SUMMARY AND CONCLUSIONS OF THE SYMPOSIUM
ORGANISED BY THE TRADE COMMITTEE ON
"OECD AND THE NEW TRADE POLICY CHALLENGES OF THE 1990s"

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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FOREWORD

On the occasion of the 100th Session of the OECD Trade Committee, an informal symposium was organised on the subject "OECD and the New Trade Policy Challenges of the 1990s".
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Summary and Conclusions of the Symposium on
"OECD and the New Trade Policy Challenges of the 1990s"

On the occasion of the 100th Session of the OECD Trade Committee, an informal symposium was organised on the subject "OECD and the New Trade Policy Challenges of the 1990s".

The symposium was held on 19 November 1991 at OECD Headquarters in Paris. About 40 trade policy experts participated on a personal basis, drawing on their backgrounds as government officials (including Trade Committee Members as well as representatives from Mexico, from the "Partners in Transition" countries and from the Dynamic Asian Economies), as businessmen, as academics or as journalists.

The objective of the symposium was to provide an opportunity for reflection on the role and structure of the trading system in a changing world economy. In this context, it would particularly examine the future role of OECD and the Trade Committee.

The discussions were introduced by two panels. They were centered on three main themes:

-- What should be the objectives of trade policy and the general role of government in the 1990s? This question was examined against the background of the increasing globalisation of production and markets.

-- With increasing recognition of policy interlinkages, what are the important issues that need to be addressed to achieve a competitive, dynamic and sustainable economy for the future? The focus here was on the interrelationships between trade policy and competition; how environmental protection and trade liberalisation can be made mutually supportive; and the issues raised by "integration", both at the regional level and with respect to the integration of new partners into the international trading system.

-- How can policy coherence and convergence be achieved and what role can OECD and the Trade Committee play in this regard? It was recognised that the comparative advantage of OECD lies in its broad competence in a large number of policy areas, which should be able to serve as a basis for building understanding of policy interlinkages and for working toward multilateral solutions.

As a background to the discussion, the Secretariat had prepared an issues paper which discussed briefly the three main themes listed above [TD/WD(91)371].

The following points were highlighted in a lively discussion, which tended to focus on general long-term issues rather than on recent sectoral problems or bilateral trade frictions.
Participants started by recognising that, as one aspect of the transformation of the economic system, international trade has been changing in character, requiring a redefinition and expansion of the scope of trade policy. As firms internationalise their production process, the traditional analysis of trade as a simple cross-border exchange of goods, determined on the basis of largely static comparative advantage, has become less relevant. Production and sales are now increasingly focused on the interface between customers and goods: instead of simply adding material inputs, industrial organisation is increasingly concerned with adding value and with using high-technology to customise output for individual users. As international competition has intensified under more diffuse and complex conditions, producers often perceive incentives to restructure their operations and, for instance, move final production facilities closer to main sales markets.

New theories attempt to shed light on the way government policies may influence production and trade patterns by referring to such concepts as product differentiation, economies of scale, intra-industry and intra-firm trade and the "creation" of competitive advantage. Trade policy is now understood as encompassing or being directly related to a wide range of domestic policies. Competition, investment, environment, consumer protection, fiscal policies, etc., together with policies determining the characteristics of market structures such as the domestic distribution and marketing systems -- all have a potentially direct effect on trade flows and thus on trade policies. To an increasing extent, competition and therefore trade, takes place between "societies" or "systems" rather than between "countries" drawing upon traditional national factor endowments. It is necessary for firms to adapt to this new situation.

Both at the regional and world levels, one of the major underlying trends identified has been globalisation. Though hard to define with precision, it has been described as international specialisation moving from a base in national products to one in which various production processes are increasingly hived off geographically. At the same time, the overall nature of production has been evolving, e.g. as services gain in importance, in overall economic activity and as an input for manufacturing. Nevertheless, one should be aware of the limits to the globalisation phenomenon: we are not yet at the stage of a borderless world. The actors are still individual countries and firms. One view is that "globalisation" might best be described as economic activities which take advantage of "global diversity".

The challenge of globalisation is to reconcile local values with efficiency while recognising that important actors are able to project their values on a larger scene. Will there be a need to develop a policy for globalisation in the same way as that which is emerging for regionalisation? Deregulation will not be the end of the road, since it only implies getting rid of existing impediments. Are SMEs facing the risk of being squeezed out by larger firms? What are the implications of mergers and strategic alliances?

In this context of change, new issues are now appearing which need to be integrated into the trade agenda in a suitable manner. A typical case is the interface between environment and trade policies, which has taken on huge importance within the past few years. However, several participants in the symposium stressed that the attention given to the new factors influencing on
The new issues are putting strain on the trade policy concepts and instruments which have underpinned the trading system during the post World War II decades and suggest the need for a critical review of them. The question is how to preserve or restore the effectiveness of the multilateral trading system. Anti-dumping is a case in point. According to some views, it does not embody a sensible criterion of competition and has come to be used as a protectionist weapon of last resort. Similarly, it can be difficult to give precise meaning to some common conceptions. A much used formula, the "level playing field", lacks in fact a clear and mutually acceptable definition. There is, of course, no easy benchmark and any given equilibrium is likely to be suboptimal. It is obvious that the constant interaction of so many different factors makes it exceedingly difficult to "level" the field and keep it that way. It was suggested that the comparison should rather be between "fields of architecture", i.e. where an overall balance would be sought between the national policy mixes making up different "systems".

Participants in the symposium agreed that these complex and interlinked issues needed further thorough analysis. This effort should be set within a medium term strategy. In a first stage, interest should be largely focused on the issue of competition in present world circumstances. The goal would be to begin by analysing the various interrelated factors, at the level of national policies and enterprise behaviours, which underlie international competition. On the basis of this analysis, various policy options could then be set out.

OECD is the best equipped forum to rise to this challenge. A programme of work on the trade issues of the 1990s, which would fulfil the mandate set out in June 1991 by Ministers, could run according to the following broad outline:

-- Analysis of changing realities for world trade, particularly as they reflect new structures in key industrial sectors;

-- It would have as an objective to test the definition of trade policy that has been given until now and to broaden its conception so that it can address the range of new dimensions which have emerged;

-- It would examine existing trade rules to elucidate where and why they may not fit well within new forms of production and trade and, if so, how this situation should be addressed.

This would be done in relation to the new paradigm that will hopefully emerge from the Uruguay Round negotiations and which will broaden the scope of international disciplines to areas such as services, investment, movement of people... In particular, there will be a need to refine or recast the notion of effective market access, introducing, as appropriate, elements of competition.
In more practical terms, this could imply activities in the following areas:

-- Trade and environment: This is an issue which to some extent has been kept separate from the rest of the trade in the 1990s problematique, since a joint work programme between trade and environment experts is already moving at a brisk pace. Trade policy experts should recognise that environmental policies are evolving at an accelerating pace and they must give careful attention to the implications for trade and the new interlinkages.

-- Competition is viewed by many speakers as the central paradigm for the remainder set of trade issues for the 1990s. One needs to define the goals of an "international" competition policy allowing "effective market access" and the framework best suited to evaluate these goals and monitor their implementation. A joint work programme with experts from the CLP is in an initial stage. It should explore, on the one hand, the areas where inadequate competition policy rules anxd procedures impede market access and, on the other hand, areas where failings in trade policies and practices make it difficult to achieve the goals of competition policy. Experts from both sides should now devise an analytical method and a process to respond to these questions.

-- International investment is another issue that should be focused on in this programme. It is now clear that direct exports and local presence go hand in hand in the strategy of enterprises. Many government policies intervene, directly or indirectly, in favour of the location of production centres or of particular types of production processes. Multilateral ground rules for such policies (be they aimed at supporting innovation, encouraging "strategic" industries, controlling mergers and acquisitions, etc.) are needed. But there is still a need to reflect on what OECD countries wish to achieve in this area.

-- A careful assessment of the results achieved in the Uruguay Round will, if all goes well, be one of the first priorities in 1992. To what extent will it find solutions to some of the issues debated in the symposium? It will be necessary to measure the situation in relation to which the new trade options for the 1990s will be gauged; it is also obvious that the traditional building blocks of trade policy remain fully relevant for the 1990s. But one should also be realistic and realise that it will take some time to put into effect fully the reform of present trade instruments, as agreed in the Round. This will have to be carefully monitored.

-- OECD countries should continue to encourage the integration of new partners into the free market trading system. Mention was made by participants from some non-member countries (Mexico, DAEs and PIT countries) of the particular constraints which they face in their progress towards open economies.
Other points to be given consideration in this programme of work and mentioned by participants were the following:

- The OECD Secretariat should explore the question of intra-firm trade, in particular in sectors which have seen a significant development of this phenomenon;

- One should allow business (BIAC), labour (TUAC) and perhaps also consumers to participate and offer inputs into that OECD analytical process.

Finally, it was recognised that the symposium had made a significant contribution to a much broader process through which the OECD was expected to help its Members on a continuous basis to face the challenges of evolving economic conditions. The trade community shared responsibilities for the implementation of the long-term structural mandates which had been given to OECD by Ministers last June. Trade had a specific role to play as a herald of emerging problems -- a kind of seismograph. It could warn about the issues that must be addressed.

In the decades ahead, OECD would need to mobilise its unique horizontal analytical and conceptual capacities to help develop a blueprint for the evolving trading environment in a global economy, but without discarding the positive acquis of the present system. It may also need to prepare for addressing additional new sectoral or systematic issues that can already be seen looming on the horizon. Examples were quoted of areas where the interaction between international and other domestic aspects might assume much greater importance in the future, such as health-care policies, investment financing, harmonization of tax policies, transport, labour policies and immigration, and last but not least, development policies. In the meantime, governments should be alert to the pressures exerted from the outside on trade policies, which tend to erode its fundamental principles. This slow, incremental erosion should be strongly resisted, since these principles will continue to underpin the adaptation of trade rules and disciplines which are called for by the new challenges of the 1990s.
Annex I

Agenda and Panel Assignments

Introductory remarks:
Towards a global economy -- Secretariat
A broadbrush picture to highlight recent developments in the international economic environment and to pose the general issues for discussion

Topic A: What trade policy for the 1990s?
- R. Morris (moderator) US Council for International Business
- Panel discussion:
  - -- Elements of change in the trading environment (the role of multinational enterprises, globalisation, services, communications, technology, FDI, etc.)
  - V. Cable (lead speaker) Shell International
  - M. Balazs (discussant) Hungary
  - -- What should be the objectives of trade policy in the 1990s?
  - H. Junz (lead speaker) IMF Geneva
  - B. Logan (discussant) IBM Europe
  - -- Government action in favour of the "national interest": the issues of "fair trade" and "strategic" support to high-tech sectors.
  - M. Wolf (lead speaker) Financial Times
  - P. Noyola (discussant) Mexico

Topic B: Policy interlinkages and the goal of a competitive, dynamic and sustainable economy
- R. Cornell (moderator) OECD
- Panel discussion:
  - -- Trade policy and competition at the national and international levels
  - D. Ireland (lead speaker) Canada
  - H. Suto (discussant) Japan
  - -- Trade and the environment: how to reconcile environmental protection and trade liberalisation
  - J. Murphy (lead speaker) US
  - T. Naess (discussant) Norway
-- Integration:
  - Regional integration and world-wide liberalisation
  - Integration of new trade partners
    - R. Abbott (lead speaker) EC
    - J.H. Yoo (discussant) Korea

Summary of the discussion on Topics A and B
  - A. Bressand (rapporteur) Prométhée, Paris

Topic C: Achieving policy coherence and convergence

  -- Remarks on achieving policy coherence and the role of the Trade Committee
  - G. Feketekuty (Chairman) US

CONCLUSIONS
Annex II

Main Issues for Discussion at the Informal Symposium organised on the occasion of the Trade Committee’s 100th Session
(Note prepared by the Secretariat)

1. The open multilateral trading system has been a major factor in post-war economic prosperity. In recent years, however, there has been rapid evolution in the underlying conditions of international economic relations, raising questions concerning the adequacy of the trading system as currently constructed. The results of the Uruguay Round should contribute substantially to modernising the trading system; however, the ongoing pace of change means that continuous efforts will be needed on the part of the international trading community to meet and surmount a new dimension of trade-related issues.

2. In keeping with its tradition of providing a forum for analysis and discussion of broad trade policy issues, the Trade Committee has organised an informal symposium on the occasion of its 100th session as an opportunity for reflection on the future role and make-up of the trading system in a changing world economy.

A. What trade policy for the 1990s

3. Trade policy in the future will need to take account of the changed environment of international economic relations, which in turn poses questions concerning the objectives of trade policy and the general role of government in the economy.

(Elements of change in the trading environment)

4. The increased complexity of international economic relations today reflects not only the much larger volumes of trade than in the immediate post-war period but also the dense interlinkages which have grown up between national markets. While the premise of a "borderless" world is still far from reality, international interdependence has in fact become a key factor in economic growth at the national level.

5. A central feature of the world economy today is the role played by multinational enterprises. These firms have sought to exploit scale economies and capture market share in different countries by siting production in a variety of locations around the world. More recently, many of them have adopted "global" production and marketing strategies, making use of advances in technology and communications to develop integrated production systems based on networking. This has enabled them to achieve improved efficiency and competitiveness on a world-wide scale. Designs, components and technology are supplied from around the world in order to produce goods which are nevertheless highly differentiated, often so as to respond to local tastes and conditions.
While globalisation is far from having reached all countries or sectors, it is nevertheless concentrated in the most advanced economies and in the most dynamic sectors.

6. Trends in industrial organisation have inevitably led to some broad changes in the nature of international trade. A significant part of trade is now composed of intermediate goods and services used in further production processes, often through intra-firm transactions. Under these circumstances, the concept of "national origin" can be difficult to apply to finished goods. Moreover, it is argued that trade now is more determined by the strategies and the created "competitive advantage" of firms than by more static national "comparative advantage". One indication of this tendency is the growing share of international trade which is composed of imports and exports in similar product categories ("intra-industry trade") -- a trend which ostensibly cannot be explained by national differences in comparative advantage. At the same time, comparative advantage can be identified in cases such as OECD exports of technology-intensive products (even though there is evidence here that government intervention to enhance this advantage is not rare).

7. International economic relations increasingly involve flows not only of goods but also of services, capital, technology, information, management skills, etc. The growth of exchanges in these different fields has been furthered by government action to dismantle progressively the barriers affecting trade, investment and financial markets. Recently, such efforts at dismantling have been particularly noticeable in the context of deeper regional integration. In addition, national and international competition has been strengthened through the shift toward more market-oriented policies, including deregulation and more effective anti-trust regulations in many countries.

8. The rapid growth of foreign direct investment has reflected the desire and ability of producers to enter new markets, either by acquiring control over existing production facilities or by creating new ones. This also creates new possibilities for trade, as production may be exported back to the home country or, in some cases, new production may rely on the outsourcing of materials and components. (Nevertheless, there seems to be a tendency over time for saucing to become local, as domestic producers adapt to the new requirements or as new investment is made in upstream production.)

(What should be the objectives of trade policy in the 1990s)

9. The changes reviewed above raise the question of whether trade policy can still be effectively pursued as conceived of at the creation of the GATT, or whether the environment in which it takes place and the problems it must address have evolved to such an extent that the objectives and framework for international trading relations may need to be significantly reassessed.

10. Trade policy is traditionally set by national governments, taking into account their domestic economic objectives as well as their international objectives and obligations. As in other policy fields, trade policy goals are rarely articulated clearly, especially as the general lines of policy are ultimately made up of the sum of objectives with respect to specific issues, sectors or products.
11. However, some indication of the objectives subscribed to by GATT contracting parties may be found in the preamble to the General Agreement. These objectives were expressed in very general terms and were to be achieved through the multilateral trading system, supported by individual country actions. They may be paraphrased as follows:

-- to raise standards of living;
-- to ensure full employment and growth of income and demand;
-- to develop the full use of world resources;
-- to expand production and trade of goods.

12. While these objectives are still valid, it seems possible today to formulate objectives for the trading system in somewhat more precise terms, on the basis of experience accumulated under the GATT as well as the evolution of the world economy, e.g.:

-- to establish and maintain a multilateral framework of rights and obligations which can provide security in trading relations among countries;
-- to maintain and increase open market access (while allowing temporary exceptions as shock absorbers when national industries are facing severe import-related difficulties);
-- to have an effective system for the rapid settlement of trade disputes between countries;
-- to extend the multilateral framework of the trading system to all trade-related fields, so that emerging layers of trade problems can be disciplined and new forms of protectionism cannot circumvent the progress already made;
-- to extend the multilateral framework to all countries willing to subscribe to its principles, so that countries which have hitherto been de jure or de facto outside the rules will henceforth participate, in keeping with their growing interdependence.

13. In light of the dynamic character of world economic interdependence, it seems likely that the trading system will need to be continually adapted and strengthened; however, there can be little doubt that the acquis of the system is far too important to be discarded.

(Government action in favour of the "national interest")

14. An important issue relating to trade policy concerns the relative roles of the private sector and of government. On the one hand, many governments have recently followed policies of deregulation and privatisation, thus giving greater rein to market forces and to the search by enterprises for efficiency through the globalisation of economic operations.

15. On the other hand, in some sectors intensified international competition has also arisen through the actions of oligopolies, reflecting "system frictions" and tempting governments to take action to strengthen their national
industrial competitiveness. One aspect of government intervention has been to "level the playing field", so as to establish "reciprocity" in mutual conditions of market access and competition. Another aspect has been to "create" comparative advantage for national firms. According to "strategic trade" theory, government intervention -- e.g. for the development of new technologies -- can play a crucial role leading to self-sustaining production with scale economies and externalities for other national industries. However, critics of these different types of intervention have noted the difficulty for governments to assess the benefits and costs of particular action, including the risk of others doing the same or retaliating.

(Some issues for discussion)

16. Conceptual issues relating to trade aspects of globalisation: to what extent are traditional trade theory and trade policy instruments relevant in the development of new products using high technology and multi-sourced components? How should firm "nationality" be defined today and what are the implications for "national" policies? What new trade opportunities or problems arise from contemporary corporate practices (sub-contracting; international licensing and franchising; FDI, including cross-border mergers, acquisitions and joint ventures; intra-industry trade; etc.)? What are the implications for the trading system of the emergence of new traders (in particular, DAEs and CEECs)? What problems exist with respect to countries which have so far been left outside the globalisation process?

17. Trade policy objectives: Do Participants agree with the suggestions put forward above concerning the major objectives for the 1990s? Do they have other, possibly more specific ideas relating to the trading environment of the 1990s?

18. Government intervention: In a world of increasing globalisation, can policies of government intervention be effective in achieving the goal of strengthened competitiveness for national industries? Is there contradiction between such policies and those which seek to promote the functioning of markets?

B. Policy interlinkages and the goal of a competitive, dynamic and sustainable economy

19. At this point in the analysis, it may be useful to give closer consideration to a few particular areas of interlinkage between trade and other policies which have already received attention in the context of the Trade Committee’s work programme on the trade issues of the 1990s:

(Trade policy and national/international competition)

20. Trade policy is a key element in determining the conditions of international competition. A liberal trade policy is a necessary condition for an open, competitive and contestable domestic market; on the other hand, a protectionist trade policy distorts competition between domestic and foreign producers. Of course, other government policies as well as various private
practices also affect international competition and thus trade patterns -- in particular, competition policy, which so far has primarily addressed anticompetitive behaviour of private firms on the domestic market. The importance of national competition policies for the trading environment is increasingly recognised, as can be seen by the inclusion of certain competition policy issues in the Structural Impediments Initiative talks between Japan and the United States.

21. Although the general objective of trade and competition policies is similar (to ensure conditions for economic growth by allowing an efficient allocation of resources through the maintenance of competitive markets), it appears that specific provisions in the two policy areas may sometimes be incoherent or even contradictory. In particular, mention may be made of several issues which call for reinforcement and complementarity between domestic competition policy and international trade/competition policies:

-- Anti-dumping practices, which are foreseen under the GATT and its Anti-dumping Code but which appear to deviate significantly from predatory pricing regulations in national markets;

-- Grey area measures, which provide to varying degrees for "managed" trade, usually in a non-transparent way: when decided at the governmental level, they appear as a trade policy issue; when at the level of industries, they might rather be treated under competition policy;

-- Export cartels are usually exempt from domestic competition law but evidently distort international competition;

-- Mergers and acquisitions: questions may arise when they occur at the international level, particularly if they lead to monopolies, oligopolies or strengthened international corporate networks capable of market sharing and price fixing;

-- Domestic subsidies, which affect competition by modifying relative prices -- initially in the domestic market, but also internationally;

-- Distribution systems: the structural arrangements allowed domestically should be consistent with requirements of the international market.

(Trade policy and the environment)

22. Awareness is increasing of the potential effects of trade policies on the environment and, conversely, of environmental policies on trade. On the one hand, environmental concerns arise from the perception that insufficient account is taken of environmental impact in the formulation of trade policies, particularly in a context when market prices for traded goods do not internalise environmental costs. On the other hand, questions may arise concerning the implications for trade policy of government regulations relating to a wide range of environmental, health and safety issues.
23. For example, environmental regulations may restrict market participation by limiting the products that can be sold or the manufacturing processes that can be used. To ensure the effectiveness of standards, governments often extend domestic controls to foreign suppliers by prohibiting trade in certain products. While economic instruments -- such as subsidies, charges or taxes -- may be seen in certain circumstances as a desirable approach for implementing environmental policies, they can also introduce distortions which result in cost variations among producers and influence trade patterns. At the multilateral level, trade instruments are being used in international environmental agreements primarily to regulate flows in environmentally sensitive products (e.g. endangered species, hazardous waste, etc.).

24. Problems can arise particularly when trade measures are more onerous on foreign firms than the corresponding domestic measures are on domestic firms; or, alternatively, when countries are tempted to use trade instruments to counter perceived imbalances in national environmental practices (e.g. to counteract "environmental dumping"). One approach which has been suggested to reduce trade distortions is to work towards greater convergence of national environmental standards and policies -- while recognising that certain differences may be appropriate and justified.

(Regional integration and world-wide liberalisation)

25. Strong interest has been shown recently in regional economic integration -- involving (in various permutations) developed countries, developing countries and the central and east European countries. In economic terms, integration has appeared attractive as a means to ensure that national producers have access to larger markets, enabling improved competitiveness through greater specialisation, economies of scale and strengthened corporate networks. In addition, governments have had strategic and political goals.

26. Compared to earlier forms of integration, a striking characteristic of regional integration arrangements today is their expanded scope and deeper nature. Whereas the concepts of "free trade areas" and "customs unions" were initially concerned mainly with trade in goods, they have evolved in parallel to trends in production and market globalisation so that regional integration arrangements now encompass a much wider range of issues. Since structural adjustment and competitiveness now need to be achieved at the global level, the objectives of regional integration cannot be attained unless attention is also paid to the new areas which are important for trade. Depending on the case, regional arrangements have more recently sought strengthened integration in such fields as services, investment, standards, government procurement, subsidies, movement of persons, etc.

27. The spread of regional trading arrangements raises fundamental issues for the multilateral trading system and for future multilateral liberalisation. Some observers have suggested that increased interest in regional integration is partly due to dissatisfaction with the way the GATT process has been operating and to the possibility that the Uruguay Round may not deliver all that is hoped for. In this perspective, regional integration can be seen as a pragmatic approach to achieving some of the benefits that would come more slowly -- if more completely -- under multilateral liberalisation. In fact, one interpretation is that market opening on a geographically restricted basis
can facilitate future liberalisation on a broad MFN basis. Regional integration may thus provide a model for later multilateral liberalisation and may also create momentum and expectations to move in this direction.

28. Nevertheless, concern has been expressed in some quarters about the implications of regional integration. Not only might regional efforts tend to direct attention away from the need to strengthen the multilateral trading system but they might even weaken that system. For example, increased discrimination and protectionism may directly or indirectly be put into effect against outside countries; or regional mechanisms might come to displace multilateral mechanisms intended to ensure a balance of rights and obligations among all trading partners. Under the worst scenario, the result could be a bloc-oriented system, with inward-looking regions encountering serious conflicts in their external relations.

{Integration of new trade partners }

29. A growing number of developing countries are undertaking wide-ranging trade liberalising reforms as they intensify their participation in the GATT system. Moreover, several developing countries which have implemented sustained outward-oriented policies have entered the top ranks of world exporters and importers. Still, on the whole, major trading developing countries have not yet become fully integrated in the world economy -- even some dynamic economies in Asia and particularly countries in Latin America -- and these countries should be encouraged to pursue market-opening policies. In the dialogue now established with Dynamic Asian Economies (DAEs), trade occupies a major place because of its crucial role in channeling sustainable economic growth and development. The dialogue is particularly valuable as a means of pursuing the Trade Committee’s discussions with the DAEs on the whole range of trade issues of common interest. Whereas a first workshop in 1990 dealt with key Uruguay Round issues, the second one in 1991 tried to frame the trade issues of the 1990s.

30. As to the central and eastern European countries (CEECs), the process of transition from a command to a market-oriented economy implies a progressive integration of CEECs into the international trading system. Therefore, the aim of the current dialogue with CEECs is to enhance the role of trade in the transition towards a market economy. This includes the identification and the implementation of trade policy measures contributing to building market mechanisms and developing trade as a factor of economic growth. A key feature of the dialogue remains the development of CEEC experience in working with market-based principles.

31. Action by OECD countries to open their markets and provide security of access to these markets is of special importance for CEECs and for developing countries, which are now relying more and more extensively on competition mechanisms to make their economies more efficient and expand their trade. Trade partners should continue their trade liberalisation policies for their own sake and as a means of promoting the smooth functioning of the multilateral trading system. While such policies may lead to problems of increased competition in OECD-country markets that may be concentrated in certain sectors, the resulting continuous process of structural adjustment should further the overall economic growth of all countries.
32. Trade and competition: Do government trade policies encourage certain types of corporate practices -- collusion in the face of VERs or unjustified recourse to trade remedy laws (e.g. antidumping)? Do such reactions make sense in a global economy -- or, put differently, if trade policy produces such reactions, can it be said to have kept pace with the evolution toward global competition? What should be the international response? What will be the effects on international competition when new disciplines are extended to trade-related areas such as services, intellectual property, investment, etc.?

33. Trade and the environment: At what point do differences among countries in environmental standards create problems for international trade and competition? What should be the role of trade policy with respect to the environment: e.g. to what extent should it be used to restrict trade in products which do not meet environmental standards? How can one be sure that environmental justifications for restrictions are not really disguised protectionism? On the other hand, should trade measures be applied without regard for their environmental impact -- e.g. as when they encourage over-production of certain products, leading to pressures on the environment?

34. Regional integration: Under what conditions can regional trading arrangements be seen as complementary to the multilateral trading system or as an alternative to it? How can it be ensured that such arrangements take account of the interests of countries not party to them as well as of the world trading system? Does the interest in regional arrangements seem to be bucking or supporting the trend toward the globalisation of production and marketing?

35. Integration of new trade partners: What are the main trade policy issues for the 1990s which are of particular importance for DAEas, CEECs and Mexico in their trade relations with OECD countries? As to the further dialogue with the DAEs, the following points have been suggested: regional dimensions of economic integration and the inter-linkages between trade policies and domestic policies that affect competition and the environment. As to CEECs, issues include: how to facilitate a gradual opening of their markets with transitional protection in accordance with GATT rules, how to reduce or remove trade barriers affecting CEECs and how to deal with regional economic co-operation.

C. Achieving policy coherence and convergence

36. The changed economic environment of the 1990s and the recognition of interlinkages between different policy areas suggest the need for strengthened policy coherence at the national level and for greater policy convergence among nations. The OECD, because of its interdisciplinary character and the informality of its procedures, is well placed to serve as a forum for addressing the policy issues which arise.

37. In keeping with its current work programme and with the mandate given at the 1991 Ministerial Council meeting, the Trade Committee has already initiated or is intending to pursue work in the following areas in the next few years -- as appropriate, in co-operation with other competent bodies and in ways which would lead to operationally effective solutions.
-- Post-Uruguay Round stocktaking: what has been achieved, what issues will still need to be addressed?

-- Better understanding of the globalisation and regionalisation processes: what forms are they taking, what effects are they having on international trade, is the existing framework of rules and disciplines fully compatible with these trends, are all aspects of these trends desirable? Attempting to answer these questions will highlight the importance of transparency in government policies and of developing or improving data bases so as to enable more extensive analysis of trends and problems.

-- Integration of new trade partners into the international trading system: Deepening of the dialogue in the trade field with DAEs and CEECs (after workshops with both groups in 1990 and 1991, further workshops are planned for 1992).

-- Further development or adaptation of rules of the game relating to policies and disciplines impacting on trade, so as to achieve a high level of coherence and convergence at the level of national policies, leading to an efficient institutional framework for supervising international trade.

-- Ensuring the effective implementation of agreed principles and rules.

(Some issues for discussion)

38. In light of the increasing difficulty in making progress toward uniform rules among large numbers of countries, can OECD play a ground-breaking role? If so, what methods should be used to achieve effective results -- in particular, can adequate momentum be achieved through increased transparency and peer-pressure alone or should more operational procedures be developed, e.g. providing for substantive consensus-building or negotiations on solutions to particular trade or trade-related issues? More generally, what can be done to favour a multilateral approach to the resolution of trade-related problems over a bilateral approach? In pursuing its aim to bring about the integration of new actors into the trading system, how should the dialogue with DAEs, CEECs and possibly other countries be further developed?

39. Concerning the future role of the Trade Committee, Participants may wish to comment on the approach outlined above. Does this provide an adequate basis for allowing the Committee to make a strong and constructive contribution while drawing on areas of OECD’s comparative advantage and without impinging on the operation of other competent bodies?
Annex III

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END-OF-TEXT