



BUSINESSatOECD

# Building Back Better Trade

Business priorities  
for OECD work on trade  
in the post-COVID scenario

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Established in 1962, *Business at OECD* (BIAC) stands for policies that enable businesses of all sizes to contribute to growth, economic development and societal prosperity. Through *Business at OECD*, national businesses and employers' federations representing over 7 million companies provide and receive expertise via our participation with the OECD and governments promoting competitive economies and better business.

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# KEY MESSAGES

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## TRADE AND RESPONDING TO THE COVID-19 PANDEMIC

- The OECD should support WTO reform through effective advocacy of why open markets matter. Its evidence-based work can contribute whole-of-government recommendations to WTO negotiations, both on effective implementation and enforcement of existing multilateral trade rules. Based on shared values, like-minded OECD member countries should speak with one voice at the WTO and other fora promoting trade expansion.
- The OECD should strengthen its cross-cutting foresight function to better mitigate and adapt to trade risks, promote policy solutions that enable business to build more resilient global and regional supply chains, and advance discussions on how to increase the robustness of the international trading system in times of crisis. The OECD should also identify supply chain restrictions built from political prerogatives and offer evidence-based solutions for course corrections.
- The OECD should ensure across Committees that the range of industrial policy instruments – including trade policy – is not misused to protect inefficient local industries from competition, and that national security is not used as a pretext for protectionist policies. The Organization should further emphasize that more diversification increases businesses' capacity to absorb shocks, particularly those that may originate domestically. OECD work on policies to support the emergence of diversified sources of products and services in selected industries may provide useful guidance.
- The OECD should continue to foster transparency of market-distorting support measures in selected value chains. New evidence should inform a significant overhaul and reform of the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement).

## STRENGTHENING THE CORE PRINCIPLES OF TRADE POLICY

- The OECD should promote the widest degree of liberalization and market access and ensure that restrictions and partial or complete bans adopted during the pandemic are rolled back in a timely manner. The Organization should continue to invest in monitoring and analysis on trade liberalization and its underlying tools. OECD analysis should emphasize that trade liberalization can also benefit our societies by advancing progress in the areas of health, sustainability and food security.
- Five years after the entry into force of the WTO Trade Facilitation Agreement (TFA), an OECD review of the effectiveness of its implementation on the ground would be timely. The OECD should also explore how trade facilitation can advance resource efficiency and a more circular economy.
- To promote the recognition and deployment of international standards and regulations and to advance good regulatory practices built on facts and evidence, the OECD should facilitate integrated discussions between trade negotiators and regulators in relevant domains.

## ADDRESSING SPECIFIC ISSUES OF CONCERN FOR TRADE POLICY

- The OECD should reinforce its work on the trade effects of weak IP rights enforcement, and on policies which prevent new technologies from entering the marketplace. As we are concerned about policies and measures that force technology transfer, we encourage OECD work to quantify the negative impacts of policies that jeopardize business control over proprietary technologies and strengthen rules to discipline relevant policies.
- Certain countries use SOEs to decisively govern and influence the economy or convey strategic competitive advantages to “national champions”. We call on the OECD to strengthen its work in the field to promote a global level playing field.
- As local players are often favored in these business opportunities, we encourage the OECD to reinforce its work on government procurement activities to safeguard the non-discrimination of foreign bidders.
- On export credits it is important that OECD work effectively contributes to levelling the playing field with respect to the provision of officially supported export credits offered by Export Credit Agencies. An enabling business environment requires competition amongst exporters based on the quality and price of goods and services rather than on the favorability of public financial support.

## ADVANCING TRADE POLICY FOR THE 21st CENTURY

- Building on the excellent work of the Services Trade Restrictiveness Indicators (STRI), OECD analysis should help reduce regulatory barriers to services trade. Ensuring predictable, safe, and secure international mobility during the COVID-19 pandemic, as well as future global emergencies, is essential for sectors that rely on travel.
- The OECD should promote consistent policies regarding digital trade. The OECD should promote a global agreement on the use, processing, and storage of data to generate legal certainty for companies and protect personal data rights. This work should enable interoperability between different data protection regimes. The OECD should continue to contribute strong evidence on critical and outstanding issues of the WTO e-commerce negotiations to facilitate a high-standard outcome.
- Evidence-based OECD work at the intersection of trade and the environment should ensure that environmental policies are not used to artificially and arbitrarily hamper international trade. WTO compliance should be an essential criterion in the design of any policy measures – including proposals on carbon pricing and border adjustment mechanisms. Liberalizing trade in environmental and low-carbon goods and services provides an opportunity to foster diverse sources of environmentally-friendly solutions.
- The OECD should closely collaborate across relevant bodies, and with relevant organizations such as the ILO, to ensure people have access to up- and reskilling to enable everyone to participate in Global Value Chains (GVCs). As SMEs will be central to the jobs growth we need, the Organization should strongly increase its focus on enabling SME integration in global value chains, especially by leveraging digital technologies, capacity building programs and through a wider and easier access to trade financing instruments. As international competition also reduces room for discrimination at the workplace, the OECD should continue to highlight how trade benefits diversity overall. To counter the populist skepticism against international trade, the OECD should more effectively communicate the benefits of trade to public audiences.

# INTRODUCTION: INTERNATIONAL TRADE IN THE POST-COVID SCENARIO

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Business at OECD (BIAC) wishes to work with the OECD to provide evidence-based analysis and policy innovation to help member nations and their governments build effective economic recovery strategies in the post-COVID-19 world. The COVID-19 pandemic represented an unprecedented disruption to world trade and international business:

- World GDP contracted by about 5% in 2020;
- Global merchandise trade plummeted by more than 20% in the second quarter of 2020, relative to the same quarter of 2019;
- Services trade collapsed by up to 30% in the second quarter of 2020, relative to the same quarter of 2019;
- International mobility and travel fell by about 80% in Q2 2020 year-on-year.

Fortunately, as borders gradually reopen, our economies will start to recover, merchandise trade will rebound, and services trade and travel will slowly resume. Yet, the pandemic's implications for international business and global value chains will last well after the crisis dominated headlines.

As the multilateral trading system was already experiencing difficulties before the pandemic, the health, social, and economic emergency sparked by the pandemic exacerbated the need to urgently address pre-existing conditions for trade policy in the post-COVID scenario:

- Ever-more-frequent **global and regional uncertainties** – including escalating trade tensions, natural disasters, financial crises, cybersecurity threats and terrorism – imply increasing complexities and trade-offs for businesses operating in international markets. The impact of the COVID-19 pandemic on top of these uncertainties has led to a focus on ensuring resilience of value chains and production networks.
- Trends towards **economic nationalism, unilateralism, and protectionism** are intensified by nation-first approaches to global crisis management. These trends fundamentally impact the international trade and investment system, call into question the effectiveness of global cooperation and governance in times of crisis, and erode the rules-based trading system.
- The **proliferation of bilateral or regional trade agreements** continues to move the needle away from an emphasis on the multilateral trading system and decisively into the bilateral realm. While these trade agreements become much deeper over time, they exacerbate the risk of economic decoupling. Thus, urgent need for WTO reform persists.
- Innovation through **digitalization and automation** continues to change the way global value chains and production networks are organized. This trend towards digitalization enables efficiency gains, resilience, and opens up new opportunities for economically-viable business models in industrialized countries and beyond. Therefore, it is important that policy-makers recognize the essential role digital infrastructure plays in the smooth functioning of modern-day supply chains.
- Public expectations for trade to more visibly contribute to **achieving the UN Sustainable Development Goals (SDGs)** are increasing. These expectations include addressing global environmental challenges such as climate change, biodiversity loss, and reducing inequalities both globally and domestically.

In this context, globalization is challenged and the positive benefits of trade undermined by a lack of effective cooperation and global governance. The majority of trade and investment regimes still neither reflect modern business practices nor address the challenges businesses face today. This provides the potential to significantly boost our economies through trade initiatives with further liberalization of services trade, digital trade, and government procurement. At the same time, designing evidence-based policies that integrate trade liberalization with other policy objectives, such as tackling climate change and achieving higher resource efficiency, can make a critical contribution to meet global challenges. It is paramount that policy solutions to *build back better* harness trade to promote the twin, digital and green, transitions to restore confidence in global value chains.

*Business at OECD* and its members, including the leading business federations in OECD member countries, are committed to a global rules-based trade and investment system. With the right level of political commitment, the rules-based system has proven it can open markets and remove barriers and unfair trading practices that impede competition around the world. We support policies that establish a level playing field for our companies, while ensuring that open markets deliver the widest benefit to our societies, including workers and consumers.

Drawing on the practical experience of a wide and regionally diverse business constituency, this paper provides our considered assessment of priority issues under four headings and provides clear business recommendations for the OECD. We believe that the OECD and its member nations can contribute evidenced-based analysis to enable an environment where business can build back better trade.

As such, we strongly encourage the OECD to examine these priorities as part of its trade agenda in the biennium 2023–24 and beyond. With the right policies, based on openness, transparency, and agreed rules and standards, *Business at OECD* believes that international trade can once again provide opportunities, prosperity, and stability across the world.

# Business priorities: Building Back Better Trade

## A. TRADE AND RESPONDING TO THE COVID-19 PANDEMIC

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“Following the Covid-19 pandemic, we need to restore trust in the international trading system. Therefore, the OECD must be a strong advocate for multilateralism and international supply chains, and make the case against economic nationalism, unilateralism and protectionism.”

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# Open Markets, Multilateral Trading Systems, and WTO Reform

**“Business needs a reliable and trusted multilateral trading system, centered on a modernized World Trade Organization that effectively discusses, agrees, implements, and enforces trade rules.”**

As the COVID-19 pandemic underlined the fundamental role of smooth, free, and predictable trade flows globally, we need to reinvigorate multilateralism to ensure a strong, inclusive, sustainable, and resilient recovery. To this end, it is critical to advance WTO reform – including by strengthening the Secretariat’s capacity for initiative, advancing efficient rule-making, ensuring stricter processes of notification and monitoring, reforming dispute settlement, and reinforcing stakeholder consultation. The OECD should support WTO reform by effectively emphasizing the benefits of open markets, contributing whole-of-governance recommendations to WTO negotiations, pinpointing the effective implementation and enforcement of existing multilateral trade rules, and enhancing its advisory role to help shape the strategic direction of the WTO, as well as other trade-relevant international organizations. Based on shared values, like-minded OECD member countries should speak with one voice when possible at the WTO and other fora facilitating international economic cooperation. To provide impetus to multilateral rule-making, plurilateral initiatives remain vital.

The OECD should provide strong evidence to support the modernization of the multilateral WTO rule book to better reflect the 21st century realities of businesses operating in GVCs. We particularly welcome OECD analysis geared towards relevant aspects of WTO negotiations, such as trade-related aspects of e-commerce.

Toward the goal of a level playing field, the Subsidies and Countervailing Measures (SCM) Agreement urgently requires reform aligned with the proposal of the Trilateral Initiative, and we encourage OECD support in this regard. Going forward, additional efforts are needed to strengthen implementation including with regards to Trade Facilitation (TFA), Sanitary and Phytosanitary Measures (SPS), and Technical Barriers for Trade (TBT) by all countries. OECD work should also contribute to the Investments Facilitation Agreement negotiations toward establishing a more transparent and efficient investment environment, which eases daily business operations and promotes domestic and foreign investments.

We support the WTO Joint Statement Initiatives (JSIs) on domestic services regulation, e-commerce, trade and gender, and Micro, Small and Medium Enterprises (MSMEs). We encourage all OECD members to support plurilateral efforts by joining and seeking dynamic progress in the JSIs.

To underline the WTO’s founding principles, our members support necessary reform. Notably, Special and Differential Treatment (SDT) struggles to provide real benefits for developing economies, and developing country status is unjustifiably utilized by powerful economies to derive a national competitive advantage otherwise not permitted. The OECD should contribute to making SDT criteria precise, effective, and operational.

## **Business Recommendations to OECD:**

- Deepen fact-based analysis on the benefits of the multilateral trading system of the WTO, global tariff elimination, and the removal of trade barriers so as to deter new restrictions or non-traditional barriers, disguised as concerns for the environment and sustainability.
- Facilitate consensus-building in policy areas related to WTO reform – including in the OECD Global Forum on Trade, on digital trade, improved regulation of services trade, and rules against forced technology transfer/joint-venture requirements.
- Pinpoint the effective implementation and enforcement of existing multilateral trade rules.
- Provide evidence on the development and economic impacts of favorable WTO rights granted under special and differential treatment.

# Trade Risks, Supply Chain Resilience and Robustness

**“Supply chains operate in an increasingly uncertain environment. It is critical to avoid and mitigate risks to trade, enable companies to build resilience, and increase the robustness of the international trading system.”**

**As international supply chains are confronted with evermore frequent global and regional risks, international collaboration should proactively anticipate major challenges instead of firefighting crises. Therefore, the OECD should strengthen its cross-cutting foresight function to better mitigate and adapt to trade risks, promote policy solutions that enable business to build more resilient supply chains and advance discussions on how to increase the robustness of the international trading system in times of crisis, including through public-private cooperation and effective international collaboration. The OECD should also identify supply chain restrictions built from political prerogatives and offer fact and evidence-based solutions for course corrections.**

To address increasing supply chain risks – including cybersecurity threats, pandemics, natural disasters, escalating trade tensions, rising protectionism, and policy uncertainties – the OECD should use its cross-disciplinary expertise and convening power to assess the most significant risks to trade, address price spikes, and explore pragmatic policy choices to mitigate and adapt. This work should be done in part by embracing data-driven technologies to enable more informed and timely policy development and innovation.

Governments should strengthen supply chain resilience by fostering stable, predictable, and transparent regulatory environments that help businesses better plan ahead and manage their operations. Further, facilitating public-private cooperation and timely stakeholder consultations are essential to advance more effective and holistic risk management strategies. Similarly, diverse sourcing of products and investment in existing and alternative trade infrastructure should be emphasized as an effective counterbalance against supply chain shocks. Governments should especially support diversification strategies for SMEs, which may not have the same capabilities and access to credit as large multinationals. Reducing heterogeneous technical standards and unnecessary non-tariff measures can fortify supply chain resilience.

Regarding the digital economy, the aspiration for a globalized technological infrastructure is being reversed; governments are revising the globalized world of technology and fragmenting the Internet at its technological base. These policies risk market and technological fragmentation within the digital economy, jeopardizing the functioning of GVCs and significantly impacting international trade without any guarantee of their interconnection or interoperability.

To increase the robustness of the international trading system for times of crisis, the OECD and governments should work towards a common understanding of essential goods, specifically and narrowly defining national security exceptions, and explore the security of supply agreements. Keeping goods moving requires transparency at the border, promptly implementing emergency green-lanes, and facilitating and digitizing border procedures generally.

## **Business Recommendations to OECD:**

- Address increasing risks to global supply chains; explore pragmatic mitigation policies and promote adaptation where necessary.
- Assess policy solutions to enable more resilient supply chains, supporting the emergence of diversified sources of products and services and encourage investment in trade infrastructure.
- Adopt common international standards for the development of the digital infrastructure to foster the digitalization of Global Value Chains.
- Advance discussions on the robustness of international trade in times of crisis, including through a common understanding of essentials, national security exceptions that are narrowly focused and based on well-defined criteria, and security of supply agreements.
- Assess ongoing supply chains crises related to labor shortages, increased shipping and freight costs and their knock-on effects.

## Industrial Policies: Diversification versus Protectionism

**“Industrial policy frameworks should create and open new markets without discriminating against foreign competitors. Economic nationalism, unilateralism, and protectionism must be avoided.”**

*Business at OECD* is seriously concerned about calls for policies to re-shore global value chains, localize production, and decouple our economies in the post-pandemic scenario. The OECD should ensure across Committees that the range of industrial policy instruments – including trade policy – is not misused to protect inefficient local industries from competition and national security is not used as a pretext for protectionist policies. The Organization should continue to emphasize that more diversification, not less, increases the scope for business to cushion shocks, particularly those that may originate domestically. In this context, evidence-based OECD work on policies to support the emergence of diversified sources of products and services in selected industries may provide useful guidance. An open global discussion on greater transparency and coordination of government industrial policies, their implication on trade, supply chains, and financial flows would be of critical importance.

Across a number of markets and at different stages of the value chain, industrial policy tools are being abused to protect local industries from foreign competition. The variety of industrial policy tools employed to disadvantage foreign competitors expands far beyond traditional tariff and non-tariff measures; they include competition policies, tax policy design, local content requirements, logistics policy, security policy, cybersecurity, and culture.

While states must individually determine their national security needs, national security policy cannot act as a Trojan horse for import restrictions and counterbalancing trade deficits. National security exceptions should remain narrowly focused, temporary in nature, and be deployed deliberately and carefully. Localization requirements designed to protect, favor, or exclusively stimulate domestic businesses should be terminated. In the same vein, joint venture requirements should be prohibited as a condition for market access.

As diversification increases the scope for business to cushion shocks, the OECD should analyze mechanisms to support the emergence of diversified sources of products and services in selected industries; for example, for critical minerals and metals such as magnesium.

### **Business Recommendations to OECD:**

- Guide governments to an effective and least distorting industrial policy framework through deep analysis of industrial policy trends to develop best practices and strategies.
- Avoid arbitrary use of national security goals as a pretext for protectionist policies and support countries' design and implementation of policies that allow them to achieve national security and development goals while minimizing impacts on free trade and investment, especially in times of global emergency.
- Support the emergence of diversified sources of products and services in selected industries; for example, for critical minerals and metals such as magnesium.

# Government Support Measures and Market Distortion

**“Market-distorting government support measures must not unlevel the playing field in the long-run. Increasing transparency, ensuring accountability, and eliminating distortions is essential for fair competition.”**

In response to the COVID-19 pandemic, governments have rightly been providing extraordinary amounts of support to save our businesses, livelihoods, and production capacities, but it is important to ensure that such measures do not unlevel the playing field in the long-run. As several industrial sectors have been concerned about unfair competition for years – in particular caused by significant market-distorting government support from countries characterized by state capitalism – the OECD should continue to foster transparency of market-distorting support measures in selected value chains. Such OECD work should also aim at informing a significant overhaul and reform of the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement).

To ensure that COVID-19 emergency interventions do not distort trade and investment more than necessary, the OECD should guide member and partner countries to adopt economic support measures that are designed in a targeted, risk-proportionate, transparent, WTO-compliant, and temporary manner – ideally with sunset clauses and clear exit strategies.

As the SCM Agreement is the key tool for disciplining industrial subsidies, governments should ensure full compliance with the notification obligations under the SCM Agreement and consider the introduction of a general rebuttable presumption. However, as the agreement’s implementation also revealed several gaps and ambiguities that do not allow it to pinpoint and target distortive subsidies wherever they occur, the SCM Agreement requires a significant overhaul and reform drawing on the reform proposal of the Trilateral Initiative.

In this context, the OECD should further increase transparency to better identify various distortive government support measures, including subsidized inputs and their in-kind provision, privileged access to information and preferred status on government permitting, preferential regulatory exemptions, equity infusions, and mandatory joint venture requirements among others. Where support measures are in principle permissible under multilateral rules but heavily distort international trade – such as those contributing to overcapacities plaguing several sectors – the OECD should help to expand international rule-making and maximize participation in efforts to address the most harmful types of interventions.

In selected industrial sectors, growth-at-any-cost policies should be abandoned to prevent excess capacities, giving way to more long-term and global approaches that factor in global capacities development and output. Both, OECD and non-OECD countries need a sound policy framework to ensure a smooth transition to more sustainable business models, preventing countries from locking into development paths that could be difficult to change. Designing such framework requires an inclusive and open dialogue among countries on pathways to help their energy and industrial sectors embrace the new development paradigm. Such dialogue should ensure that national industrial strategies are mutually aligned and reinforce the global climate action.

## **Business Recommendations to OECD:**

- Continue to highlight distortive government support measures.
- Advance international best practice and rule-making efforts on industrial subsidies and their notification.
- Promote reform of the Subsidies and Countervailing Measures (SCM) Agreement, taking into consideration the Trilateral Initiative proposal.
- Deepen OECD cross-committee policy work to ensure transparency, disclosure, and competitive neutrality of SOEs and analyze trade implication of preferential treatment to SOEs in OECD member and key non-member countries.
- Continue leadership on excess capacity in industrial sectors to address trade, climate change and sustainability issues, and promote transparency and coordination of industrial policies through inclusive dialogue between countries on sustainable industrial development.

## B. STRENGTHENING THE CORE PRINCIPLES OF TRADE POLICY

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**“In 2021, OECD governments renewed their shared commitment to open and transparent market economy principles. Now, this requires taking action to liberalize trade, facilitate trade, and advance international regulatory cooperation.”**

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## Trade Liberalization: Tariff and Non-Tariff Barriers

**“A reduction in tariff and non-tariff barriers is an effective tool to stimulate the economy, and should be a critical part of a holistic economic policy response to this pandemic.”**

As the OECD 60th Anniversary Vision Statement commits to support open markets, governments should promote the widest degree of liberalization and market access and ensure that restrictions and partial or complete bans adopted during the pandemic are rolled back in a timely manner. To ensure that any measures that limit or restrict trade are minimized – in particular those that do not have a technical-scientific basis and may become discriminatory barriers – governments should continue to invest in OECD monitoring and analysis on trade liberalization and its underlying tools as appropriate. OECD analysis should emphasize that trade liberalization can also benefit our societies by advancing important policy objectives such as in the areas of health, sustainability and food security.

In the context of the COVID-19 recovery, governments should roll back existing restrictions and aim to negotiate new trade and investment agreements bilaterally, plurilaterally and – above all – multilaterally, which instill deeper commitments and improved rules for trading between parties. Implementation and enforcement of agreements must be ensured, including with regards to product safety regulations. Trade agreements should address the challenges of tomorrow and be written with appropriate flexibilities to accommodate the rapid pace of developing technologies.

To enable the ongoing pandemic response, governments should strive to eliminate tariffs in the healthcare sector, liberalize relevant logistics, distribution and transport services, eliminate export restrictions, and confront and refrain from imposing new restrictions on health-related goods, including vaccines, while preserving the protection of IP rights. Governments should promote fruitful collaboration in supply and authorization of safe and effective vaccines to ensure access to such vaccines among the global population.

Trade liberalization is a natural tool to ensure our limited resources can be used in an efficient manner, thereby minimizing impacts on the environment. In this context, a number of sectors with low carbon and environmental solutions could be included in the scope of liberalization efforts. Lowering prices for climate friendly goods and services should be a first step when applying trade instruments to foster climate objectives.

Given increasing concerns about food insecurity, it is vital to address the problem of sufficiency, adequacy, accessibility, and availability of the food, by providing open market access, rolling back existing restrictions, and refraining from adopting new ones on agri-food products.

We remain concerned that governments threaten to impose unilateral and retaliatory tariffs on various goods as a response to what they identify as “unfair trade practices.” We reject the argument that bilateral trade deficits are inherently negative and this should not alone be a measuring stick for evaluating trade relations. Unilateral action provokes reciprocal unilateral action and puts at risk the achievements of the rules-based trading system. This outcome must be avoided especially among like-minded countries.

### **Business Recommendations to OECD:**

- Emphasize that a reduction in tariff and non-tariff barriers is an effective tool for stimulating the economy and can advance important policy objectives in the areas of health, sustainability and food security.
- Highlight how tariff elimination in the healthcare sector and relevant supporting sectors can strengthen the pandemic response and advance important health policy.
- Provide evidence to revitalize the WTO work on Technical Barriers to Trade (TBT) and fully implement and enforce the TBT and Sanitary and Phytosanitary Measures (SPS) Agreements.
- Restart discussions to revise, update, and negotiate the WTO proposal on an agreement liberalizing trade in environmental and low-carbon goods and services.
- Assess the negative impacts of trade-restricting rhetoric and actions on value chains, oppose popular but poorly founded criticism against free trade, and provide evidence to support forward looking policies based on further trade liberalization, sustainable development, and growth.

# Trade Facilitation, Border Costs and the Circular Economy

**“Streamlining, modernizing, and harmonizing procedures at the border – and better cooperation in international customs and trade facilitation programs – enables business to build resilient supply chains.”**

The COVID–19 pandemic emphasized the need to further streamline, modernize, and harmonize procedures at the border to keep supply chains going in times of crisis. Reducing unnecessary trade costs and increasing speed to market will also contribute to the economic recovery. The business community values OECD efforts to identify areas for action and assess the potential benefits of trade facilitation reforms, including through the trade facilitation indicators (TFIs). Five years after the entry into force of the WTO Trade Facilitation Agreement (TFA), an OECD review of the effectiveness of its implementation on the ground would be timely. In the context of sustainable trade, the OECD should also explore how trade facilitation can advance resource efficiency and a more circular economy.

OECD analysis should assess the advancements and setbacks to trade facilitation during the COVID-19 crisis and help maintain the progress achieved. In this context, analysis and best–practice sharing to encourage greater deployment of digital technologies and standardized paperless procedures, like the UN Model Law on Electronic Transferable Records (MLETR), would be particularly welcome.

Building on the OECD Trade Facilitation Indicators (TFIs), the Organization should strengthen its outreach efforts to help countries identify strengths and weaknesses in trade facilitation, and prioritize reform areas. To motivate TFA implementation, the Organization should provide updated estimates of the time and cost savings from ongoing reforms and provide insights into how to address supply chain disruptions during emergency situations.

To increase resource efficiency and advance towards a more circular economy, companies should be enabled to build more efficient supply chains at the repair, reuse, remanufacturing, and recycling stages of the product lifecycle. Regulatory and trade policies that facilitate trusted cross–border movement of products and materials at these stages by upgrading custom processes and nomenclatures, revitalizing the Harmonized System, harmonizing the customs origin procedures, and promoting the mutual recognition of Authorized Economic Operators are indispensable to create scalable circular economy activities.

As the *OECD Decision on the Control of Transboundary Movements of Wastes Destined for Recovery Operations*<sup>1</sup> may facilitate transboundary movements of recoverable wastes between OECD member countries, the Organization and different government ministries should ensure that the Decision delivers against its objectives, is implemented, and can be used by the private sector to its full potential.

## **Business Recommendations for OECD work:**

- Assess the advancements and setbacks to trade facilitation during the COVID-19 crisis, and help maintain progress achieved, including greater deployment of digital technologies.
- Analyze the implementation of the WTO Agreement on Trade Facilitation (TFA) and disseminate best practices on customs and border procedures and global industry-led standards that have been successful in facilitating trade flows, including the single window tool.
- Highlight regulatory policies that facilitate trusted cross-border movement of products and materials at the repair, reuse, remanufacturing and recycling stages of the product lifecycle.
- Ensure that the *OECD Decision on the Control of Transboundary Movements of Wastes Destined for Recovery Operations* delivers against its objectives, is implemented and can be used by the private sector to its full potential.

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1 (C(2001)107/FINAL)

## Trade and International Regulatory Coherence

**“International regulatory coherence and cooperation can save time and money for business and governments, while promoting regulatory objectives – including health and safety, privacy and security, and financial stability.”**

The proliferation of excessive national standards and regulations does not only result in duplicative, conflicting, and cumbersome regulations that create additional burden for business, but also reduces supply chain resilience. To promote the recognition and deployment of international standards and regulations and to advance good regulatory practices built on facts and evidence, the OECD should facilitate integrated discussions between trade negotiators and regulators in relevant domains. In this context, we emphasize that technological fragmentation in the digital ecosystem entails significant risks. The development and adoption of common standards can be a vital instrument to foster interoperability and to open strategic value chains in favor of a diverse and innovative ecosystem.

As evidence-based, proportionate, effective, predictable and transparent standards, and regulations are needed to govern business practices and ensure functioning markets, governments should ensure that domestic regulations do not impair the level playing field, stifle competition or impede the gains of trade liberalization. To avoid conflicts of interest in rule-making, it is clear that government bodies should not act in the dual role of regulator and competitor without sufficient firewalls or other protections.

Greater clarity of national and international regulatory standards will lead to savings of both time and money for business and governments. Moreover, it will also strengthen the achievement of policy objectives in various areas, for example related to the environment, health and safety, innovation or financial stability, and resilience building. The recognition and deployment of international standards should be promoted.

Beyond international standard-setting, the reduction of unnecessary regulatory burden, regulatory stability and legal certainty, business-friendly public governance processes, and a regulatory level playing field create a trade and investment-friendly regulatory environment. This is particularly important in sectors considered essential to ensure business can make the necessary investments in critical infrastructure, such as in the telecommunications sector.

The COVID-19 pandemic highlighted the need to explore simplification of domestic regulatory requirements and procedures, including national authorizations, certification, and licenses for products and inputs that are directly or indirectly vital to reduce costs and speed up processes to fight pandemics without compromising on the standards needed to ensure human health and safety. Greater harmonization between regulatory authorities, as well as resource sharing to alleviate capacity constraints, should also be explored further.

More regulatory coherence and cooperation is also needed in the financial sector. A survey by *Business at OECD* and the International Federation of Accountants (IFAC) found that inconsistencies in regulation between different jurisdictions costs financial institutions between 5% and 10% of annual revenue turnover. This also exacerbates risks in the financial system, as over 51% of financial institutions had to divert resources away from investment in risk management activities, including senior management time and capital.

To foster international regulatory coherence, effective and transparent stakeholder engagement is needed in inclusive, predictable, and transparent regulatory development processes.

### **Business Recommendations to OECD:**

- Provide policy makers with an understanding of the trade and investment costs of excessive and disproportionate regulations and strategies for avoiding such policies.
- Collaborate with other OECD directorates and international organizations and promote international standards, best practice and guidance to ensure that policy recommendations are not more trade restrictive than necessary for the achievement of their policy objectives.
- Investigate the amount of traded goods breaching local product requirements and develop policies and mechanisms that enable authorities to enforce product safety regulations across borders.



## C. ADDRESSING SPECIFIC ISSUES OF CONCERN FOR TRADE POLICY

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“OECD businesses have faced unfair competition for years. More must be done to strengthen intellectual property, eliminate advantages for state-owned enterprises, level the playing field for officially supported export credits and open government procurement opportunities.”

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# Intellectual Property and Forced Technology Transfer

**“A robust intellectual property system enables business to provide solutions for existing and future challenges. High IP standards, non-discriminatory implementation, and fair value for returns should be respected.”**

A robust intellectual property system is an enabler to ensure that we have solutions for existing and future challenges – including pandemics – and underpins a sustainable innovation ecosystem critical to achieving the 2030 sustainable development goals. High standards of IP protection should be safeguarded, including through non-discriminatory implementation and enforcement, and fair value for returns from IP rights should be respected. The OECD should reinforce its work on the trade effects of weak IP rights enforcement, and on policies which prevent new technologies from entering the marketplace. As we are concerned about policies and measures that force technology transfer, we encourage OECD work to quantify the negative impacts of policies that jeopardize business control over proprietary technologies and strengthen rules to discipline relevant policies.

Governments are increasingly implementing policies that undermine IP, harming innovation and preventing new technologies from entering the marketplace. The liberal use of compulsory licenses, restricting patentability criteria, and the lack of regulatory data protection can erode IP protections, create a chilling effect on innovation, and negatively affect trade and investment.

Likewise, we are concerned about lax enforcement of IP rights, including with respect to blueprints, source code, and audio–visual piracy. The OECD should urgently reinforce its analysis in this area, work with selected member and non–member economies, and advocate for the basic OECD tenets of non–discrimination, transparency, and stakeholder engagement in the development of relevant regulations.

We are deeply concerned about policies and measures that force technology transfer by restricting market access and compulsory technology transfer to obtain investment approval or contracts for public procurement. It is important that government procedures including in the context of business registration, certification, and approval do not unnecessarily request sensitive proprietary information or require source code disclosures – whether formally or informally. Technology licensing and technology–related performance requirements that impose local sourcing and local content requirements or data localization may also compel involuntary technology transfers. Policies and legislative measures concerning forced technology transfer through government procurement or other mechanisms, such as price controls, act as non–tariff barriers.

## **Business Recommendations to OECD and Governments:**

- Guarantee non–discriminatory protection of intellectual property rights and market access, including compliance with commitments established in the Agreement on Trade–Related Aspects of Intellectual Property Rights (TRIPS).
- Strengthen intellectual property enforcement to address the impact of illicit trade in collaboration with the OECD Task Force on Countering Illicit Trade.
- Quantify the negative impacts of policies forcing technology transfer, and strengthen rules to discipline relevant policies.
- Avoid IP eroding practices and work across OECD bodies to identify and implement best practices in policy formulation to avoid eroding IP protection.

## State-Owned Enterprises: A Competitive Advantage

**“No economic entity should be advantaged or disadvantaged because of its ownership, location, or legal form. Just like any business, SOEs should act consistent with national and international regulations.”**

While no economic entity should be advantaged or disadvantaged because of its ownership, location, or legal form, preferential treatment for state-owned enterprises (SOEs) is tilting the competitive playing field against companies. The growing importance of SOEs as an instrument through which certain countries decisively govern and influence the economy or convey strategic competitive advantages to “national champions,” raises serious concerns about the global level playing field. Building on previous OECD work, we call on the OECD to strengthen cross-cutting activities in this area.

Transparency is a crucial first step for addressing competitive distortions and a prerequisite to identify and address preferential treatment with distortionary home market and cross-border effects, including preferential financing, privileged access to information, market-distorting subsidies and practices, exemptions, mandatory joint ventures and preferential regulatory treatment, among other issues.

Building on previous OECD work on SOEs, including the study on *SOEs as Global Competitors* and its 2021 Recommendation on Competitive Neutrality, the Organization should provide an updated multidisciplinary account of SOEs in the global market place, sorting facts from fiction, highlighting developments, and strengthening the evidence-based understanding on how to address concerns regarding SOE internationalization.

While initial OECD analysis is available in the areas of SOEs as global competitors and on the unique corruption risks related to SOEs, the emphasis now should be on addressing the concerns identified and ensuring a global level playing field with regard to trade and investment. In addition to trade and investment issues, due consideration should also be given to M&A cases involving state-owned and private companies.

*Business at OECD* supports efforts by the *OECD Working Party on State Ownership and Privatization Practices* to enhance transparency and disclosure of SOEs, and we strongly encourage close collaboration with the trade and investment communities as appropriate.

### **Business Recommendations to OECD:**

- Deepen OECD cross-committee policy work to ensure transparency, disclosure and competitive neutrality of SOEs, and analyze trade implications of preferential treatment to SOEs in OECD member and non-member countries.

## Government Procurement

**“Government procurement often favors local suppliers in the domestic market. Ensuring fair international competition can help maximize taxpayers’ value for money, improve the quality of government services, and lead to more efficient allocation of resources.”**

Public procurement represents about 13% of government spending in OECD countries on average and can be a steering instrument for economic welfare, growth and other policy objectives. However, as local players are often favored in these business opportunities, we encourage the OECD to reinforce its work on government procurement activities to safeguard the non-discrimination of foreign bidders.

We recognize that in selected countries, very specific public procurement criteria may go beyond what is required by domestic laws and regulations and discriminate against foreign business. “Buy national/local provisions” lead to a de-facto if not de-jure discrimination of foreign bidders and result in higher prices and lower quality outcomes for taxpayers.

To safeguard transparency and the non-discrimination of all bidders in cross-border procurement processes, easy access to relevant information should be ensured for all interested companies. A “single point of contact” with central digital publication of procurement opportunities in a specific country can considerably contribute to market access and transparency.

Effective legal remedies allowing for an independent, timely and effective investigation in cases of complaints about discrimination or other incorrect procedures should be safeguarded. Eventually, governments might consider establishing further oversight/advisory bodies capable of managing potential conflict of interest situations and ensuring a level playing field.

The WTO Government Procurement Agreement (GPA) contains important legal guarantees concerning transparency, non-discrimination of bidders and effective legal remedies for large public contracts and the membership of the GPA should be widened to further countries. Negotiating further bilateral trade agreements with substantial chapters on transparent public procurement can also lead to improvements.

The adoption by multilateral institutions and national bidding entities of good practices in the governance and quality infrastructure investments are fundamental to ensure the economic, environmental, and social objectives. More efficient implementation of this set of principles and practices may be achieved if they are linked to initiatives, such as the New Partnership to Build Back Better for the World.

### **Business Recommendations to OECD:**

- Quantify and communicate the impact that restrictive procurement policies have on public expenditures and international trade flows.
- Work towards a reduction/elimination of reservations of public contracts for local businesses as well as of Buy national/Buy local provisions.
- Promote the recommendations on the governance of infrastructure and the practices for quality infrastructure investments, as well as to support initiatives like the Blue Dot Network.
- Help governments avoid unnecessary complexity of conditions for public contracts in order to reduce barriers for bidders and to increase the number of bids in the interest of the public.
- Guarantee effective legal remedies in public procurement and undertake work to examine the importance of mediation and the role of trust in national procurement strategies.
- Encourage OECD Member States to accede to the Government Procurement Agreement of the WTO (GPA) and support further negotiations of bilateral trade agreements with substantial chapters on public procurement.

## Export Credits

**“Unfair competition with respect to the provision of officially supported export credits is a reality today. It is important that OECD work continues to help level the playing field.”**

Today, unfair competition in the financing of exports is a reality that an increasing number of businesses in OECD countries face. It is important that OECD work contributes to levelling the playing field with respect to the provision of officially supported export credits offered by Export Credit Agencies. An enabling business environment requires competition amongst exporters based on the quality and price of goods and services rather than on the favorability of public financial support.

Over the last decades, we have seen important geographical shifts in the balance and scope of international trade and an increasing importance of global value chains. Today, unfair competition in the financing of exports is a reality facing many OECD based businesses<sup>2</sup>.

As a result, the Arrangement on Officially Supported Export Credits, introduced in 1978 with the aim to ensure that competition amongst exporters is based on the quality and price of goods and services rather than on the favorability of public financial support, is facing important limitations.

We thus believe that a fundamental modernization of the Arrangement is urgently needed in order to make it fit for purpose while ensuring a global level playing field. In this context, we welcome and support the ongoing discussions in the “Participants to the Arrangement on Officially Supported Export Credits”, operating within the context of the OECD and stand ready to share our expertise and experience in a constructive dialogue.

Similarly, the business community recognizes the significance of good governance and reporting processes and thus welcomes the important ongoing work in the OECD Working Party on Export Credits and Credit Guarantees, including work on broader policies such as environmental and social due diligence processes, anti-bribery measures, and sustainable lending.

### **Business Recommendations to OECD:**

- Ensure a global level playing field for business by reforming the Arrangement and making it an easy to understand, transparent, predictable, flexible, and consistent framework and hence enable fair competition with non-OECD Participants.
- Incentivize climate-friendly and sustainable projects by the provision of export credits. There is a need to update technical standards and to apply the 2017 International Finance Corporation (IFC) Standards revision. Especially for highly indebted countries, this would improve conditions and terms for climate-friendly and sustainable projects. Additionally, flexibility, premium discounts and longer tenors should be achieved.
- Making the rules for sustainable projects more attractive to buyers. To recover from the negative impact of the Covid-19 pandemic, developing countries face extra challenges due to cash and debt concerns. Therefore, achieving UN SDGs and Climate protection is under threat, and public as well as private investors are even more alert for project and credit costs. Hence, ECA financed projects must respond to the different needs of developing countries and become more attractive to buyers.

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<sup>2</sup> For more details, please see our Business priorities on the Future of the OECD Arrangement on Export Credits.

## D. ADVANCING TRADE POLICY FOR THE 21st CENTURY

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“Trade policy needs to better reflect the 21st century realities of businesses operating in global value chains. We need to advance services trade, enable digital trade, address trade and sustainability, and enable all to participate and benefit.”

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## Trade in Services and International Mobility

**“A strong services trade agenda has great potential to boost the pandemic recovery. Within necessary safeguards, international travel and the movement of business personnel should be as free and predictable as possible.”**

Marked by a fall in global demand and mobility restrictions, services trade and investment collapsed in the wake of the COVID-19 crisis. As services generate more than two-thirds of global gross domestic product (GDP), create most new jobs globally, and attract over three-quarters of foreign direct investment in advanced economies, a strong services trade agenda is needed to recover from the pandemic. Building on the excellent work of the Services Trade Restrictiveness Indicators (STRI), OECD analysis should help reduce regulatory barriers to services trade. In this context, ensuring predictable, safe, and secure international mobility during the COVID-19 pandemic, as well as future global emergencies, is essential for sectors that rely on travel. This also underpins successful operations of global and regional supply chains, and enables the provision of professional services as well as the implementation of industrial and infrastructure turnkey projects.

Negotiations on international services trade, such as the ongoing WTO *Joint Statement Initiatives on Domestic Regulation and Electronic Commerce* have the potential to build upon the existing rules and further open foreign markets for services exporters. A trade policy that facilitates trade in services and digital trade can strengthen the resilience and robustness of global value chains by improving production processes and logistical operations. We encourage the OECD and governments to advance progress on 21st century standards for the full range of services trade.

The OECD should support governments to develop a plurilateral set of rules to make domestic regulations in services (such as qualification requirements and procedures, technical standards, restrictions on licensing requirements and procedures) more transparent and impartial, thus reducing the burden of compliance. To maximize the benefits offered by digitalization and technology, targeted policy reform should identify the main bottlenecks and benchmark best practice regulation, including the use of common international standards. The development and adoption of standards can be a vital instrument to foster interoperability and to open strategic value chains in favor of a diverse and innovative ecosystem.

As critical inputs to maintain supply chains, the movement of international business personnel and services mobility should remain as free and predictable as possible within necessary safeguards. Building on the OECD initiative for safe international mobility during the COVID-19 pandemic, a coordinated, coherent and cooperative approach is needed to avoid a global myriad of regional, national and sub-national travel restrictions in times of crisis. The OECD should continue to support all multilateral efforts aimed at setting common standards to enable safe international mobility.

### **Business Recommendations to OECD:**

- Broaden the scope of the OECD Services Trade Restrictiveness Index (STRI) to include more non-OECD economies and support joint efforts with the WTO to highlight the role of services in international trade.
- Emphasize the growing role of services inputs in manufacturing exports, analyze the economic impact for exporters (exported goods) and conduct further analysis on each potential option: multilateral, plurilateral, and bilateral.
- Evaluate the significance of business services inputs to global value chains and different industrial sectors and the impact of non-tariff barriers in those sectors.
- Recognize the role that digital infrastructure plays in the smooth functioning of modern-day supply chains.
- Ensure predictable, safe and secure international mobility during the COVID-19 pandemic and future global emergencies.

# Digital Trade, E-Commerce, Cross-Border Data Flows and Telecommunications

**“Today, digital trade is at the heart of global value chains. Business needs state-of-the-art policies that underpin non-discrimination, strengthen transparency, facilitate interoperability, leverage international standards, and avoid unnecessary trade restrictions.”**

As businesses increasingly rely on digital and digitally-enabled technologies in support of more efficient and resilient operations, the OECD should promote consistently consistent policies regarding digital trade. In this regard, we appreciate the OECD's continued efforts to emphasize that data flow restrictions and forced localization measures increase cyber-risks, foster inefficient operations, harm customer welfare, and create an un-level playing field. The OECD should also promote a global agreement on the use, processing, and storage of data in order to generate legal certainty for companies and protect personal data rights, while enabling interoperability between different data protection regimes. The OECD should continue to contribute strong evidence on critical and outstanding issues of the WTO e-commerce negotiations – including data flows, localization measures, and customs duties on electronic transmissions – to facilitate a high-standard outcome. To further enable the whole digital ecosystem, an update of WTO rules for telecommunications should be considered to reduce regulatory burden and strengthen competition.

*Business at OECD* supports plurilateral WTO negotiations on trade-related aspects of e-commerce and we look forward to progress in international policy discussions including on data flow and electronic commerce under the Osaka Track. Building on relevant OECD work, a further extension of the WTO moratorium on customs duties on electronic transmissions should also be approved. We believe OECD work should be instrumental to enshrine market openness principles, the prohibition of customs duties on electronic transmissions and digital products, the reduction of barriers on services facilitating digitally enabled trade, and trade facilitation measures to support e-commerce. To build momentum, we encourage the OECD to further quantify the impacts and benefits of digitalization for trade. Building on the *Digital Services Trade Restrictiveness Index (DSTRI)*, the OECD should continue its analysis towards reducing barriers to digitally enabled services trade. Regular OECD exchanges between trade negotiators and regulators should help ensure that regulation is not more trade restrictive than necessary.

*Business at OECD* opposes policies and regulations that create barriers and burdensome requirements to digital trade – including through the adoption of technological solutions and processes to comply with regulations – while recognizing the necessity and ability to protect personal data. Policymakers should avoid unclear regulation and respect intellectual property rights in trade secrets and source codes. The e-commerce negotiations should take a wider look at the digital economy beyond “e-commerce” and define a framework for embracing the whole digital ecosystem, including rules for the telecommunications sector, which underpins digital trade and e-commerce. We emphasize the importance for the WTO reference paper on telecommunications services to reflect important developments that have occurred in the market since the 1990s to ensure a level playing field between the players of the digital economy value chain. Capacity building and infrastructure development is important to ensure all participants can benefit from e-commerce in an inclusive manner, based on an investment-friendly environment.

## **Business Recommendations to OECD:**

- Inform trade policymakers about the benefits – including for the development goals of emerging economies – of cross-border data flows and negative effects of data localization measures, the emerging regulatory landscape in this regard and trade impacts of different policy approaches.
- Build on the excellent work of the Digital STRI and illustrate how barriers negatively affect infrastructure and connectivity, payment systems and intellectual property rights.
- Analyze regulatory policies that significantly disadvantage and weaken the global competitiveness of OECD data-driven businesses, and support enhanced coordination and international alignment of best-practices for cybersecurity and other data governance standards.
- Build on OECD guidance to support the development of personal information protection standards.
- Build momentum for an update of the WTO reference paper on telecommunications services to reduce regulatory burden and strengthen competition.



## Trade and Environmental Sustainability

**“The development, deployment, and diffusion of environmentally-friendly goods and services should be promoted through evidence-based and coherent policies that foster the integration of environmentally secure and economically efficient free trade.”**

We support the development of coherent policies that are both economically efficient and environmentally effective. Policies need to factor in longer-term planning in terms of climate, biodiversity resource efficiency, and circularity, and the OECD should work to inspire collaboration and action in support of a sustainable future. Evidence-based OECD work at the intersection of trade and the environment should ensure that environmental policies are not used to artificially and arbitrarily hamper international trade. It is paramount that sustainability initiatives are implemented in a complementary manner with existing trade relationships and the rules-based multilateral order. Trade agreements, rules, and customs procedures should be genuinely supportive of open markets and should seek to leverage open markets to advance environmental or other policy goals. WTO compliance should be an essential criterion in the design of any policy measures – including proposals on carbon pricing and border adjustment mechanisms. Liberalizing trade in environmental and low-carbon goods and services provides an opportunity to foster diverse sources of environmentally-friendly solutions.

In several OECD countries, trade measures are being considered to rebalance potential competitive disadvantages and to avoid carbon leakage. As carbon pricing and proposals for respective border adjustment measures are discussed, the WTO compliance of such measures needs to be safeguarded. To strengthen fact-based and prudent decision-making, further evidence on technical design, the trade, economic, and development impacts and environmental effectiveness of such measures are critical prerequisites to avoid illegitimate, arbitrary or unjustifiable discrimination or disguised trade restrictions. Climate-related trade policies should also be considered through sectoral and consumer perspectives without creating unnecessary burden to companies, and take into account nationally-determined ambitions. Consideration should be given to encourage coherent and transparent international emissions disclosure to allow manufacturers and consumers to make low-carbon choices.

As circular economy and resource efficiency initiatives – such as recycling to close material loops, product service systems, or loops such as repair, reuse, refurbishment, and remanufacturing – continue to largely take place within national boundaries, further studies are needed to identify methods in which trade policy can support resource efficiency goals on a global scale, for example by facilitating the use of remanufactured goods and the environmentally-secure movement of waste for recycling.

As linkages between trade policy and the use of biological resources are increasingly under scrutiny, environmental regulations must safeguard the sustainable management of natural resources as an important source of employment and income. In this context, trade of goods and services that consider sustainability criteria may also provide strong incentives for the conservation and sustainable use of biodiversity.

### **Business Recommendations to OECD:**

- Disseminate analysis of the relationship of trade and environmental policies to achieve greater policy coherence and support objectives such as in the area of climate change and resource efficiency, including proposals on carbon pricing and border adjustment mechanisms.
- Avoid unilateral use of carbon pricing and border adjustment mechanisms as a protectionist measure. Policies to advance a sustainable green recovery must not be misused as a vehicle for discriminatory or protectionist actions, and they should unconditionally comply with existing international agreements to facilitate multilateral cooperation.
- Ensure that the introduction of any new trade policies (e.g. carbon border adjustment measures, new environmental regulations and emissions trading schemes, etc.) is considered through sectoral and consumer perspectives in the context of COVID-19 impact.
- Promote the exchange of information on initiatives and good practices on trade in natural and renewable resource-based products with the aim of conserving biological diversity.

# Making Trade Work for All: Skills, SMEs, Diversity and Communications

**“Ultimately, our societies will only support economic openness and innovation to solve global challenges when trade policies are accompanied by appropriate and inclusive domestic policies to prepare people for change.”**

Fair international competition is a powerful engine for societal progress, diversity and gender equality, living standards, alleviating poverty, and addressing global challenges. And the vast majority of people in OECD countries are convinced that they benefit from international trade<sup>3</sup>. Yet, our societies will only support economic openness and innovation to solve global challenges, when these are accompanied by appropriate domestic policies to prepare people for change. Therefore, the OECD should closely collaborate across relevant bodies, and with relevant organizations such as the ILO, to ensure people have access to up- and reskilling to enable everyone to participate in Global Value Chains (GVCs). As SMEs will be central to the jobs growth we need in the post-COVID scenario, the Organization should strongly increase its focus on enabling SME integration in global value chains, especially by leveraging digital technologies, capacity building programs and through a wider and easier access to trade financing instruments. As international competition also reduces room for discrimination at the workplace, the OECD should continue to highlight how trade benefits diversity, gender equality and women’s economic empowerment, and provide guidance to advance these issues through trade. To counter the populist backlash against international trade by those that feel left behind, the OECD should more effectively communicate the benefits of trade to public audiences.

In our market-based democracies, competition is and should be unavoidable to ensure that jobs will be created by the private sector – by viable, successful, and growing businesses. Protection from competition and innovation does not stop it from happening elsewhere but equates to those who are supposed to be protected falling further behind. To enable all to participate and reap the benefits from global value chains, the OECD should closely collaborate across relevant bodies to ensure that people can be equipped with better skills, particularly where gaps and shortages exist, and better prepare them for the future of work.

As SMEs will be central to the jobs growth we need in the post-COVID scenario, the Organization should increase its focus on enabling SME participation in global value chains, especially by leveraging digital technologies, capacity building programs and wider and easier access to trade financing instruments.

While future OECD research might further identify measures to ensure trade benefits are more widely shared within our societies, more effective communication of existing insights is needed to counter the populist backlash against international trade, globalization, and technological advancement generally. The OECD, governments, and the private sector must do a better job in explaining to the public how trade liberalization benefits citizens as consumers, creates and sustains jobs, and strengthens our businesses and societies as a whole. To this end, we strongly encourage OECD work on trade to increase its focus on micro-level data (including on firms and individuals) and translate this into easy-to-understand and accessible messages, experiences, and facts. Effective communication of the benefits of global value chains to public audiences is needed, especially those who feel ‘left behind.’

## **Business Recommendations to OECD:**

- Collaborate across relevant OECD bodies and with relevant organizations such as the ILO to ensure people have access to up- and reskilling to participate in GVCs, and to prepare them for the future of work.
- Focus on enabling SME participation in global value chains.
- Develop more detailed gender-focused statistics related to trade, continue to facilitate exchanges on policies and initiatives that encourage women’s participation in international trade, and conduct work to foster diversity and enable women to foster international trade.
- Ensure effective communication of the benefits of global value chains to public audiences, including by focusing on micro-level data and translating these into easy-to-understand and accessible messages.

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<sup>3</sup> 64% of American have positive views of trade (Gallup, 2021). Six in ten Europeans believe that they benefit from international trade (EuroBarometer, 2019).

# CONCLUSION: HARNESSING OECD WORK ON TRADE

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This paper provides *Business at OECD's* considered assessment of priority issues that affect the positive impact and benefits from open markets and international trade for our economies and societies.

Drawing on the practical experience of a wide and regionally diverse business constituency, the paper organizes our priority issues under four headings and provides clear business recommendations for the OECD. We believe that the OECD and its member nations can contribute evidence-based analysis to enable an environment where business can build back better trade. As such, we strongly encourage the OECD to examine these priorities as part of its trade agenda, in the biennium 2023–24, and beyond.

With the right policies based on openness, transparency, and agreed rules and standards, *Business at OECD* believes that international trade can once again provide opportunities, prosperity and stability for all regions across the world. Businesses across OECD countries highly appreciate the Organization's research and analysis on trade, which clearly demonstrates the economic benefits of trade for better productivity and growth.

However, the value of the OECD's evidence-based research and knowledge can only be realized if policymakers are willing to put the Organization's conclusions into practice. As OECD members share a commitment to pluralist democracy, market economy principles and sustainable development, they should move forward with an ambitious trade agenda. Detrimental unilateral measures must be avoided.

Yet, rising protectionist rhetoric and action continue to undermine the achievements of open economies and the liberalization of cross-border goods and services flows and raise concerns about the future of the global trading order. Ultimately, societies can only support economic openness when it is accompanied by appropriate domestic policies to prepare people for change, with better skills and more opportunities for economic participation. The OECD is uniquely placed to investigate trade policy interlinkages with several policy domains, bringing policymakers and regulators from various domains together. This is a valuable asset to manage effective outcomes in the national and international arena.

Further, the OECD – as well as the private sector – should strive to better explain to the public how trade liberalization benefits citizens as consumers, creates and sustains jobs, and strengthens economies as a whole. While future OECD research might be able to further identify measures that ensure that trade benefits are more widely shared within our societies, more effective communication of existing insights is needed to counter the current populist backlash against international trade – and, more generally, against globalization and technological advancement.

Beyond its membership, the OECD should continue to reach out to key partners where necessary and give impulse to international organizations such as the WTO, as our businesses rely on trade with non-OECD economies more than ever. Where competitive distortions caused by the nature of non-market OECD economies continue to nonetheless negatively impact OECD business – including in OECD home markets, in foreign markets, and in third country markets – relevant OECD Committees should continue to strengthen the evidence-base and facilitate dialogue among like-minded countries and with the business community on how to effectively address such distortions. In this context, we emphasize however the fundamental importance of maintaining a predictable regulatory, trade and investment policy environment for OECD business operating in global markets and with overseas partners, and the significant risks that detrimental unilateralism, protectionism, and systemic decoupling entail.

Building back better trade must be a top priority for the OECD to drive economic recovery from the COVID-19 pandemic, create jobs, and improve living standards for our citizens. We are confident that the OECD sharing information and analysis with its international partners can encourage member nations to make the best policy decisions to create an environment that enables growth and productivity.

## About the *Business at OECD* Trade Committee

Established in 1962, *Business at OECD* (BIAC) supports policies that enable businesses of all sizes to contribute to sustainable growth, broader economic development and enhanced societal prosperity. Through [our 55 national federations and 52 associate expert groups networks](#), we currently work with over 7 million companies in virtually all sectors.

Our *Business at OECD* Trade Committee ensures that consensus business views and priorities are adequately reflected in the work of the OECD Trade Committee. The *Business at OECD* Trade Committee identifies existing problems, barriers and protectionist measures based on its members' on-the-ground expertise and participates in OECD projects and activities as officially recognized business advisory group.

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**ROMANIA**

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## Associate Expert Groups

Association of the European Self-Care Industry (AEGSP)  
Association of Chartered Certified Accountants (ACCA)  
Association of the European Rail Industry (UNIFE)  
AquaFed  
Bureau of International Recycling (BIR)  
CEFIC  
COCIR  
Computer & Communications Industry Association (CCIA)  
Confederation of European Waste-to-Energy Plants (CEWEP)  
Cosmetics Europe  
CropLife International  
Digitaleurope  
Eurometaux  
Euromines  
European Banking Federation (EBF)  
European Aluminum  
European Carbon and Graphite Association (ECGA)  
European Federation of Pharmaceutical Industries and Associations (EFPIA)  
European Industrial Research Management Association (EIRMA)  
European Insulation Manufacturers Association (Eurima)  
European Recycling Industries Confederation (EuRIC)  
European Tech & Industry Employers (CEEMET)  
European Telecommunications Network Operators (ETNO)  
European Union of Private Hospitals (UEHP)  
FoodDrinkEurope  
GS1  
GSMA  
ICI Global  
Inter-American Association of Telecom Enterprises (ASIET)  
Insurance Europe  
International Aluminium Institute  
International Chamber of Shipping  
International Council on Mining and Metals (ICMM)  
International Federation of Accountants (IFAC)  
International Federation of the Phonographic Industry (IFPI)  
International Federation of Pharmaceutical Manufacturers & Associations (IFPMA)  
International Fertilizer Association (IFA)  
International Fragrance Association (IFRA)  
International Health, Racquet and Sportsclub Association (IHRSA)  
International Seed Federation (ISF)  
International Textile Manufacturers Association (ITMF)  
MedTech Europe  
PlasticsEurope  
spiritsEUROPE  
The Brewers of Europe  
Transnational Alliance to Combat Illicit Trade (TRACIT)  
Union of European Beverages Associations (UNESDA)  
World Employment Confederation  
World Federation of Advertisers  
World Pharmacy Council  
World Savings and Retail Banking Institute (WSBI)  
worldsteel Association

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