



Complementarities between trade liberalization and economic reforms

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Trade liberalization and economic reforms as tools for development



- Well-functioning markets a sine qua non for development, economic growth and the reduction of poverty
 - Improved standards of living for citizens
 - Provision of provide public goods
 - Human rights dimension
- But: to work well, markets need appropriate governance mechanisms, e.g.:
 - Competition policy and information asymmetries.
- Significance of governance for development; contribution of the international trading system.



What are the objectives of the WTO, anyway?

- ❑ Is the objective just trade enhancement or “free trade”? Or is it development through trade?
- ❑ The Marrakesh Agreement: Parties’ “relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development ...”



How the WTO itself can contribute

- Progressive elimination of barriers to trade which also expand possibilities for beneficial competition in markets.
- Ensuring adherence to core principles of good competition policy which are also the core principles of the WTO (non-discrimination, transparency and procedural fairness).
- Providing a forum for reflection/potential action against mixed public and private restraints to competition.
- Development of special solutions for sectoral concerns (e.g. telecoms; possibly energy)

The importance of deterring international cartel activity from the perspective of the international trading system



- What is well appreciated: the pernicious effects of international cartels on the welfare of citizens - including, very much, in poorer countries (extensively documented and discussed in the IGE; Global Forum and other international bodies/fora).
- What is, perhaps, underappreciated: significance for the international trading system.
 - Not principally an issue of market access!
 - Rather, direct undermining of the intended benefits of the system (lower prices and costs; expanded output)
- **Related challenges:**
 - coordination of national enforcement/leniency programmes
 - jurisdictional gaps, e.g. with regard to export cartels

The importance of pro-competitive structural reforms for realizing the benefits of trade liberalization



- Infrastructure services, including transportation, energy and telecommunications, account for a large proportion of the costs of export-oriented and other developing and transition economy businesses. They are also vital for household consumers in their daily activities.
- **Historically, key infrastructure services were often provided by monopolies.**
- Remedial measures are now being taken to create more competitive markets.
 - Most infrastructure industries not 'monolithic natural monopolies' (see next slide).
 - OECD Recommendations.
- Importance of the continuing application of competition law, post-restructuring, also competitive neutrality requirements.
- Interaction with international trade agreements and co-operation, e.g. Mexico – Telecoms case

Why procurement regimes matter: economic, social and trade dimensions



- A large proportion of Gross Domestic Product (15-20 % in most countries, more in some cases)
- Supports essential functions of government, vital for development and social policy purposes:
 - Provision of transportation and other vital infrastructure (airports, highways, ports)
 - Public health (hospitals, medicines, water and sewer systems)
 - Schools and universities
- Significance as a component of international trade
- Importance for “good governance”.



Importance of competition rules as an adjunct to liberalized government procurement regimes

- Deterrence and, where appropriate, investigation and prosecution of bid rigging as one focus of activity for competition agencies (as suggested by OECD, the ICN and UNCTAD).
- **Usefulness of policy advocacy in this area.**
- **A two-way relationship: usefulness of trade liberalization in expanding possibilities for competition/making collusion more difficult.**
- Importance of balancing transparency with competition concerns in order to achieve overall balance and comprehensive good governance.

Summary: what we have covered



- Trade liberalization and economic reforms as tools for development;
- The importance of competition policy in deterring international cartels in order to prevent them from undermining trade liberalization;
- The importance of pro-competitive structural reforms;
- The importance of competition rules as an adjunct to liberalized government procurement regimes.