



BIAC Business Priorities on Trade

A DECISIVE MOMENT FOR TRADE

The Trade Facilitation Agreement announced in Bali last December offers a very much needed opportunity for countries to reinvigorate multilateral trade negotiations and to speed the movement of goods and services across borders. Implementing Bali and reducing the costs of trade is essential, as the changes to transportation and communications technology over that past twenty years have transformed how companies deliver products and services—a paradigm shift captured in the OECD work on Global Value Chains (GVCs). However, many countries have yet to develop policy tools that reflect the needs of the contemporary trade environment. A comprehensive and timely implementation of the Bali package will be a crucial step towards supporting an environment of private sector-led growth in tandem with international trade. The OECD's research and analysis will inform discussions in 2014 at the B20/G20 and at the WTO, where member states are busy developing the post-Bali agenda. Understanding how GVCs have changed trade will help governments to develop updated and internationally coherent policy frameworks.

In lieu of import tariffs, governments increasingly turn to non-tariff measures (NTMs) to protect local markets from foreign competition. In many economies, NTMs can be more important than tariffs in limiting the ability of foreign companies to participate in national markets. By facilitating international policy coordination, OECD is in a unique position to help its member and non-member economies adopt policies that lead to growth. This paper provides BIAC recommendations on nine important trade issues - not necessarily presented in order of importance - for the OECD's research agenda based on the business community's on-the-ground experiences and perspectives on key and emerging trade issues.

1. GLOBAL VALUE CHAINS

GVCs are important to the growth of businesses and economies. They provide access to networks, global markets, capital, best practices, and technology. They enhance trade, productivity, and create jobs. The creation of a policy environment in which GVCs can thrive is good for our economies and for society.

BIAC Recommendation to OECD:

- Deepen fact-based analysis on the importance of tariff elimination and the removal of trade and investment barriers to help countries to reap the benefits from GVCs.
- Continue the good work on the TiVA Database, which tangibly contributes to a better understanding of the new dynamics of world trade, and also identifies opportunities for moving toward a new era of trade and investment liberalization.

An Enabling Business Environment Requires:

- *Trade liberalization and tariff elimination* fostered by an enhanced understanding of the functioning and importance of GVCs.
- *Full and timely implementation* of the Bali Agreement.

2. INTERNATIONAL REGULATORY COOPERATION

The proliferation of national standards and regulations can result in duplicative or conflicting regulations that impede business and trade globally. Greater clarity of regulatory standards will lead to savings - of both time and money - for both business and governments.

BIAC Recommendation to OECD:

- Develop a work programme to promote coordinated best practices and guidance to guarantee effective regulations that do not hinder sound trade and investment flows.
- Compile best practices from other provisions in regional trade agreements that could be synchronized or multilateralized.

An Enabling Business Environment Requires:

- *Regulatory cooperation* to help businesses and authorities manage effective outcomes in a global economy driven by international trade.
- *High-level common standards and disciplines*, including non-discriminatory rules, for preferential trade agreements that yield maximum market access.
- *Inclusiveness, predictability*, and transparency in the regulatory development process.

3. LOCALIZATION BARRIERS TO TRADE

Some governments are increasingly setting requirements from foreign companies to localize investments, production, services, procurements or other activities as a condition of doing business. Many of these non-tariff measures present new and more complex requirements that preclude businesses from effectively competing in the global market.

BIAC Recommendation to OECD:

- Work with OECD governments and key partners to highlight the deleterious effects of localization barriers and identify conditions for an enabling investment climate
- Identify how localization barriers to trade can undermine the ability of international business to undertake long-term investments beneficial to both host countries and investors – whether they are imposed formally or otherwise.

An Enabling Business Environment Requires:

Significant easing – or abolition – of localization requirements, such as the following:

- requirements to balance imports with exports
- certain percentages of a service to be provided by a local service supplier
- tax or financing incentives allotted to products with a certain percentage of local content
- market access being contingent on local investments
- requirements that foreign firms enter into joint ventures with local firms

4. CROSS-BORDER DATA FLOWS

Due to advances in technology and reliance on the Internet, more and more businesses and consumers depend on the real-time cross-border flow of data as part of their day-to-day operations and lives. National governments are increasingly attempting to regulate and even block these data flows. These types of restrictions raise operational costs and undercut business models based on global communication and information networks, which have enabled customer-centric, 24-hour operations increasing productivity, growth, and job creation. They often significantly raise operation costs, and in some cases, they can prevent companies from doing business in a country altogether.

BIAC Recommendation to OECD:

- Highlight the adverse effects of restricting cross border data flows and its impact on international trade.
- Distinguish best practices that allow for both the needed cross-border flow of data and that address concerns for security and privacy.

An Enabling Business Environment Requires:

- *Policies that enable the open flow of business data* to end unnecessary rises in operational costs and to support business models that rely on data flows.

- *Policies that eliminate, or significantly ease,* requirements such as the following:
 - personal information collected in a country must be stored or accessed only in that country
 - electronic health information should not be held or processed outside of the country
 - web search portals, data centres, and cloud computing services should be located in a given country

5. GOVERNMENT PROCUREMENT

Public procurement represents a significant share of governmental spending—13% on average in OECD countries—and an engine for economic growth. These sales opportunities are, however, often reserved exclusively for local businesses and can be lacking in transparency and clarity. This situation not only limits the market for international businesses, it also reduces competition, resulting in higher prices and lower quality products for taxpayers.

BIAC Recommendation to OECD:

- Quantify the impact that restrictive procurement policies have on public expenditures and international trade flows.
- Undertake new work to examine the importance of mediation and the role of trust and non-discrimination in national procurement strategies.

An Enabling Business Environment Requires:

- *Independent oversight bodies* capable of managing potential conflict of interest situations and ensuring a level playing field.
- *Assurance of non-discrimination through* close cooperation and partnerships with competition authorities as well as formal risk management policies to ensure non-discrimination in the procurement process.
- *Policies that allow and encourage international competition* in government procurement activities.

6. MOVEMENT OF BUSINESS PERSONS

Visa requirements and processing times remain significant impediments and in some cases have become even more onerous in recent years. Often justified by government on the grounds of security or other public concerns, these barriers to the movement of business persons can also be used to shield local industries and professional bodies from international competition, reducing economic efficiency, consumer welfare and ultimately economic growth.

BIAC Recommendation to OECD:

- Study the evolution and economic impact of policies affecting the movement of business persons.
- Create a roster of best practices that can be adopted by national governments.

An Enabling Business Environment Requires:

- *Mutual recognition of credentials* in key professions in the visa application process.
- *Free movement across borders*, for business purposes, of managers, professionals, technicians, and suppliers.

7. STATE-OWNED ENTERPRISES

Competition from state-owned enterprises (SOEs) is an area of growing concern to the business community. An uneven playing field or the absence of competitive neutrality with SOEs undercuts the ability of private companies to build key elements of their global supply chains. Private businesses are facing this unfair competition both in the SOE home market and in third country markets.

BIAC Recommendation to OECD:

- Establish a high-level, cross-committee policy review on SOEs, bringing together the expertise of different OECD committees to contribute to a robust, broad and evidence-based OECD analysis on competitive neutrality and implications of SOEs for OECD member and key non-member countries.

An Enabling Business Environment Requires:

- *Policies that ensure an even and competitive playing field* with SOEs.
- *Significant easing – or abolition – of policies that confer preferential treatment to SOEs* such as: “preferred supplier” status, access to subsidies and low-cost financing, and special exemptions from regulatory enforcement.

8. CUSTOMS AND TRADE FACILITATION

There is room for improvements to customs rules and practices to decrease their potentially deleterious effects on global supply networks. Many countries have developed special programs for trusted traders designed to provide security without stifling trade. Full and timely implementation of the Bali package—which BIAC supports—will enhance the potential for business development.

BIAC Recommendation to OECD:

- Disseminate best practices and global industry-led standards that have been most successful on cross-border trade flows that could ease implementation of the Bali package—including priority areas for its implementation.
- Produce a set of principles for effective trusted trader systems that could be leveraged into bilateral, multilateral and regional trade negotiations and other fora.
- Facilitate assistance and support for capacity building in developing and least developed countries (LDCs) to ensure full implementation of the provisions of Section I of the WTO Agreement on Trade Facilitation.

An Enabling Business Environment Requires:

- *Coordination in international customs and trade facilitation programmes* would eliminate the high cost to companies of having to hire individual experts in each country to be able to complete duplicate qualifications processes.

- *Policies that consider the needs of small and medium enterprises* to ensure that they are not so prohibitive that they result in the inability of SMEs to do business in a country altogether.
- *Use of industry generated and commonly used global standards* would increase transparency and harmonise discrepancies between customs rules and practises in different countries.

9. INTERNATIONAL TRADE IN SERVICES

Services such as telecommunications, financial services, transportation, and electricity supply are essential inputs for manufacturing and are indispensable to international trade. Increased regulation and the imposition of vast quantities of restrictions on these services negatively affect the competitiveness of international services markets. BIAC is convinced that OECD's Services Trade Restrictiveness Index (STRI) will provide policy makers and the business community with useful tools to identify barriers, improve domestic policy environments, and open up international trade in services.

BIAC Recommendation to OECD:

- Broaden the (STRI) scope to include non- OECD countries, and support recent joint efforts with WTO to highlight the role of services in international trade. Further work could help develop harmonised standards to collect and publish data on these flows.

An Enabling Business Environment Requires:

- *Accurate, regular and comparable data* on the international flow of services, including the scale and scope of imports and exports of services.
- *Policies that acknowledge lessons from the data* - greater policy attention to what is increasingly a key source of economic growth and job creation.
- *Policies that support the competitiveness of international services* markets by focusing on smart regulation and minimizing unnecessary restrictions.

GOING FORWARD

BIAC members are convinced that a better understanding of the way companies do business and the hurdles they face at the border and in global markets will improve policymaking and create better conditions for private sector-led growth, innovation and job creation. Fighting protectionism and improving international policy coordination requires joint action, and we look forward to continuing a fruitful collaboration with the OECD—as a major forum for international policy—and its key partners including the G20 in the years to come.

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