



Business and Industry Advisory Committee to the **OECD**

Comité Consultatif Economique et Industriel Auprès de l' **OCDE**

## **PRIORITIES FOR OECD AND WTO WORK**

### **Statement of the Business and Industry Advisory Committee (BIAC) to the OECD Trade Committee**

October 23, 2000

The membership of BIAC is profoundly disappointed by the failure to launch a new round of multilateral trade negotiations at the WTO Ministerial in Seattle. For over 50 years the GATT/WTO system has made a major contribution to economic growth and improved living standards around the world. It is vital that this system remains strong and that it be adjusted and improved in the context of today's dynamic global marketplace. Trade and investment will continue to expand -- and perhaps even accelerate -- as growth in Asia and Europe strengthens, but transactions will be more costly and economic benefits to trading partners smaller, than would have been the case with the additional trade liberalisation and modernised disciplines that BIAC members sought at Seattle.

One effect of the Ministerial was to whet the appetite of protesters for more clashes against the WTO and other international bodies. The most distressing aspect of these antics is that they tend to drown out rational discussion of legitimate concerns. Legitimate concerns about labour standards and environmental protection cannot be addressed by attacking multilateral institutions. The genuine concerns of citizens should be addressed, but in the appropriate forum. OECD Governments must work together more closely to counter the ill-founded attacks on the WTO and other bodies, while recognising the continued importance of institutional reform.

Those same governments must raise their sights and give their full attention to further efforts to promote trade liberalisation, which has brought growth and prosperity internationally despite what critics might claim. Now is not the time for a crisis of confidence among political leaders.

Launching a new WTO Round is still a prime objective of the BIAC. Realistically, however, more work needs to be done to resolve substantive differences among WTO members on key issues. Against that background, the BIAC urges OECD members to work with all WTO members to:

- **Continue to implement a substantial market access package for the least developed countries.**
- **Implement Uruguay Round results.** BIAC attaches the highest priority to the implementation and completion of the agenda established by the Uruguay Round.

- **Advance the built-in agenda on services and agriculture.** BIAC welcomes the on-going work in the negotiations on services and agriculture. These negotiations should be advanced as rapidly as possible. The launching of a Round with a broad based and balanced agenda will serve to increase the possibility that all WTO members will realise the various benefits they will derive from successful negotiations in the WTO. BIAC believes the OECD has a special role in helping to prepare the analytical tools for each of these negotiations. Valuable OECD analysis is already underway. It should be continued and expanded. BIAC has supported this work with its statement on an Open and Efficient Global Food System and its statements on OECD work on Trade in Services.
- **Undertake new, better co-ordinated technical assistance initiatives to support implementation by developing countries.** Part of this response should include better co-ordination between WTO and other bodies providing technical assistance, building on the Integrated Program set up in 1997.
- **Agree on several issues that were near consensus at Seattle and which do not involve market access commitments: extension of the ban on tariffs applied to electronic transmissions; transparency in government procurement; and improved customs facilitation.** These are agreements of wide mutual interest and which are needed to respond to the need for transparency and fast, efficient movement of goods and services in the global marketplace. Greater transparency would help address the charges of secret proceedings raised by a wide range spectrum of WTO critics. An Agreement among at least OECD member countries to make Dispute Settlement documentation available in a timely way would be an important step forward. Straight-forward, productive, immediate action would go along way to energise the business community and convince them that governments are truly engaged.
- **Educate constituencies on the benefits of the WTO trade system and rebut arguments that are without merit, e.g., that WTO operates without authority from member governments.** OECD is a unique and invaluable force of objective analysis. It has done much good work in the past, including the study "Open Markets Matter." These OECD efforts need to be redoubled, coupled with renewed political leadership at the highest levels of OECD governments.
- **Ensure that the WTO continues its work on the expeditious accession of non-members that agree to WTO disciplines and commercially significant market access commitments.** Expanding WTO membership broadens the reach of common trading rules to the advantage of all WTO members. In this context, BIAC strongly supports China's accession to the WTO based upon its acceptance of the accession protocol being negotiated by WTO members.
- **Streamline WTO internal procedures to better manage the process of developing a consensus among 135 plus members.**

Despite the present uncertainties about prospects for a WTO Round, BIAC maintains its positions on specific objectives for such a Round, which were set out in our June, 1998 submission on Trade-Related Priorities for OECD and WTO, and the BIAC Business Statement to the May 1999 OECD Ministerial. At the OECD June 2000 Ministerial, BIAC reiterated its support for a new round, stating that launching a new WTO Round is still a prime objective of BIAC. Despite the strong, substantive differences among WTO members on key issues, there is an opportunity for new consensus among the OECD constituencies based upon the benefits of sustainable development, economic growth and the WTO open trading system.

BIAC believes that OECD can make important contributions in the period ahead. In addition to its important analytical work in the areas of services and agriculture, BIAC makes the following suggestions with regard to future OECD activities on trade issues:

- **Global provisions on the treatment of foreign investment are essential and inevitable to maximise the benefits of globalisation for all countries.** BIAC urges the OECD to continue a constructive work program on Investment Policy and encourages governments to make more intensive efforts in the WTO Working Group on Investment.
- **Trade and Environment.** There is a continuing need for rational discussion and resolution of trade and environmental issues. The OECD's 1995 Ministerial Report on Trade and Environment provides a sound foundation for further work. We hope that the OECD's Joint Working Party on Trade and Environment can do more to elucidate public understanding of such issues as sound science and the precautionary approach, PPMs, clarity with regard to the legal relationship between the WTO and MEAs, and the trade implications of multicriteria labelling programs. The Working Party should also show greater initiative in assessing the trade effects of environmental agreements while they are under negotiation and not wait until the agreements are in place and impossible to change.
- **Export Credits.** BIAC is clearly committed to the principle of sustainable development, however, the instrument of export credit insurance should not be used as a substitute for the implementation of international standards. Any work in this area should take due account of multilateral environmental agreements and be compatible with WTO rules.
- **Transparency in Government Procurement and Lending Practices.** An OECD case study demonstrating the benefits of transparent government procurement would be useful in advancing that issue. In addition, the transparency requirements of the various multilateral and regional lending agencies are different, unevenly applied, and not co-ordinated. BIAC urges OECD members to work with the lending agencies to achieve better co-ordination including: sharing of information regarding non-compliant bidders and government agencies; consistent requirements by all lenders; uniform application of disciplines within and among lending agencies; co-ordinated and better funded technical assistance for implementation in the least-developed countries.
- **Trade and Competition.** With the success of WTO disciplines on border barriers to trade, it is necessary to address public and private actions as well as other non-competitive practices that impede entry. However, BIAC believes that a considerable effort is needed to achieve better understanding of the link between trade and competition policies and how conflict between the two policy areas can be dealt with. BIAC supports the efforts of the WTO in this area but believes that the OECD is still the best forum to increase understanding of the widespread differences in national systems, continue an examination of these policy linkages, and to make practical progress on certain aspects such as hard-core cartels or price-fixing. The OECD has unique resources in this important area of future work and we encourage a process by which OECD analysis can be made available to the WTO study of this policy interaction.
- **Trade and Labour Standards.** The attempts to engage the WTO in trade and labour issues at Seattle reconfirm the wisdom of the Singapore Ministerial decision that the ILO, not the WTO, is the competent body to deal with the conditions of work. BIAC again urges OECD Ministers to acknowledge the achievement of the ILO in developing and promulgating the Declaration of Fundamental Principles and Rights at Work and its follow-up; and urges the ILO member states to implement the Declaration in good faith. BIAC has appreciated the opportunity to provide comments an update of OECD study on International Trade and Core Labour

Standards, and BIAC continues to hold the strong belief that it would be damaging to trade and investment, and counterproductive to the improvement of labour conditions, to introduce trade sanctions for violations of any agreed labour standards or to include binding social clauses in trade agreements or investment treaties.

- **Regulatory Reform.** BIAC believes that OECD work on regulatory reform is making a major contribution to further trade liberalisation because it addresses impediments within borders and beyond the reach of traditional trade disciplines. Regulatory reform must overcome entrenched interests, and this requires a horizontal approach and an international dialogue. OECD analysis and data are indispensable to this effort. One of the most important contributions of OECD work is to identify patterns of regulatory reform for which strong logic has been established in one or more member countries. The main focus should be to promote adoption of these patterns of regulatory reform practices among member governments; a second focus is to build support for them beyond the OECD. BIAC encourages the OECD programme to continue its country by country analysis of regulatory reform, and looks forward to continued input to the OECD on these projects in particular where the reviews address reform that promotes private sector growth.

BIAC appreciates the opportunity to engage the OECD Trade Committee on these important issues. BIAC places great value on its dialogue with the OECD Trade Committee, and looks forward to continued co-operation on trade issues in the future.