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OECD Global Forum on Trade

DRAFT ANNOTATED AGENDA AND SUGGESTED ISSUES FOR DISCUSSION

**TRADE WORKSHOP WITH NON-MEMBER ECONOMIES ON "TRADE AND DEVELOPMENT
ISSUES IN NON-OECD COUNTRIES"**

Santiago, 14-15 June 2001

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DRAFT ANNOTATED AGENDA AND SUGGESTED ISSUES FOR DISCUSSION(*)

**OECD GLOBAL FORUM ON TRADE
WORKSHOP WITH NON-MEMBER ECONOMIES ON
“TRADE AND DEVELOPMENT ISSUES IN NON-OECD COUNTRIES”
Santiago, 14-15 June 2001**

Thursday, 14 June 2001

- | | | |
|----|------------------------------------|---|
| 1. | Opening Session
<i>morning</i> | Opening Remarks |
| 2. | First Session
<i>morning</i> | Topic I: Market Access in Goods and Services |
| 3. | Second Session
<i>afternoon</i> | Topic II: Rules and Disciplines in the WTO |

Friday, 15 June 2001

- | | | |
|----|------------------------------------|---|
| 4. | Third Session
<i>morning</i> | Topic III: Special and Differential Treatment |
| 5. | Fourth Session
<i>afternoon</i> | Topic IV: The Role of Development Co-operation |
| 6. | Final Session
<i>afternoon</i> | Concluding Remarks |

(*) Some flexibility in the allocation of time may be required throughout the Workshop.

Overview

1. All countries -- developed, developing and in transition -- are working together through the whole range of international institutions, including the OECD, to secure sustainable development and integrate successfully into the global economy. This Workshop is part of a broad programme of policy dialogues between Members and non-Members that seeks to foster consensus-building among participants, and thus contribute to the fuller integration of non-Members into the international economic system.

2. Three key objectives underline OECD's work on trade and development-related issues:

- a) To foster a better understanding of the links between openness, growth and development.
- b) To address the trade interests and concerns of non-OECD countries, and to establish why those interests and concerns are better served within the context of the multilateral trading system. And,
- c) To help these countries reap the full benefits and take full advantages of opportunities created by past and emerging trade agreements.

3. It is with these objectives in mind that the Trade Committee, in co-operation with the Development Assistance Committee and the OECD Development Centre, has launched its Study on "Trade and Development Issues in Non-OECD Countries," which forms the basis for this Workshop. The Study is also mindful of events that have transpired in and since Seattle, and in the lead-up to the WTO Fourth Ministerial Meeting in Doha. Some non-OECD countries have referred to difficulties in implementing some of the Uruguay Round Agreements, and an inability in some cases to make full use of WTO disciplines. They are in addition expressing concerns over lack of effective market access in areas of export interest to them, and are questioning the adequacy of the provisions for special and differential treatment, including for technical assistance in helping them with their integration efforts. The Study seeks to respond to these concerns, and is intended to engage participants in a confidence-building exercise where the fundamental objective is to ensure that indeed non-OECD countries share in the creation of, and benefit from global economic growth.

4. One element of this approach, in fact a key element is to maintain and indeed strengthen wherever possible, a free and open, rules-based multilateral trading system for the benefit of all participants and their societies.

5. The Study uses theoretical arguments, empirical investigations, and policy frameworks and puts forward four fundamental propositions:

- Trade is important to non-OECD countries since it is often the primary means for achieving global integration. Trade policy is not a panacea.
- The global trends in trade and investment flows underlying the world economy, while overall positive, have not benefited non-OECD countries equally. In other words, the rising tide of trade and investment has not lifted all boats equally.
- Trade liberalisation contributes to economic development in a broad sense, but by no means it is a substitute for good development policies.

- The trading interests of non-OECD countries are better served in the context of the multilateral trading system that promotes and maintains liberal trade regimes buttressed by transparent, predictable and enforceable international trade rules.

6. Once these propositions are established, the obvious question to ask is how can the WTO continue to help non-OECD countries to integrate themselves into the international economy? The Study deals with four critical sets of issues:

- The first relates to access to international markets for products and services of export interest to non-OECD countries. The Study reviews both preferential and non-preferential access to OECD markets of products originating from non-OECD countries, and concludes that a full development of trade links between OECD and non-OECD countries requires progress in dismantling remaining tariff restrictions on certain sensitive industrial products and agriculture more often product categories where many non-OECD countries enjoy comparative advantage.
- The second sets of issues is the rules and disciplines in the WTO where emphasis is put on how these rules and disciplines lead to the adoption of good trade policy frameworks in non-OECD countries. The Study reviews anti-dumping actions, safeguards and subsidies among others: areas where non-OECD countries have been expressing concern. The Study also examines the dispute settlement function of the WTO, a function that supplements its rule-setting role by emphasising the willingness of governments to abide by the defined disciplines. It ensures that all trade conflicts are resolved harmoniously within the agreed rules which provides added security and certainty to all those engaged in international trade.
- The third sets of issues is special and differential treatment accorded to developing countries in the multilateral trading system. The concerns voiced by non-OECD countries over all the provisions under special and differential treatment are identified and discussed in the Study. These provisions are grouped under five main headings: provisions that (1) aim at enhancing the trade opportunities of non-OECD countries; (2) call on WTO members to safeguard their interests; (3) grant them flexibility in the implementation of certain rules and disciplines; (4) allow transitional time periods; and (5), provisions extending technical assistance.
- The fourth and last sets is the contribution of development co-operation to capacity building efforts at the international level, where the Study calls for the establishment of a comprehensive development strategy that would seek to create the conditions for private sector-driven development. Some of the elements of this strategy are elaborated.

7. OECD analysis of the above-listed issues is reaching its final stages. As such, it is timely to share the findings with non-Members, and to seek their views in respect of some of the more important upcoming issues that bear on the conduct of international trade in goods and services in a globalising world economy. The agenda that follows focuses on the four sets of issues just listed.

Topic I. Market Access in Goods and Services

I.1. Goods

8. Progress on market access barriers is a priority for non-OECD countries for a number of reasons. First, these economies are reliant on industrial-country markets to drive their own economic growth. Second, non-OECD countries generally have comparative advantage in a much smaller range of goods

than do large developed countries. Consequently, measures limiting market access for the goods from these countries have a pronounced negative effect on their economic growth potential.

1.1.1. Tariffs

9. The massive reductions in tariffs, and the establishment of the principle that non-discriminatory tariffs should be the principal means of trade protection are commonly viewed as one of the most significant success stories of post-war trade policy and multilateral trade negotiations under the GATT. The Uruguay Round marked the eighth time that GATT Contracting Parties have negotiated reductions of trade barriers in a multilateral framework. The success of these multilateral trade negotiations (MTNs) has been remarkable. Prior to the Uruguay Round, seven Rounds of MTNs had succeeded in lowering the average (trade-weighted) most-favoured-nation (MFN) tariff rates on industrial goods from a high of 40 per cent at the end of World War II to around 6 per cent at the end of the Tokyo Round (1974-79). And the Uruguay Round (1986-93) further reduced the average trade-weighted tariff rates to 4 per cent.

10. Nevertheless, market access still represents perhaps the single most important trading issue between OECD and non-OECD countries. Non-OECD countries' strongest demands are not only for continued access to OECD countries' markets, but also for increased access. On the other hand, OECD countries look for non-OECD governments to participate more effectively in multilateral negotiations, and for some of them to contribute more to liberalisation and rule-making efforts and to assume more GATT/WTO obligations. For both groups of countries, market access has been hindered by many barriers: tariffs and non-tariffs barriers, contingency protection measures, and indeterminate measures such as voluntary export restraints (VERs).

11. The continuing reductions of tariffs under GATT auspices suggest that progress toward trade liberalisation has been steady and marked. It would also seem that the process has occurred reciprocally, among major trading nations. Three observations can be registered about this picture. First, the tariff reductions have not been even for all countries, all products and sectors. Second, some countries have not bound some of their tariff lines in the WTO. And, third, in the case of some countries, tariff escalation characterises some sectors. These observations indicate that tariffs remain an important part of any future multilateral market access liberalisation effort.

12. One of the distinguishing features of the Uruguay Round Agreement on Agriculture is that it provided for border measures such as quotas and variable levies to be converted to tariffs (tariffication). In most cases, the tariffication process involved the establishment of tariff rate quotas, with specified access levels being provided at lower duties ("inside of quota tariff rates" or IQTRs), as opposed to the higher, more restrictive rate which is referred to as the "outside of quota tariff rate"(OQTR).

13. The introduction of tariff-quotas has allowed some access into markets that were previously closed and some additional access to markets where imports were restricted. In many cases, in-quota tariffs are set at low levels. In some cases, however, the in-quota quantity has not been filled. Countries have considerable flexibility in allocating tariff-quota quantities at the in-quota tariff levels.

14. The following issues are proposed for discussion:

- **What are the potential benefits from further tariff reductions participants can point to?**
- **Based on the findings of the OECD and/or experiences in the world trading system, what would participants identify as the most important tariff-related issues of particular interest and concern to them?**

- **In the area of agriculture, what mechanisms have been used to allocate quotas, and what have been their effects? What are the economic implications of the various approaches that are customarily used to allocate agricultural import quotas in participating countries?**

1.1.2. Non-tariff barriers

15. Since NTBs are less transparent than tariffs and are notoriously difficult to identify and measure, they often offer more room for discretionary action by governments and create uncertainty, thus discouraging investment and trade and slowing development.

16. In the non-tariff field, a major achievement of the Uruguay Round was agreement on liberalisation in several important areas of the world economy and the strengthening of the rules and disciplines governing the conduct of international trade. However, by their very nature, some of the liberalisation and rule-making achievements will bring dividends mainly in a gradual manner. As such, they necessarily depend on further efforts to implement and deepen the commitments in a multilateral context. The efforts accomplished and anticipated should strongly benefit all countries, in particular non-OECD countries, who feel that their interests have often not been fully addressed by the multilateral trading system in the past.

17. The areas of liberalisation agreed in the Uruguay Round of major interest to non-OECD countries included especially the reform of the textiles and clothing and the agriculture sectors. The abolition of voluntary export restraints (VERs) was also of particular interest for strengthening the ability of manufacturers in many countries to compete internationally.

18. Nonetheless, non-OECD countries have expressed concerns about the progress of non-tariff liberalisation in textiles and clothing and agriculture -- in addition to the significant remaining tariff barriers. They point out that, overall, textile and clothing products integrated thus far into the WTO have been concentrated in the relatively low value-added range, and the phase-out process has been "back-loaded," in the sense that almost half of the quantitative restrictions (those shielding the most sensitive items) will be removed at the end of the transition period. Some non-OECD countries also fear that back-loaded liberalisation will distort the distribution of benefits amongst them. In any case, these countries have expressed the view that even following the full phase-out of all MFA-related quotas, continued application of relatively high tariff barriers will remain of concern. These concerns are in fact being addressed in the WTO.

19. In the area of agriculture, some non-OECD countries have expressed concern that under-filled quotas combined with high out-of-quota tariffs have led to trade distortions. Issues related to implementation have also raised concerns in some non-OECD countries. In particular, the use of other policies that may have subsidy elements, including export credits, the activities of state trading entities as well as export taxes and restraints on exports have attracted increasing attention. Net food importing developing countries may also see a rise in their food import bill to the extent that some concessional arrangements are being eliminated or because of a rise in world agricultural prices. Despite these concerns, the URAA represents a major step toward the establishment of a set of multilateral rules for agricultural trade.

20. In addition, the Uruguay Round Agreements on Technical Barriers to Trade (TBT) and on Sanitary and Phytosanitary Measures (SPS) represent progress in ensuring that technical regulations and standards do not become trade barriers. Their major goals are to ensure that such measures are not more trade-restrictive than necessary to achieve legitimate national objectives and that like products receive non-

discriminatory treatment. A challenge faced by non-OECD countries is to adapt their exports to standards and technical regulations in developed countries, including in areas such as food quality and safety.

21. Work in the Trade Committee has been engaged to help governments understand better the nature and extent of the main trade barriers faced by their exporters. Very significant gaps exist in knowledge about the use of NTBs, which are extremely difficult to bridge. Making use of available information and surveys the Committee's work has focused on developing an understanding of the range of measures, of both a policy-related and procedural nature. The work is now moving to a more concrete phase in which particular types of NTBs will be studied, along with the major procedural barriers arising in their application and an examination of the conditions and sectors in which they are frequently applied. One area that has already been a particular focus of analysis is regulatory barriers to trade.

22. The following issues are proposed for discussion:

- **What are the most important non-tariff barriers facing international traders today, in both OECD and non-OECD markets?**
- **What is the relative importance of procedural barriers to trade, such as lack of transparency regarding regulations, unpredictable implementation, lengthy procedures, discriminatory treatment, etc.?**
- **What appear to be the most promising approaches to dealing with non-tariff barriers?**

I.2. Services

23. The creation of the General Agreement on Trade in Services (GATS) was one of the major innovations to emerge from the Uruguay Round in 1994. Simply put, as far as trade and investment in services is concerned, the GATS *is* the multilateral system. It offers all the benefits that the GATT has provided for goods trade for more than five decades, the most essential of which is the stability and civility provided by a system of law and the binding nature of commitments on market access and national treatment which WTO member countries assume in their national schedules. Stability makes long-term planning possible, and in service industries where direct investment is often the only way to compete effectively in a market, this is critical. The "signalling" properties of the GATS are particularly important for non-OECD countries. This is especially so for the least developed countries, many of which fail to register adequately on foreign investors' radar screens and consequently carry high and potentially FDI-detering risk premia.

24. Governments at all levels of development today recognise the vital role that an efficient and vibrant service industry plays in the process of economic and social development. *Unilateral* (autonomous) reform efforts are being undertaken by numerous countries.

25. The *multilateral* liberalisation of services trade is more difficult to achieve than is the case with merchandise trade, as the characteristics of services and the regulatory nature of measures restricting trade and investment in the sector lend themselves less readily to the method of reciprocal exchange of market access "concessions." The challenge for non-OECD countries is thus to develop negotiating modalities that allow governments to use the GATS as a complementary means of pursuing desired domestic reforms, while improving access to foreign markets.

26. The most obvious GATS deficiency at present lies in the number and quality of liberalisation commitments: the sectoral coverage of many national schedules is small and many of the commitments

which do exist are either subject to important limitations or fail even to lock in the regulatory *status quo*. Such deficiencies are most acute in the case of non-OECD countries, though the scope for broadening and deepening the level of trade and investment liberalisation is also significant in the case of OECD countries.

27. One reason for the reluctance of governments in non-OECD countries to lock in reform programmes has been a perceived need to protect incumbent suppliers from immediate competition—either because of infant industry-type of arguments or to facilitate “orderly adjustment.” Yet the observed failure of infant industry policies lies to an important degree in the difficulty many governments experience in committing credibly to liberalisation at some future date. This tends to occur either because governments often have a direct stake in the national firm's continued operation, or because they are vulnerable to pressure from interest groups (domestic and foreign) who stand to benefit from continued protection.

28. The GATS offers a potentially valuable mechanism to overcome the difficulty of making credible promises to liberalise and to promote orderly adjustment by allowing commitments to provide market access and national treatment at a future date. A pre-commitment to liberalise can also instil a sense of urgency to domestic reform, and to speed up efforts to develop necessary regulatory and supervisory mechanisms.

29. The following issues are proposed for discussion:

- **What are the key service sectors in which developing countries are likely to seek enhanced access opportunities in developed country markets in the coming negotiations?**
- **Under what circumstances are developing countries more likely to make greater use of the signalling properties of the GATS by pre-committing to future liberalisation? Would the adoption in GATS of an emergency safeguards mechanism be a supportive element in this regard?**
- **How can an operational means of “crediting” autonomous liberalisation efforts undertaken by many non-OECD countries since the end of the Uruguay Round best be developed?**
- **To what extent are developing country service exports hampered by regulatory obstacles in OECD markets?**
- **To what extent can the GATS help promote the adoption of “best” regulatory practices?**

Topic II. Rules and Disciplines in the WTO

30. The Agreements that emerged from the Uruguay Round represent the elements of a rules-based system for international trade relations. The objective is to forestall the protectionist abuse of government measures, including domestic policies, and establish a level playing field for, and enhance predictability of, national policies.

31. Reference may be made in particular to the following Agreements that illustrate how emerging global disciplines can contribute to the stability of the international trading system, from which both OECD and non-OECD countries benefit:

- The Agreement on TRIMs seeks to discipline the use of certain restrictions or conditions on foreign investment that have a direct influence on trade and provide disincentives to foreign investors. This is

important for non-OECD countries in order to encourage long-term foreign direct investment (FDI) to support faster and sustained growth. Domestic content requirements, often coupled with import restrictions, hinder efficient resource allocation while raising prices and delaying the introduction of new technologies. Trade balancing requirements limit enterprises in their tapping of new sources for inputs, therefore hindering competition and leading to higher costs.

- The Agreement on TRIPs establishes broad international minimum standards of protection, including in the areas of patents, trademarks, copyrights and geographical indicators. It has clear provisions on MFN and national treatment clauses and on transparency. Perhaps the most important benefit of TRIPS to WTO members, including non-OECD countries, is the establishment of multilateral disciplines over IPR conflicts through the dispute settlement process. Protection offers obvious benefits to intellectual property holders, who are mainly based in OECD countries, but there are potential economic gains accruing also to non-OECD countries over the longer run (e.g. increased research and development activity, transfer of technology).
- The Uruguay Round clarified the circumstances and procedures for applying so-called contingency measures of protection, such as anti-dumping duties, subsidies and countervailing duties. In the case of the Anti-dumping Agreement, in order to provide greater clarity and predictability, injury determinations have been defined more precisely and a new “sunset review” clause limits the duration of duties, subject to review. The importance of having a clear and adequate multilateral framework of rules in this area can be seen e.g. from the fact that both OECD and non-OECD countries are using and are affected by anti-dumping actions fairly widely. The new Uruguay Round Agreement on Subsidies and Countervailing Measures prescribes more clearly the circumstances and rules governing countervailing duty actions and strengthens notification and surveillance procedures with respect to subsidies.
- The WTO Agreement on Customs Valuation sets forth rules intended to provide a fair, uniform and neutral system that precludes the use of arbitrary or fictitious customs values. The need for disciplines in this area can reduce uncertainty and differential treatment that may arise from practices such as arbitrary actions by customs authorities or importers’ under-declaration of prices in order to reduce customs payments. The Agreement is therefore in the interest of all WTO members and their importers.

32. At the same time, concerns have been expressed particularly by various non-OECD countries. Some cite excessively burdensome and costly implementation, compounded by a perception of inadequacy of the provisions included in many Agreements to safeguard the interests of “developing countries”.

- Concerning the TRIMs Agreement, some non-OECD countries have called for an extension of compliance deadlines. They point to the importance of local content requirements in their development policies, in particular in relation to the automotive sector.
- Some non-OECD countries have argued that IP protection under the TRIPs Agreement is largely oriented towards areas of interest to developed countries, leaving aside areas such as indigenous knowledge or geographical indications for traditional handicrafts. Moreover, some countries point out that compliance with the Agreement is particularly difficult for “developing countries,” given that most of them lack the necessary human resources and expertise to develop a framework of IPRs rapidly.
- Some non-OECD countries have expressed concerns about the number of anti-dumping measures against their products and their harassing effects. It is worth noting that non-OECD countries are increasingly using anti-dumping measures themselves. These countries have called for a prohibition of repeated anti-dumping investigations on the same product within a year. They also complain that it is

resource-intensive for small economies to defend their interests in anti-dumping proceedings, and that when a country's exports are concentrated in relatively few sectors, anti-dumping duties may have a disproportionate impact on their economies. Moreover, non-OECD countries have expressed fear that anti-dumping measures may critically increase as the textiles and clothing sector is integrated into normal WTO rules.

- Finally, a number of non-OECD countries are negotiating extensions of time to implement the Customs Valuation Agreement, citing resource limitations and concerns over potential revenue losses.

33. Not only does the WTO encompass new rules and strengthened disciplines in such areas through the Uruguay Round, but it also provides systems for surveying the operation of these disciplines and for discussing problems or issues that may arise, including the Council for Trade in Goods, the Council for TRIPs and the Anti-dumping Committee. Simultaneously, the strengthening of dispute settlement procedures in the WTO has greatly enhanced the credibility and integrity of multilateral trade disciplines and provided a more reliable mechanism for dealing with trade conflicts and disputes.

34. Although the issue of corruption has not been addressed in the WTO Agreements, WTO disciplines can contribute indirectly to anti-corruption efforts by promoting good governance in member countries. In enforcing their WTO obligations, member countries will simultaneously reduce the opportunities and motivations for corruption, thus making corruption less likely to occur. This mainly concerns corruption in international transactions, but the achievement of a more transparent, predictable and less arbitrary regulatory environment can also reduce corruption in domestic transactions. However, although appropriate trade policy can contribute to a general anti-corruption drive and benefit from other elements of such a drive, it can only ever be one part of the overall anti-corruption strategy.

35. The following issues are proposed for discussion:

- **What do international traders perceive as priority areas for strengthening existing WTO disciplines for developing new multilateral rules?**
- **Are WTO disciplines judged to be successful in leading toward open markets while allowing countries the necessary latitude to pursue regulatory or other policies of national interest?**
- **What approaches can help ensure that non-OECD countries benefit more fully from multilateral rules and disciplines?**

Topic III. Special and Differential Treatment

36. In recognition of special difficulties in implementation of some of the agreements and associated adjustment costs, additional provisions granting special and differential treatment (S&D) were introduced in the Uruguay Round Agreements, bringing the total to 145.¹ Within these provisions, more benefits were targeted towards the least developed countries, the net food importing developing countries (NFIDCs), and Annex VII Countries (defined as those with a per capita income less than US\$ 1000).

¹ The 145 S&D provisions are spread across the different Multilateral Agreements on Trade in Goods; GATS; TRIPs; the Understanding on Rules and Procedures governing the Settlement of Disputes; and various Ministerial Decisions. Of the 145 provisions, 107 were adopted at the end of the Uruguay Round, and 22 apply exclusively to the least-developed WTO members (Document WT/COMTD/W/77, October 2000, WTO, Geneva).

37. Most of the new S&D provisions were introduced to help developing countries implement the new agreements and to alleviate the burden of adjustment. As such, S&D provisions have in effect triggered a debate on the special problems and barriers that developing countries face as they seek their fuller integration into the world economy. And by including additional benefits in favour of the least developed, Annex VII countries and the net food importing developing countries, the Uruguay Round has also opened the door on the concept of tiering of S&D benefits across different groups of developing countries.

38. Developing countries have expressed concerns over the different provisions included in S&D. The Study groups these concerns under five main headings: (1) provisions aimed at increasing developing countries' trade opportunities, including preferential access to OECD markets; (2) provisions that call upon WTO members to safeguard the interest of developing countries; (3) transitional time periods; (4) technical assistance; and, (5) flexibility of commitments. Developing countries have raised concerns under each of the headings, except in the case of flexibility of commitments.

39. The most important provisions that aim at increasing developing countries' trade opportunities are to be found in the Generalised System of Preferences (GSP). The GSP is the most extensive and explicit expression of an attempt to use trade preferences as a tool of development. It is a scheme under which all developing countries are supposedly eligible for trade preferences where preference-giving countries exempt imports from developing countries from MFN duties. The GSP was founded on three principles - that it be "generalised," non-discriminatory and non-reciprocal.

40. Developing countries have expressed the view that benefits under the GSP schemes have been compromised through significant restrictions, in terms of product and country coverage, and through uncertainty, the unilateral nature of the schemes, frequent changes in eligibility, complex rules of origin, and various other restrictions.² In terms of products excluded from the GSP, developing countries have mentioned walnuts, raw coffee, meat, dairy products, vegetables, cereals, cigars, silk, cotton, woven fabrics of cotton and footwear. Developing countries have also expressed concern that some schemes include binding ceiling quotas on certain products where they enjoy distinct comparative advantage including wood, leather, footwear, electrical machinery and equipment. They have also pointed out that specialisation and development indices that some schemes employ can lead to discrimination between developing countries as such indices favour producers of raw materials and low-processed goods while penalising more advanced suppliers.

41. Developing countries have expressed concerns over the lack of a specific mechanism to operationalise the provisions in Article IV of GATS for liberalisation of market access in sectors and modes of supply of interest to them, and the need to move ahead with implementation of Article 66.2 of the TRIPS Agreement that deals with incentives for the transfer of technology to least developed countries. Some developing countries have also argued that IP protection under the TRIPs Agreement is largely oriented towards areas of interest to developed countries, leaving aside areas that particularly interest them, like indigenous knowledge or geographical indications for traditional handicrafts.

42. Where it concerns provisions to safeguard the interests of developing countries, a number amongst them have expressed the view that many such provisions have been largely ineffective. For example, where it concerns the TBT and SPS Agreements, some have complained that developed countries have not adequately taken into account their special needs in preparing and applying sanitary and phyto-

² Developing countries have mentioned that the linking of benefits in some schemes to non-trade objectives, such as environmental and social standards, as well as intellectual property rights and the fight against drugs curtail the benefits under the schemes and introduce elements of discrimination and reciprocity into the GSP.

sanitary measures, technical regulations, standards and conformity assessment procedures. They have also expressed concerns over a lack of initiatives to facilitate their participation in standard setting organisations.

43. In addition, concerning the Anti-dumping Agreement, some non-OECD countries argue that developed countries applying anti-dumping measures have paid inadequate attention to the special situation of developing countries and have not adequately explored possibilities for constructive remedies. Non-OECD countries feel that they should be accorded more flexible procedures, e.g. by being allowed higher *de minimis* dumping margins and import share thresholds in anti-dumping proceedings. Moreover, these countries call for a “grace period” during the initiation of proceedings, as well as special considerations when setting the investigation period.

44. Provisions allowing longer time periods to facilitate implementation are provided for in all WTO agreements, save in the cases of the Agreements on the Implementation of Article VI (anti-dumping) of GATT 1994 and on Preshipment Inspection. For example, the TRIPS Agreement grants developing countries a 5 year transition period (except for the national treatment and MFN commitments), while least-developed economies are afforded up to 11 years to follow suit, with the possibility of further extensions.

45. Some developing countries have expressed the view that the transitional periods neither provide adequate time to deal with specific capacity constraints that many of them face, nor do they take into account their particular development needs. Specific areas in which extensions have been referred to include those related to non-agricultural export subsidies, TRIMS, TRIPS and the Customs Valuation Agreement.

46. The provision of technical assistance to developing countries has become part and parcel of S&D under the WTO Agreements. It aims at assisting developing country governments in their efforts to build institutional capacity needed to implement the Agreements and participate more fully in the multilateral trading system. This seems particularly important for implementation of SPS, TBT, Customs Valuation, GATS and TRIPS. Nevertheless, individual S&D provisions on technical assistance can be seen as “best endeavour” clauses rather than legal obligations, as they are expressed in imprecise and hortatory language.

47. Developing countries are asking for a substantial increase in the WTO core budget to be devoted to technical assistance programmes, and for an acceleration in the implementation of the programmes under the Integrated Framework following the submission of needs assessment by LDCs. The question of technical assistance is dealt with in more detail in the next session of the Workshop under Topic IV below.

48. The following issues are proposed for discussion:

- **What are the most important aspects related to the practice initiated during the Uruguay Round that accords additional benefits to selected groups of developing countries?**
- **Of all the concerns over the actual operation of S&D outlined in the OECD Study, which ones do participants view as the most important?**
- **Could participants identify other important concerns over the actual operation of S&D that their country has?**
- **How best can the multilateral process allay these concerns? Participants could point to specific multilateral instruments and measures that can respond more effectively to the trading needs and concerns of their own country.**

Topic IV. The Role of Development Co-operation, Mainstreaming Trade in Development Strategies

49. The integration of developing countries into the global economy will help them generate the economic growth needed to meet the International Development Targets.³ For the less advanced developing countries deepening their integration into the world economy and benefiting from the multilateral trading system requires a comprehensive development strategy. Such a strategy of which trade and investment liberalisation are essential components, needs to create the conditions for private sector-driven development. This is by no means an easy task.

50. In order to underpin these ambitious development objectives, the donor community has moved towards comprehensive approaches to development strategies, as captivated in the Comprehensive Development Framework (CDF) for addressing the multifaceted development agenda. Trade reforms form an integral part of the CDF. The Framework, through a national dialogue, seeks to ensure *inter alia* that trade policy priorities are being defined in accordance with the development stage and strategies of each country. These priorities should thus be consistent with reform efforts in other areas such as exchange rate policies, foreign direct investment, competition and labour practices.

51. Recently, the development community has made poverty reduction a more central and explicit goal in the context of its support to partner countries. Based on the CDF, this focus has led to the introduction of comprehensive, country-owned Poverty Reduction Strategy Papers (PRSPs). The PRSP process has made the formulation and implementation of trade reform policies more challenging, but also more enduring, in at least three respects:

1. Short-term adverse consequences that planned trade reforms may have should be made explicit in order to design appropriate policies to offset them.
2. The PRSP is the result of a participatory process, which should strengthen the sense of ownership of the policies by the authorities and the public.
3. The PRSP process includes systematic monitoring of changes in income over time, as well as evaluation of the impact of key policies that can be used to inform the ongoing dialogue about the impact of trade reforms on different groups in the society.

52. In addition, major technical assistance efforts are being carried out involving bilateral and multilateral aid agencies, including via the *Integrated Plan of Action for the Least-Developed Countries*. This is supported by a partnership between the WTO, UNCTAD and ITC Secretariats and in collaboration with the staff of the IMF, the World Bank UNDP and OECD/DAC. In collaboration with the international community, bilateral donors can play a potentially important role in responding effectively to the wide range of needs of partner countries. The *DAC Guidelines on Capacity Development for Trade in a Global Context* adopted in April 2001 provide a major reference point for these efforts.

³ In May 1996 the Development Assistance Committee of the OECD published *Shaping the 21st Century* a policy paper calling for a global partnership to pursue a new development strategy focused on a set of key development objectives to be reached by 2015 or earlier. These goals are to:

- Reduce by half the proportion of people in extreme poverty.
- Achieve universal primary education in all countries and eliminate gender disparities in education.
- Reduce infant and child mortality by two-thirds and maternal mortality by three-fourths.
- Provide universal access to reproductive health services.
- Implement national strategies for sustainable development and ensure that the current loss of environmental resources is reversed.

53. Trade capacity building can enhance the ability of partner country policy-makers, enterprises and civil society actors to:

- Collaborate in formulating and implementing a trade development strategy that is embedded in a broader national development strategy.
- Strengthen trade policy and institutions—as the basis for reforming import regimes, increasing the volume and value-added of exports, diversifying export products and markets and increasing foreign investment to generate jobs and exports.
- Participate in—and benefit from—the institutions, negotiations and processes that shape national trade policy and the rules and practices of international commerce.
- Strengthen supply side capacity to respond effectively to new market opportunities.

54. OECD countries have a major stake in strengthening the trade-related capacities of developing countries. It is in the interest of OECD Members to help developing countries overcome trade capacity gaps, negotiate effectively and credibly, implement trade agreements and meet their obligations under them. If these challenges are not met, many developing countries may lose faith in the benefits of openness to trade. As a consequence, they will have less capacity to sustain imports and thus remain dependent on foreign aid.

55. The following issues are proposed for discussion:

- **How can OECD Members support non-OECD Members' efforts to mainstream trade as a part of their overall development and poverty reduction strategies?**
- **How can OECD Members best work with partner countries to help them build trade capacities, enhance their trade performance and participate effectively in the WTO?**
- **In what specific areas should OECD policy communities (especially trade and development, but also others) work together to design concerted and effective policy responses to assist developing countries with their integration into the global economy?**

Concluding Remarks

56. The Chairperson will sum up the discussion, and will point to topics of potential interest to participants in the context of future meetings between OECD and non-OECD Members. It is hoped that the exchange of views will contribute to a better understanding of the issues, and assist participants in their consideration of how best to promote further trade liberalisation.