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TRADE AND AGRICULTURE DIRECTORATE
TRADE COMMITTEE

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OECD GLOBAL FORUM ON TRADE: GLOBALISATION AND EMERGING ECONOMIES

ANNOTATED AGENDA

Paris, 25-26 June 2008

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OECD Global Forum on Trade: Annotated Agenda

GLOBALISATION AND EMERGING ECONOMIES

Organised in cooperation with the World Bank

OECD, Château de la Muette, Paris

25-26 June 2008

Political, technological and commercial forces are driving growth in the international exchange of goods, services, jobs and financial resources. These changes have resulted in very significant growth in global economic prosperity and some major reductions in global poverty. The BRIICS (Brazil, Russia, India, Indonesia, China and South Africa) and other emerging economies are playing a major part in this process. The opening up of the BRIICS economies, for example, is drawing nearly half of the world's workforce into the international arena though these countries currently account for just around 13% of world income at current prices. As the incomes and consumption of the BRIICS countries continue to expand and their integration in world markets deepens, major effects on global resources and societies can be anticipated.

Overall, economic resources are now generally better allocated around the globe than they used to be and policy systems more supportive of economic efficiency. Yet, in spite of this progress, policy challenges abound. Many borders are now so open, and processing and office technology so efficient that many people and communities are having difficulty keeping up with the high degree of change that results from fast growing consumer demand, on the one hand, and the technical and corporate possibilities with regard to the supply side, on the other. A key set of policy questions concerns what can be done to enable societies to cope with these challenges without compromising the gains from trade.

The 2008 OECD Global Forum on Trade will provide an opportunity for trade policy makers from OECD countries and a number of emerging economies to discuss these global policy challenges. Specifically, the Forum will examine two important issues: the recent impact of the BRIICS on international markets and on the political economy of trade. Representatives from manufacturers' associations, academia, non-governmental organisations (TUAC, BIAC and others) and key multilateral organisations will also be invited to participate in the discussion. Participation to this event is by invitation only.

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GLOBALISATION AND EMERGING ECONOMIES

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

24 June 2008

18:00 – 20:00: Welcome cocktail reception for all participants at the "Hall du Chateau" of the OECD Headquarters, 2, rue André Pascal, 16th arrondissement, Paris.

Day One 25 June 2008

09:00 – 09:30 **Registration**

09:30 – 10:30 **Opening**

Welcome and introductions: *Stefan Tangermann*, Director, Trade & Agriculture Directorate, OECD

Keynote speakers: - *Pier Carlo Padoan*, Deputy Secretary General, OECD

- *Masahiro Kawai*, Dean, Asian Development Bank Institute

- *Isher Judge Ahluwalia*, Chairperson, ICRIER, India

10:30 – 13:00 **Session I: Impact of the BRIICS on International Markets**

Chair: **-** *Debapriya Bhattacharya*, Permanent Mission of Bangladesh to the WTO

Speakers: - *Richard Newfarmer*, World Bank

- *Jörg Wuttke*, European Union Chamber of Commerce in China

Brazil, Russia, India, Indonesia, China and South Africa represent a group of emerging economies that have become increasingly open to world trade in the last twenty years. Together they account for 46.5% of world's population, employ almost half of the world's labour force, make up 12.9% of the value of world income at current prices and 12.4% of world merchandise trade in 2006. Their growing importance in the world economy is continuously reshaping world markets for goods and services as well as the architecture of global trade relations.

Despite sharing the characteristic of being important economic players, the individual BRIICS economies exhibit different industry patterns of comparative advantage – energy rich and energy poor, resource rich and resource poor, expanding rapidly in manufactures and/or services. Their regional locations impose different sets of trade and trade policy challenges and they each occupy important geo-political niches. Their recent economic and trade performance varies significantly.

The BRIICS are experimenting with new development ideas and challenging traditional policy designs for institutional development. For example, countries like India are attempting to develop from a leading export and growth pole in services to raise productivity in the rest of the economy, while South Africa and Russia continue to be heavily specialised in natural resources.

Questions for discussion

- What are the most significant ways in which the BRIICS economies impact upon world markets?
- What are the import and export challenges facing the BRIICS in the medium term? What are the implications of their likely responses for the rest of the world?
- OECD countries have an important stake in the development of emerging economies. How best can OECD countries support emerging economies' economic dynamism?
- How should trade policy in other emerging economies and developed countries adapt to the BRIICS' growing weight in world trade?
- What lessons for other developing countries can be drawn from the experiences of each of the BRIICS economies?

13:00 - 15:00 Lunch

15:00 – 18:00 **Session II: The Role of the BRIICS in the Globalisation Process**

Chair: - *Rob Davies,* Deputy Minister of Trade and Industry, South Africa

Speakers: - *Przemyslaw Kowalski* & *Margit Molnar*, OECD

- *Pekka Sutela*, Institute for Economies in Transition, Bank of Finland

- *Renato Flores*, EPGE Graduate School of Economics, Brazil

Three interconnected factors have conspired to drive the benefits of international trade since 1945 – innovation, business development and government policies. Process and business innovation grew rapidly after 1945, with the result that in the 1960's offshoring processes and trading in tasks started to move to lower wage countries. Real prices of manufactured goods and some services immediately began to fall rapidly and host countries like Korea rapidly closed the income gap. More recently, the new waves of information and communications technology have assisted in accelerating these processes in an environment of lower trade barriers, exclusive export zones and other outward looking policies.

The China and India factors are so large in this equation that people are apt to forget the complex cross-country relationships that have resulted from the specialisation (supply fragmentation) that has occurred and the efficiency gains that have resulted. R&D, production and marketing processes are now more highly fragmented along supply chains and across countries. Many of the most highly traded products and services in the world are "components and parts". Component parts now commonly cross the same borders a number of times in the process of completion. Many more countries are involved in each supply chain than formerly and many firms are involved in each country stage. Assembly firms in China are highly dependant on component suppliers from around the globe. They are also highly dependent on export demand for their final products.

The incidence of multinational firms has increased rapidly along with supply fragmentation and reduction in communication costs. Furthermore, the home bases and shareholding of multinationals are increasingly diverse to include middle income countries. Accordingly, the interdependencies between nations increasingly extend to the corporate dimension itself. Emerging country exports are heavily driven by OECD based MNE's. Increasingly, OECD and developing countries' exports will be driven by emerging nation MNE's. What does this imply for international trade responsibilities and trade policies?

Questions for discussion

- What has been (and will be) the role of the BRIICS in the evolution of supply chains management and corporate structures?
- How do the trade and policy challenges facing the BRIICS differ from those confronting OECD countries on the one hand, and other developing countries on the other?
- What areas of market and "government" failure appear to be emerging in world trade and what does this imply for the BRIICS and OECD countries?

17:45- *Presentation by the World Bank Institute on the "World Trader Indicators 2008, Benchmarking Policy and Performance"*

18:30 onwards: OECD Summer Party on the lawns of the Chateau (same premises as the Conference Centre).

Day 2

10:00 – 13:00 **Session III: Political Economy of Trade and the BRIICS**

Chair: - *Carlos Alberto Primo Braga*, World Bank

Speakers: - *Razeen Sally*, London School of Economics and Political Science

- *Mustapha Nabli*, World Bank

The process of global integration is far from complete, and substantial gains from international specialisation remain untapped. Capturing gains from openness, however, depends on additional factors: initial conditions for reform, including a country's factor endowments and historical legacy; complementary domestic market-based reforms; and the state of and improvement in domestic institutions. In particularly, successful external opening depends crucially on domestic politics and institutional capacity. And, this is an area where there are very large and arguably increasing differences within the developing world – and indeed among the BRIICS.

The politics of economic policy reform is as much about distribution as it is about wealth-generation. Shifts in trade policy – from protection to openness or vice versa – trigger redistribution of gains and losses between regions, sectors of the economy, classes and even between ethnic groups. Such disruption, especially in the short-term, can be particularly unsettling in developing countries with political instability, wide disparities in wealth and influence, meagre safety nets, ethnic divides and generally brittle institutions.

Through the 1980s and 1990s, there has been a veritable policy revolution in developing countries and countries in transition. Average applied tariffs in developing countries have declined from 30% in 1985 to 11% in 2005. Core non-tariff barriers declined correspondingly in all developing-country regions. Services sectors have been opened to international competition through FDI liberalisation, privatisation and domestic deregulation. However, this still leaves considerable levels of protection around the world. There are pockets of developed-country protection. But developing countries' own protection - on tariffs, NTBs, FDI and services - is much higher.

There is less appetite in policy circles for further liberalisation and associated structural reforms now. Reforms have not been reversed, but their forward momentum has slowed. Governments are more skeptical and defensive about further liberalisation; and there has been relatively little in the way of "second-generation" reforms (in domestic trade-related regulations and institutions) to underpin external liberalisation and boost competition.

The BRIICS fit well into this big picture. Much trade and FDI liberalisation has already been accomplished but the BRIICS still have relatively high barriers compared to OECD countries. In Russia, liberalisation has stalled or even been reversed in energy sectors. In India, Brazil, Indonesia and South Africa, liberalisation has not been reversed, but it is in a slower gear. China kept up a faster liberalising pace before and soon after WTO accession, but there are recent signs of reform slowdown there too.

For all BRIICS, a future trade-policy reform agenda contains "unfinished business" in terms of extra trade and FDI liberalisation. But it will increasingly entail tackling relatively high domestic regulatory barriers that affect external trade and FDI, in addition to domestic trade and investment. These cut to the heart of domestic economic regulation, institutions and governance. The political economy of these second-generation reforms is complex; and they raise fresh questions about the balance between unilateral measures, on the one hand, and trade negotiations and trade agreements, on the other.

Questions for discussion

- What are the prospects for a fresh wave of trade and FDI liberalisation and associated structural reforms in the BRIICS?
- What are the future trade-policy reform priorities in the BRIICS? How do domestic regulatory barriers fit into the picture?
- Maintaining the momentum of trade reform in the BRIICS has proven difficult. What have been the political economy impediments (e.g. interest groups, anti-reform ideas, institutions, factor endowments, foreign policy)?
- Which national and multilateral institutional changes might improve trade policy in the BRIICS?

13:00 – 15:00 Lunch

15:00-17:00 **Session IV:** The Way Forward

Chair: - *Stefan Tangermann*, OECD

Panel: - *Carlos Alberto Primo Braga*, World Bank

- *Debapriya Bhattacharya*, Permanent Mission of Bangladesh to the WTO

- *Isher Judge Ahluwalia*, ICRIER, India

- *Mario Matus*, Permanent Mission of Chile to the WTO

- *Alejandro Jara*, Deputy Director General, World Trade Organisation

- *Simon Evenett*, University of St. Gallen

(Panel discussion followed by Rapporteur's presentation and closing debate)

The objective of this session is to define a common agenda among the BRIICS countries, other emerging economies and OECD members for future analytical work and policy dialogues.

The discussion over the past day and a half should enable participants to identify:

- Key challenges emerging from the effects of the globalisation process on the economies of the BRIICS countries;
- Most promising policy tools and interventions to manage this globalisation process; and,
- A research agenda for improving evidence-based policy-making in areas of common interest.

In particular, it would be useful to examine ways in which to include these ideas in the work of national and international institutions like the OECD and the WTO.