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TRADE DIRECTORATE
TRADE COMMITTEE

Cancels & replaces the same document of 31 January 2006

**SUMMARY RECORD OF THE SEVENTH INFORMAL CONSULTATION BETWEEN THE OECD
TRADE COMMITTEE AND CIVIL SOCIETY ORGANISATIONS (CSOs)**

Paris, 24th October 2005

This document, which contains an updated version of the list of participants, cancels and replaces the version of 31st January 2006.

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1. Morning session: The DDA and preparations for the WTO Hong Kong Ministerial

1. The consultation was chaired by Mr. Yoichi Suzuki. The Chair opened the consultation by welcoming participants and reminding them that just a few weeks remained before the circulation of a draft Ministerial text for Hong Kong. The DDA was thus at a critical juncture and the Chair encouraged participants to offer ideas on how to bridge existing gaps in the lead-up to Hong Kong.

2. A representative of the trade union movement indicated that while almost everyone recognises the benefits of trade, a number of problems remain within the WTO and its approach to liberalisation. He called for a number of changes in the current system to address the costs of trade: these included the introduction of impact assessments (e.g. on development, on gender); the opening up of the DSU to public scrutiny; the right for CSOs to attend and speak to WTO committees and negotiating groups; the expansion of the Integrated Framework to all members of the WTO; follow-up to the World Commission on the Social Dimension of Globalisation; a joint meeting of trade and labour Ministers; and addressing the worst abuses of human rights in trade, in particular in EPZs. He also called for a statement on the right to regulate in the GATS, access to universal services and an agreement not to pursue a benchmarking approach to the GATS. Many of these points were seconded by other CSOs. He spoke out against the use of a Swiss formula in NAMA, which in his view does not comply with the less than full reciprocity agreed in Doha.

3. A representative from the business community indicated that business was deeply committed to a successful round and indicated that agreement on all modalities in all areas should be reached in Hong Kong. In contrast with some other speakers, the business community favours full reciprocity and a non-linear Swiss formula. The representative commended the OECD work on the welfare gains from tariff reduction and indicated that there would be gains from services liberalisation and an agreement on trade facilitation as well.

4. Several CSO representatives expressed their concern about what they saw as insufficient progress achieved since the Doha Declaration and the blockage by discussions on agriculture of other areas under negotiation. They called for balance in all areas under negotiation.

5. In the area of agriculture, several speakers were critical of what they saw as the possibility for “box-shifting” in order to maintain support in agriculture. It was noted that some studies show that a few big companies, rather than small-scale farmers, receive the bulk of government subsidies in many countries with high levels of support. They agreed that market access was a very important and critical part of the agriculture negotiations, and an area with a big impact on developing country farmers and consumers. It was also noted that work was needed on export credits and tied food aid in order to truly reduce export support.

6. The Director for Trade took to floor to point to the importance of widening market access for South-South trade. He wondered whether this issue figured among the topics that CSOs were addressing. In response to this comment, several CSOs pointed to the problem of concentration of retail and distribution sectors in many developing countries, where often the market was dominated by large foreign corporations. This concentration contributed to distorting markets and limiting the benefits of more South-South trade for developing country exporters. It was suggested that the OECD might look at this problem of concentration. It was also noted that in order to have more South-South trade, it was necessary to have better services, better infrastructure and more industrial development.

7. Trade Committee Delegates welcomed the presence and contributions of the CSO participants and reacted to some of the points raised. As regards services, Delegates did not share the interpretation

made by some CSOs of the GATS agreement. Delegates felt that this was one of the most flexible and pro-development agreements in the WTO, thanks in part to its positive list approach. Contrary to public belief, the GATS does not obligate countries to privatise and the right to regulate expressed in the preamble leaves governments with a lot of policy space. They indicated that services liberalisation first took place at the domestic level, before commitments were made in the WTO. They reiterated that services were an area where developing countries stood to gain the most. Representatives of several CSOs seconded this view.

8. As regards agriculture, several Delegates reiterated the offers they had put on the table for reducing support. They also reminded participants that agriculture was only one part of the DDA single undertaking and that progress needed to be made in NAMA, services and rules, among others. They also agreed that subjects such as cotton, TRIPs and health and aid for trade needed to be addressed. They agreed that development should remain at the heart of the DDA.

9. As concerns the problem of concentration, several Delegates noted that this was related to competition policy and that it was unfortunate that trade and competition had not remained on the DDA agenda. They also expressed their support for core labour standards but noted that many WTO members were not ready to accept disciplines in this area.

10. The Chair concluded the morning session by thanking participants for their contributions and expressing the hope that the Hong Kong Ministerial would yield good results.

2. Afternoon session: Corporate social responsibility and trade policy

11. The Chair opened the afternoon session by welcoming the presence of Kathryn Gordon of the Directorate for Financial and Enterprise Affairs (DAF), who works on the OECD Guidelines for MNEs, and by drawing participants' attention to the questions in the agenda intended to stimulate discussion. He gave the floor to Richard van Rijssen, Delegate of the Netherlands, to open the discussion. Making reference to the document submitted to the consultation by the Netherlands, Mr. van Rijssen indicated that the proposal for an OECD study would be for a stock-taking exercise in the area of trade and CSR aiming to fill existing information gaps, since transparency is the start of all responsibility. He fielded the idea of a sort of ISO labelling on these issues.

12. CSO participants welcomed the initiative and proposal made by the Netherlands for a stocktaking exercise in the OECD. Representatives from business stressed the need to focus on impacts and spoke in favour of tools and frameworks needed for this purpose. They indicated that CSR is not an alternative or substitute for government action towards sustainable development, noting that business and government have distinct responsibilities in this area. Attention was drawn to the existence of the OECD Guidelines for MNEs for businesses, while governments have to provide an enabling environment in terms of the political, legal and social framework in which businesses operate. In terms of supply chain operations, it was felt that OECD governments should also encourage non-OECD countries to improve their implementation of existing laws.

13. One speaker cautioned that WTO rules should not undermine CSR and that governments should be allowed to introduce social labelling and regulations for CSR. It was noted that CSR initiatives often existed in high profile companies concerned with protecting their public image, and that attention should also be paid to less visible sectors. The limits for voluntary intervention were recognised, as this seems to work in favour of big companies. It was felt that any future research should also examine pricing mechanisms, and how to take account of the social and environmental costs of producing a product. The role of consumers in CSR was also highlighted, as they are now expected to make responsible choices when making purchases. The purchasing power of consumers and companies in OECD countries in

particular was pointed to as a way of exerting pressure in favour of more CSR, in particular in the area of labour standards. However, it was noted that CSR is not a magic bullet for resolving all abuses in this area.

14. Trade Committee Delegates indicated that there was increasing public discussion on CSR in many of their countries as of late, and several of them shared what was being done in this field at the domestic level. They felt that it was important to support private sector CSR initiatives and information exchange, as well as to foster voluntary co-operation. They recognised the need for disclosure and accountability.

15. In response to several somewhat critical comments on the OECD Guidelines for MNEs, Ms. Gordon of DAF took the floor to remind participants of the comprehensive nature of the Guidelines, which cover human rights, labour, environment, consumer protection, and taxation, among many others. The Guidelines also include a government-backed implementation mechanism (mainly undertaken in capitals by “national contact points”) and provide the only global mediation and conciliation mechanism on general business ethics issues. She also pointed out that the Investment Committee has worked in partnership with other OECD bodies on matters related to the Guidelines and indicated that the Investment Committee would probably welcome such co-operation with the Trade Committee. Co-operative work between the two Committees (studies of codes of conduct) was already carried out with the Trade Committee in 1999-2000. Furthermore, a stocktaking of non-member business communities’ corporate responsibility practices has just been completed. Results show that such business practices are as variable in the non-OECD area as they are in the OECD and that some non-member business communities are leading the way in CSR. Moreover, consultations with non-member representatives and studies on non-member official adherence to the normative framework underpinning the Guidelines showed no evidence that non-member business, trade union and civil society are less attached to international CR norms than their OECD counterparts.

16. Several Delegates and CSO representatives praised the comprehensiveness of the Guidelines, while pointing to some shortfalls in implementation. A business representative noted that it would be desirable to enhance the Guidelines in terms of supply chain management, which is often extremely complex and difficult to monitor owing to the large number of suppliers and countries involved. It was cautioned that any reporting scheme put into place should not attempt to be “one size fits all” or place an additional burden on businesses, which would ultimately lead to consumers’ paying the price. The need to consult with businesses before instituting any new schemes was highlighted. Delegates pointed out that the marketplace is increasingly directing companies to operate in a socially responsible manner and reiterated that domestic law is the underpinning for responsible behaviour. For this reason, governments should be encouraged to provide a stable operating environment for business and strengthen the rule of law where it is lacking along the supply chain.

17. Mr. van Rijssen agreed that CSR is still currently a very broad concept that is difficult to pin down, and for this reason called for an attempt to further focus the issue. He pointed to the need to include the Consumer Policy Committee in any work that is undertaken. The Chair thanked participants for a good discussion. He suggested that perhaps a starting point would in effect be to take stock of what has been done in the area of trade and CSR, as an information-gathering and transparency exercise. He underlined that the OECD Guidelines for MNEs were a good and effective instrument, and suggested that the OECD could further reach out to try to increase the number of governments adhering to them. He also reiterated the note of caution expressed by some on the risk and implications of overburdening businesses with CSR measures. He invited participants to provide further thoughts on the subject to the Investment Committee and Consumer Policy Committee, and to further examine a possible contribution by the Trade Committee in this area. He concluded by thanking participants for their participation in the consultation.

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AND THE CIVIL SOCIETY ORGANISATIONS
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