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OECD GLOBAL FORUM ON TRADE
THE MULTIPLE DIMENSIONS OF MARKET ACCESS AND DEVELOPMENT

AGENDA AND ISSUES FOR DISCUSSION

Mexico City, 23-24 October 2006

This document is submitted for information. It updates the participants' list in the final session.

Further details are available on the password-protected website for this Global Forum on Trade event at:

www.oecd.org/ech/meetings/mexico

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Global Forum on Trade: Agenda

A TRADE POLICY DIALOGUE ON THE MULTIPLE DIMENSIONS OF MARKET ACCESS AND DEVELOPMENT

Organised by the OECD in partnership with the World Bank and with the support of the Government of Mexico

Ministry of Economy, Mexico City, Mexico

23-24 October 2006

Market access is a core issue in the Doha Development Agenda (DDA) negotiations. Indeed, the WTO's Doha Ministerial Declaration (2001) underscores the importance to economic development of improvements in market access for goods (both agricultural and non-agricultural trade) and services. At the WTO Ministerial Conference held in Hong Kong in December 2005, Ministers reiterated "the central importance of the development dimension in every aspect of the Doha Work Programme" and recommitted "to making it a meaningful reality, in terms both of the results of the negotiations on market access and rule-making" as well as certain other development-related issues. In his report to the General Council on 8 February 2006, WTO Director-General Pascal Lamy characterised Agriculture (in particular market access and domestic support) and Non-Agricultural Market Access as the flagships of the Doha Development Agenda (DDA) negotiations "convoy". While stressing the nature of the negotiations as a single undertaking including a variety of other issues, he noted that these market access discussions "can help lead the negotiations to port." Unfortunately, and despite intensive discussions, WTO members were not in a position to agree on market access modalities for negotiations at their end of July 2006 meeting, leading the WTO General Council to support a recommendation by Mr. Lamy to suspend the Doha negotiations.

The basic rationale for pursuing the Doha Development Agenda is as valid today as when the Round was launched back in 2001: to promote global economic growth and, in particular, improve economic development opportunities for developing countries, and to strengthen the multilateral trading system.

Under the multilateral trading system, various market-opening trade agreements have demonstrated the potential for reciprocal and mutually beneficial improvements in market access to deliver significant economic gains to participants. The DDA represents a major new opportunity for developing countries seeking to integrate further into the world economy and reap the benefits of improved market access. Studies carried out at the OECD suggest that the likely gains are well worth the effort for developing countries. One such study considered a variety of tariff liberalisation scenarios and found overall potential welfare gains for developing countries of up to USD 68 billion from just this one dimension of improved market access.[1] Liberalisation in other trade policy areas affecting goods and services would greatly expand the potential gains. For example, one OECD review of literature on services liberalisation found that the gains could potentially exceed those from goods trade liberalisation by a factor of five, with a substantial share of the benefits accruing to developing countries (OECD, 2004).

1 In some developing regions, the potential welfare gains from tariff liberalisation ranged up to the equivalent of 2% of per capita. See OECD (2003a).

This is not to say that trade liberalisation can be made into a welfare gain only if reciprocated. Such a mercantilist motivation finds little support in economic reasoning. However, political arguments lend support to this approach. In a democratic society, it is easier to secure trade liberalisation over the opposition of affected domestic producers if a government can show that additional market openings will result from its own trade liberalisation actions. Reciprocal bargaining on trade liberalisation may be able to secure more open markets than the economically rational course of unilateral trade liberalisation.

The purpose of this Global Forum on Trade event would be to bring together trade policy makers, academics, industry representatives and other experts from OECD and non-OECD countries for a timely trade policy dialogue on market access issues. A strategic discussion of market access issues may provide a helpful stocktaking at this critical juncture of the DDA and looking beyond. Market access would be considered across various development dimensions including global (MFN) liberalisation, North-South trade and South-South trade, trade in services, and regional trade liberalisation (as a complement to multilateral liberalisation).

The OECD Trade Directorate is organising this event in partnership with the World Bank, and with the support of the Government of Mexico. Participation in this event is by invitation and open to all WTO members. Representatives from manufacturers' associations, academia, non-governmental organisations (TUAC, BIAC & others) and key multilateral organisations would be invited to participate in the discussion. The structure of the event would emphasise brainstorming and dialogue among these experts, with a view to informing the global debate on trade and development in the context of the DDA.

OECD Global Forum on Trade: Annotated Agenda

**A TRADE POLICY DIALOGUE ON
THE MULTIPLE DIMENSIONS OF MARKET ACCESS AND DEVELOPMENT**

22 Oct 2006 (8.00 – 10.30 pm): Participants are invited to attend the welcome cocktail hosted by the OECD at the Fiesta Americana Grand Chapultepec Hotel, Mariano Escobedo 756, Col. Anzures, Mexico City

Each session will be introduced by a chairperson, followed by two expert presentations. Following each presentation there will be a time for immediate questions and comments related to the presentation. After the final presentation of each session, the floor will be opened for a moderated debate among participants with a view to highlighting points of consensus and divergence.

Day One *(Shuttle bus pick up at 8.15 am in the lobby of the Fiesta Americana Grand Chapultepec for participants staying at the Hotel)*

9:00 – 9:30 Registration

9:30 – 10:30 **Opening,** welcome and introductions: Keynote speakers

- *Sergio García de Alba*, Minister of Economy, Mexico

- *Richard Hecklinger*, Deputy Secretary General, OECD

10:30 – 13:00 **Session I: Multilateral liberalisation**

Chair: **-** *Crawford Falconer*, Permanent Representative of New Zealand to the WTO

Speakers: - *Carlos Alberto Primo Braga*, Senior Advisor for Trade in Europe, World Bank

- *Toufiq Ali*, Permanent Representative of Bangladesh to the WTO

In the years since the launching of the DDA negotiations, economics literature has expanded rapidly with studies on the welfare impacts of trade liberalisation for developing countries. These studies tend to indicate that further multilateral liberalisation in one or more sectors (agriculture, non-agricultural trade, services) can be an important source of efficiency gains for developing countries and an impetus for growth. They generally point to the potential for an expansion of trade to yield mutual benefits for developing and developed countries. However, the gains may be unevenly distributed with some countries facing difficult adjustment challenges.

This session will focus on the scope for fostering growth and development through improved market access in the multilateral context, taking into account tariffs, NTBs, and subsidies. It will aim for a practical discussion of potential liberalisation scenarios under the DDA, with a view to rekindling support for the negotiations. Particular attention will be paid to identification of the elements that are most important in terms of growth and welfare impacts for developing countries.

Questions for discussion

- What aspects of merchandise trade liberalisation are key to development of win-win scenarios that may help to rekindle broad international support for the negotiations?
- What is the potential economic impact from deep merchandise trade liberalisation in developing countries? What might be expected in terms of dynamic gains?
- What complementary policies are particularly important for successful liberalisation?
- What regions or sectors are most vulnerable to structural adjustment issues from deep trade liberalisation?
- What is the relative importance of each type of barrier: tariffs, NTBs and subsidies?
- How do potential gains from merchandise trade liberalisation compare to estimates for those from services trade liberalisation?

13:00 – 15:00 Lunch

15:00 – 18:00 **Session II: Relative importance of North-South and South-South Trade**

Chair: - *Uri Dadush*, Director, International Trade Department, World Bank

Speakers: - *Bipul Chatterjee*, Deputy Executive Director, CUTS Centre for International Trade Environment and Economics, India

- *Przemyslaw Kowalski*, Trade Policy Analyst, OECD and *Nora Dihel*, Trade Policy Analyst, OECD

OECD Member countries comprise a large share of the global economy and, consequently, their markets have an important role to play in the expansion of opportunities for developing country trade. At the same time, the rapid rates of economic expansion observed in a number of developing countries and the relatively high trade barriers faced by intra-South trade suggest that further market opening by developing countries, particularly on a non-discriminatory basis, could make a substantial contribution towards the development objectives of the DDA. South-South trade is subject, on average, to considerably higher trade barriers than either North-North or North-South trade. Expanded South-South trade could open up possibilities for increased learning by doing and developing economies of scale needed to break into competitive markets in OECD countries. Moreover, if complemented by services trade liberalisation, the benefits of merchandise trade liberalisation could be further bolstered, for example, by decreasing the costs of important services inputs to industry.

OECD and WTO work on South-South trade (OECD 2006, OECD 2005b&c, WTO 2003) has established some important stylised facts, summarised below:

- Since the early 1990s, South-South goods trade has expanded at a more rapid rate than either North-North or North-South trade, though starting from a much lower base. South-South goods trade grew on average at the impressive rate of 12.5 percent per annum, compared with 7 percent and 9.75 percent respectively for North-North and North-South trade. As a result, the share of intra-South trade in world merchandise exports rose from 3 percent in the 1980s to 6 percent in 2003 representing a historic peak in the last 50 years. However, while South-South trade has come to account for an increasingly large part of overall trade involving the South, North-South exchanges still account for the major part of Southern trade.

- South-South goods trade has been dominated by trade, involving upper and lower middle income countries. North-South trade flows primarily concern the Upper- and Lower-Middle Income countries (25 – 35 percent of total world trade). Trade between the North and the Low Income countries is significantly less, making up only 3 percent or 4 percent of total world trade. Trade between Upper- and Lower-Middle Income countries account for between 3 percent and 5 percent of total world trade; while exchanges involving Low Income countries make up barely 1 percent of total world trade. Upper- and Lower-Middle Income countries account for the lion's share of South-South trade, with Low Income countries playing a considerably lesser role.

A first attempt undertaken by the OECD to identify key features governing the South-South dimension of services reveals that trade in services between developing countries is predominantly regional and may reflect an increasing tendency to incorporate disciplines to liberalise services trade in regional trade agreements. It is estimated that cross-border South-South exports represent around 10 percent of world services exports. While exports from developing countries to developed countries seem to be more important for most non-OECD regions, the opposite is true for developing Asian countries. As a group, the share of low- and middle-income countries' in world services trade rose from 16 percent in 1990 to 23.5 percent in 2002. Their dynamism is reflected in an increase in their participation in all segments of services exports.

Questions for discussion

- What is the relative importance to developing countries of improved market access to developed countries as compared to market access among developing countries? Is this changing as the more dynamic developing countries grow to account for larger shares of the global economy?
- What can be done to ensure integration of a broader range of developing countries in the expanding South-South trade?
- Can further services trade liberalisation result in (i) access to new services that could provide improved or new links to international markets (e.g., via transport, logistics, testing, marketing), and (ii) an increase in south export?

18.00 hrs - Participants are invited to remain at the conference venue to attend the cocktail hosted by the Ministry of Economy.

Shuttle bus leaves the Ministry at 7.30 pm for transfer back to the Fiesta Americana hotel.

Day 2 *(Shuttle bus pick-up for participants at Fiesta Americana Hotel at 9.30 am)*

10:30 – 13:00 **Session III: Promoting efficiency in services**

Chair: - *Fernando de Mateo*, Permanent Representative of Mexico to the WTO

Speakers: - *Raed Safadi*, Head, Trade Policy Dialogue, OECD

- *Matt Rohde*, Deputy Assistant U.S. Trade Representative for WTO Affairs

Given the important role of services as intermediate inputs in the production of most industries, an inefficient services sector can be costly for the economy as a whole. For example, even if a country were to engage in a reform programme that would reduce goods tariffs to zero, distortions would persist if services barriers remained unchanged. Therefore, this session will seek to determine how protection of services affects the effective rate of protection and market access opportunities in agriculture and manufacturing. Such an approach could provide an illustration of the potential economy-wide costs of services barriers to downstream using industries.

Special attention will be devoted to logistics services. Manufacturing in sectors such as electronics, textiles and clothing and several others are typically organized as international production networks using just-in-time production methods. Furthermore, the major retail chains increasingly source their merchandise directly from producers on a contractual basis where timely delivery is one of the most important factors when selecting a supplier. Time is often more important than the price of the goods in question. Market access is, therefore, not only related to legal barriers to trade, but also to logistic barriers to entering the supply chain of both manufacturers and retailers. Logistics services, broadly defined, and related communication services play an important role in lowering the barriers to entering international supply chains. Conversely, inadequate logistics services can constitute the missing link to the market for otherwise competitive entrepreneurs in developing countries. Finally, inadequate and costly logistics services impose costs on firms that affect their margins, and hence their incentive to invest and their ability to pay decent wages. Therefore, the linkage between logistics services, competitiveness and trade performance warrant special consideration.

Questions for discussion

- What are the costs imposed by inefficient services inputs on both services and non-services sectors? How are the benefits of services trade reform passed on to other sectors of the economy?
- To what extent do logistics services constitute a constraint on the trade performance of developing countries?
- To what extent would trade liberalisation in logistics services help improve access to, and the cost effectiveness of, logistics services?
- What would be the impact of logistics services liberalisation on trade and competitiveness? What are the costs of such liberalisation and how could these be minimised?
- How do costs and benefits from regional agreements in logistics services compare to multilateral agreements?

13:00 – 14:30 Lunch

14:30 – 16:30 **Session IV: Regional Trade Liberalisation as a Complement to Multilateral Liberalisation?**

Chair: - *Osvaldo Rosales*, Director, International Trade and Integration, CEPAL

Speakers: - *Mario Matus,* Permanent representative of Chile to the WTO

- *Eduardo Bohórquez*, Director, Transparency International, Mexican Chapter

While the DDA has provided an opportunity for renewed initiative in multilateral trade liberalisation, the interest in regional liberalisation remains strong. Numerous regional trade agreements (RTAs) have been launched or finalised in recent years. According to the WTO, by July 2005 only one WTO member (Mongolia) was not party to an RTA. By that time, a total of 330 had been notified to the WTO or GATT (its predecessor).[2] These agreements have a mixed relationship to the multilateral trading system. As

2 WTO members have provided notification of more than 200 RTAs since the WTO was established in 1995.

noted in the OECD Ministerial Communiqué in 2001, "WTO-consistent preferential trade agreements can complement but cannot substitute for coherent multilateral rules and progressive multilateral liberalisation." This point was confirmed in further OECD work (2003b), which found that RTAs can provide useful models and experiences that feed into multilateral rulemaking; at the same time, the study found that they can bolster the case for multilateral rulemaking through the very divergences they embody.

WTO agreements make exception to the MFN principle for RTAs that abolish or reduce barriers for members, expanding market access beyond what is possible at a given point in time in the multilateral trading system. The GATT's Article 24 allows regional trading arrangements to be set up as a special exception, subject to certain conditions. In particular, the RTAs arrangements should help trade flow more freely among the countries in the group without raising barriers to trade with the outside world. Article 24 states that RTAs should reduce or remove duties and other trade barriers on substantially all sectors of trade among the members. Non-members should not face more restrictive trade as a result of the RTA.

Questions for discussion

- Have RTAs yielded effective, improved market access for developing countries to OECD markets?
- What is the experience of developing countries with non-OECD RTAs?
- Have developed country RTAs made market access more complicated for non-participating developing countries in terms of non-tariff barriers or variation in standards?
- How can RTAs be designed to maximise development benefits while minimising negative systemic consequences? What determines whether an RTA complements the multilateral system?
- What can be done to improve the transparency of the global web of RTAs?
- What is the role of regional integration in promoting economic growth? Have RTAs been successful in promoting regional integration?

16:35 – 18:00 **Session V: Closing session**

Chair: **-** *Crawford Falconer*, Permanent Representative of New Zealand to the WTO

Panel: - *Eduardo Perez Motta*, President, Federal Competition Commission, Mexico
- *Uri Dadush, Director, International Trade Department, World Bank*
- *Toufiq Ali, Permanent Representative of Bangladesh to the WTO*
- *Choi Hyuck, Permanent Representative of Korea to the U.N., WTO and other international organizations in Geneva*
- *Matt Rohde, Deputy Assistant U.S. Trade Representative for WTO Affairs*
- *Karim Khalil*, Market Access and Agriculture, NEPAD

- Panel discussion preceded by Rapporteur's presentation

Closing Remarks: -A*ngel Villalobos Rodriguez*, Undersecretary for International Trade Negotiations, Ministry of Economy, Mexico.

6.30 pm: Shuttle bus leaving from Ministry for transfer back to the Fiesta Americana Hotel

ILLUSTRATIVE REFERENCES

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