in Moscow. The Korean Government has provided active support, in the form of financial contributions, to these activities with Russia.

China's smooth integration into the multilateral trading system is a top priority of OECD countries. In 2002, the OECD undertook a study to assess the opportunities for increased trade and investment resulting from China's trade liberalisation, and the new

competitive pressures on producers in the Asia region from better access for Chinese exporters. In early 2003, a policy seminar on regional trade arrangements (RTAs) was organised in collaboration with the Ministry of Foreign Trade and Economic Co-operation in Beijing. The OECD is now discussing with Chinese officials how best to deepen policy dialogue.

A project on *trade in services in South Eastern Europe* has begun in co-operation with the Stability Pact Working Group for Trade Liberalisation and Facilitation. It involves the collection and analysis of available information on current trade in services in the region and of obstacles that prevent the realisation of benefits from intra-regional trade in services. A publication on Economic and regulatory environment for trade in services in transition economies is currently under preparation.

Participants to the Arrangement on Officially Supported Export Credits and the Working Party on Export Credits and Credit Guarantees (ECG) are responding to developments in the WTO and broader policy concerns of government and civil society related to the DDA, the environment, good governance and sustainable development. In response to calls from OECD ministers, a Statement of Principles was agreed by the ECG in 2001, which seeks to discourage the

provision of export credits for transactions that are not consistent with Highly Indebted Poor Countries (HIPC) debt reduction and sustainability strategies, and those that do not contribute to their social and/or economic development. In 2002, the ECG agreed to report their discussions on these issues to the HIPC and to make the information publicly available. The tied aid disciplines of the Arrangement continue to be successful in reducing trade distortions.

Key issues for a successful 5th WTO Ministerial Meeting in Canc n

As a milestone in the negotiating process, it is hoped that the Canc n meeting will allow for the smooth continuation of the DDA, towards the goal of the single undertaking foreseen in Doha. It is no secret that a few key issues will set the atmosphere for continuing negotiations: TRIPS and public health, agriculture, and special and differential treatment (S&D) and implementation.

As regards access to generic medicines, it should be borne in mind that the moral dimension of the issue - because it directly affects the lives of human beings - transcends the purely economic dimension of intellectual protection. Given the importance of the issue to developing countries, it would appear

unthinkable that delegates could leave Canc n without resolving the uncertainty over the health care policies of the countries that need it the most.

Concerning agriculture, since the Uruguay Round, this long-sheltered sector has been engaged in a process of reform, market opening and liberalisation. This reform process cannot help but contribute to a redistribution of wealth not only between developed and developing countries, but also within the developed countries themselves. There are two pitfalls to avoid concerning agricultural reform: confusing negotiating methods with their final outcome; and regarding intermediate stages as sacred. An outcome for this round of negotiations is conceivable only if it is balanced. This means that reform efforts will have to be shared between all forms of agricultural support, whether direct or indirect, transparent or more concealed. If realism wins out in Canc n, the negotiations will go forward smoothly.

Special and differential treatment for developing countries is also a crucial and omnipresent topic in the Doha Declaration. Decisions have to be taken, even if they are only provisional or partial. Beyond the response that the developing countries themselves await from the developed countries, in particular with respect to the indisputable

needs of technical assistance and capacity-building, they should continue to ponder two issues.

First, is it in their own interest, sheltered by the special provisions they would benefit from, to postpone the reforms that would speed up the modernisation of their economies and their growth? And second, since the established term of special and differential treatment itself comprises the notion of difference, should it not apply to developing countries themselves? Does a developing country remain a developing country forever, and do the better-off among them also have an obligation of solidarity vis-à-vis the neediest? In this respect, a clear differentiation of developing countries is needed, despite the political difficulties surrounding this issue. The issue is a challenging one for many countries, and they should engage in further reflection on it.

Conclusion

The Doha Development Agenda offers a once-in-a-generation opportunity which should not be missed. The benefits of a successful Doha Round are clear. Trade is a key engine of economic growth and improved welfare, and greater integration of all countries in the world economy can contribute to enhancing development and lifting populations out of poverty. OECD members realise that they have a special responsibility to show leadership and to act decisively to ensure the successful conclusion of the DDA. Through its analytical work and dialogue with countries outside its membership, the OECD has redoubled its efforts to contribute to the success of the 5th WTO Ministerial Meeting in Cancun as an important step towards that goal, and as a contribution to strengthening international co-operation, stability and economic integration in the 21st century. ◀●