THE WORLD TRADING SYSTEM IN A POST-URUGUAY ROUND SETTING

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This has been prepared by the Trade Committee for the Council meeting at Ministerial level on 7 and 8 June 1994. Its main political message highlights the new perspectives and challenges that the international trading system will face now that the Uruguay Round has been successfully concluded. The annex contains recommendations of certain lines of action for supporting a strong multilateral trading system.
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MAIN MESSAGE

(i) The signing of the Uruguay Round Final Act by 111 Ministers on 15 April in Marrakesh and the establishment of a World Trade Organisation (WTO) are historic events. The UR Agreements will substantially advance trade liberalisation, expand and strengthen the multilateral rules and disciplines governing international trade and mark a significant step toward a universal trading system. Their implementation will promote open trade and further non-inflationary growth, which are major sources of jobs and wealth and contribute to world-wide sustainable development.

(ii) Accordingly:

-- There should be no delays in the ratification process and entry into force of the new WTO Agreement.

-- During that process, Governments should avoid any trade restrictive or distorting measures that would contradict the letter or spirit of the new rules and disciplines under the WTO and should conform to multilateral dispute settlement procedures.

-- When trade-related problems arise in areas where multilateral rules do not exist, Governments should make every effort to find, in a constructive spirit, mutually acceptable solutions and to avoid initiatives and arrangements which are inconsistent with the principles of free trade and undermine the multilateral trade system.

-- Member countries should implement fully, effectively and within the agreed period the rules and liberalisation commitments contained in the Uruguay Round package and conclude speedily the remaining negotiations reflected in the Final Act. Countries are encouraged to implement their commitments in advance, when possible.

-- Member countries should demonstrate their commitment to resisting protectionism in all its forms and continue to work towards further trade liberalisation, proper functioning of market mechanisms and deregulation.

(iii) The relationship between the OECD and the new WTO should be developed to support the implementation of the Uruguay Round and the work programme set for the WTO. The Trade Committee is fully engaged in shaping the New Trade Agenda, relying on the multidisciplinary strengths of OECD. It will continue to monitor and analyse areas where further reforms and liberalisation are required.
(iv) With respect to the New Trade Agenda, the joint analytical work on trade and environment should be actively pursued, bearing in mind the WTO’s work programme, so as to develop for the 1995 Ministerial substantive conclusions that would assist Member governments in developing their policies, including in relevant international Organisations. Joint activities are also underway with other committees to explore issues and policy approaches in the fields of trade and competition policy and trade and investment. The Trade Committee also wishes to contribute to the analysis of the issues identified by the OECD Ministers and referred to in the closing Statement of the Chairman of the Trade Negotiations Committee in Marrakesh. The question of the link between the trading system and internationally recognised labour standards was mentioned as a priority by some participants. Analytical work should be carried out by the Trade Committee in co-operation with other relevant Committees to facilitate the discussion of this question within multilateral trade fora and other relevant Organisations.

(v) The liberalisation achievements and economic dynamism of many non-OECD economies are reorienting the pattern of world trade. These achievements need to be supported by OECD countries. The successful integration of non-Member economies into the multilateral trading system offers the best way to sustain these positive developments. To further this integration, OECD countries should:

-- intensify informal information sharing and co-operation with major non-Member economies in the trade field;

-- continue to assist the economies in transition in their reform efforts, noting in this context the agreement on co-operation between the Federation of Russia and the OECD.

-- give particular consideration to the interests of developing countries in implementing the Uruguay Round results and in dealing with new trade issues. Member countries will seek to assist the least developed countries to take full advantage of the outcome of the Round, bearing in mind the discussions in the Development Assistance Committee.

(vi) The spread of regional integration arrangements (RIAs) presents the multilateral trading system with challenges and opportunities. According to available evidence, RIAs have generally promoted trade. RIAs should develop in ways that contribute to opening markets and encouraging global competition. It is important for the OECD to monitor and analyse the evolving relationship between the RIAs and the multilateral trading system, especially with regard to the legitimate interests of third parties.
I. SUPPORTING THE MULTILATERAL TRADING SYSTEM

1. The Trade Committee will continue to monitor developments in trade and trade policy with the goal of identifying trends and incipient problems and providing analytical input to support ongoing reforms and liberalisation efforts. This work will be effectively enhanced by expanded and improved statistical data, including data on trade in services and intra-firm trade. Discussions in the Committee provide an informal forum where transparency of trade practices can be increased and peer pressure applied to support the good functioning of the multilateral trading system, and the defusing of potential trade frictions. The Committee is conducting an annual review of main developments in trade and trade policy and discussing notifications by Member countries on changes of trade policies and practices. This process will be complemented by discussions of topical issues such as appropriate responses to address market access issues.

2. It will be important for the Committee to identify and draw on the synergies and complementarities between the OECD and the World Trade Organisation (WTO) to support, as required, the implementation of the Uruguay Round commitments and provide analytical support for continuing negotiations. The Trade Committee is already engaged in developing the new dimensions of the Post-Uruguay Round multilateral trading system.

3. Interest continues in the implications of regional integration. While the Final Act of the Uruguay Round includes provisions to strengthen existing multilateral trading rules, it is of major importance to ensure that future deepening and extension of existing regional integration arrangements and possible new arrangements are compatible with the multilateral rules and contribute to opening markets and strengthening global competition. The Committee will further its analysis and monitoring of regional arrangements with the view to improve understanding of the policy implications associated with regional arrangements and their role in the multilateral system.

II. EXTENDING THE MULTILATERAL TRADING SYSTEM

4. The priority which the Committee attaches to its work on trade in a global economy is shown by two joint reports to Ministers prepared this year, one reflecting the work on trade and competition policies conducted with the CLP Committee, and the other reflecting work on globalisation carried out with the Industry Committee.

5. Trade and environment remains a high priority on the multilateral trading agenda and was given a prominent place in the WTO’s work programme. This increases the significance of the analytical and conceptual work underway in OECD in a joint effort of the Trade Committee and the Environment Policy
Committee. The goal is to develop, for the 1995 Ministerial, substantive conclusions that will contribute to the work of Member governments, the WTO and other relevant institutions, and more generally advance the integration of trade and environment policies. Further, a review should be conducted and a first report prepared for the 1995 Ministerial of Member governments’ actions to implement the procedural guidelines on trade and environment adopted in June 1993.

6. The links between trade and investment are an important feature of the current globalisation process. The Committee will pursue its analysis of these links, building upon the results already achieved in the Uruguay Round.

7. The Committee also intends to bring together important aspects of its wider work on trade and competition policy and trade and investment by conducting an in-depth analysis of the concept of market access in a globalising world economy. The goal will be to provide a sound basis for exploring the desirability and feasibility of integrating rules in new areas into the multilateral system.

8. Joint activities with other committees will be encouraged to address other emerging issues. On labour standards, the Trade Committee with other Committees hopes, during the coming year, to look at: (1) the conceptual framework for considering the relationship between trade, employment and labour standards; (2) empirical evidence of the relationship between labour standards and patterns of trade and foreign investment; and (3) current monitoring and enforcement mechanisms for promoting higher labour standards world-wide. The horizontal approach in examining the implications of the new issues for trade liberalisation will increasingly be used.

9. The Trade Committee recognises the importance of the work of the Participants to the Arrangement on Officially Supported Export Credits to overcome trade and aid distortions in the field of export credits and notes that a separate report will be presented to Ministers.

III. INTEGRATING NON-MEMBER ECONOMIES IN THE MULTILATERAL TRADING SYSTEM

10. The co-operation between the OECD area and non-Members in support of the multilateral trading system must be strengthened. In order to achieve this goal:

   i) The informal dialogue with the DNMEs should develop greater substantive content on specific issues to make a timely contribution to the process of exploring such issues at OECD.

   ii) The OECD policy dialogue with the economies in transition should provide support to trade policy reform in conformity with the international trading system and to the overcoming of domestic barriers to trade expansion.

   iii) For other non-Member economies, such as China, which are important players in the area of trade, analysis and, where appropriate, informal contacts should be used to facilitate their participation in the international trading system.
IV. SUPPORTING ECONOMIES IN TRANSITION

11. In order to assist the economies in transition, OECD Member countries should:

   i) continue technical assistance efforts, focusing them on problem areas that particularly affect exporters of economies in transition, such as infrastructure improvements, better dissemination of information important to businesses and help in understanding OECD area trade practices;

   ii) continue to improve market access in general, making special efforts in areas where the economies in transition have significant export potentials and helping them with export diversification;

   iii) help the NIS develop new trade policies in conformity with the international trading system and foster their integration into this system.

12. At the same time, the economies in transition should liberalise further their foreign trade regimes, resisting protectionist pressures by domestic industries and foreign investors alike.