

REPORT (2001) OF THE WORKING GROUP ON THE RELATIONSHIP BETWEEN TRADE AND INVESTMENT TO THE GENERAL COUNCIL

1. The Working Group on the Relationship between Trade and Investment held three meetings under the Chairmanship of Ambassador Demiralp (Turkey) in 2001, on 7 and 8 March, 13 and 14 June, and 5 October. Minutes of the meetings are contained in documents WT/WGTI/M/14, 15, and 16, respectively.¹

2. At the March and June meetings, the Working Group considered all Items of the Checklist of Issues Suggested for Study.² At the October meeting, the Working Group adopted its report to the General Council.³

¹ Annex 3 contains a tabular summary of contributions received in the Working Group on the Relationship between Trade and Investment in 2001.

² The Checklist of Issues Suggested for Study, which the Working Group took note of at its meeting on 2 and 3 June 1997 (WT/WTGI/M/1), is reproduced in Annex 2.

³ Reports for previous years are contained in WT/WTGI/1/Rev.1 (1997), WT/WTGI/2 (1998), WT/WTGI/3 (1999) and WT/WTGI/4 (2000).

ANNEX 1

TEXT OF THE SINGAPORE MINISTERIAL DECLARATION, PARAGRAPH 20 AND RENEWAL OF THE MANDATE OF THE WORKING GROUP ON THE RELATIONSHIP BETWEEN TRADE AND INVESTMENT

The Working Group on the Relationship between Trade and Investment was established by a decision taken at the WTO Ministerial Conference held in Singapore in December 1996. The relevant paragraph (i.e. paragraph 20) of the Ministerial Declaration (WT/MIN(96)/DEC) reads as follows:

"20. Having regard to the existing WTO provisions on matters related to investment and competition policy and the built-in agenda in these areas, including under the TRIMs Agreement, and on the understanding that the work undertaken shall not prejudice whether negotiations will be initiated in the future, we also agree to:

- establish a working group to examine the relationship between trade and investment; and
- establish a working group to study issues raised by Members relating to the interaction between trade and competition policy, including anti-competitive practices, in order to identify any areas that may merit further consideration in the WTO framework.

These groups shall draw upon each other's work if necessary and also draw upon and be without prejudice to the work in UNCTAD and other appropriate intergovernmental fora. As regards UNCTAD, we welcome the work under way as provided for in the Midrand Declaration and the contribution it can make to the understanding of issues. In the conduct of the work of the working groups, we encourage cooperation with the above organizations to make the best use of available resources and to ensure that the development dimension is taken fully into account. The General Council will keep the work of each body under review, and will determine after two years how the work of each body should proceed. It is clearly understood that future negotiations, if any, regarding multilateral disciplines in these areas, will take place only after an explicit consensus decision is taken among WTO Members regarding such negotiations."

At its meeting held on 9-11 and 18 December 1998, the General Council took the following decision with respect to the continuation of the work of the Working Group:

"The General Council decides that the Working Group on the Relationship between Trade and Investment shall continue the educational work that it has been undertaking on the basis of the mandate contained in paragraph 20 of the Singapore Ministerial Declaration. The work of the Working Group, which shall be reviewed by the General Council, shall continue to be based on issues raised by Members with respect to the subjects identified in the Checklist of Issues Suggested for Study. It is understood that this decision is without prejudice to any future decision that might be taken by the General Council, including in the context of its existing work programme."⁴

⁴ WT/GC/M/32, p. 52.

ANNEX 2

CHECKLIST OF ISSUES SUGGESTED FOR STUDY⁵

Revised Non-Paper by the Chair (4 June 1997)

It was widely recognized that the Working Group's work programme should be open, non-prejudicial and capable of evolution as the work proceeds. It was also emphasized that all elements, not only category I, should be permeated by the development dimension. Particular attention should be paid to the situation of least-developed countries. In pursuing the items of its work programme, the Working Group should avoid unnecessary duplication of work done in UNCTAD and other organizations.

I. Implications of the relationship between trade and investment for development and economic growth, including:

- economic parameters relating to macroeconomic stability, such as domestic savings, fiscal position and the balance of payments;
- industrialization, privatization, employment, income and wealth distribution, competitiveness, transfer of technology and managerial skills;
- domestic conditions of competition and market structures.

In this work, the Working Group should seek to benefit from the experience of Members at different stages of development and take account of recent trends in foreign investment flows and of the relationship between different kinds of foreign investment.

II. The economic relationship between trade and investment:

- the degree of correlation between trade and investment flows;
- the determinants of the relationship between trade and investment;
- the impact of business strategies, practices and decision-making on trade and investment, including through case studies;
- the relationship between the mobility of capital and the mobility of labour;
- the impact of trade policies and measures on investment flows, including the effect of the growing number of bilateral and regional arrangements;
- the impact of investment policies and measures on trade;
- country experiences regarding national investment policies, including investment incentives and disincentives;
- the relationship between foreign investment and competition policy.

⁵ This Checklist was circulated as a revision of a Chairman's Non-Paper (Job 3093) on 4 June 1997.

III. Stocktaking and analysis of existing international instruments and activities regarding trade and investment:

- existing WTO provisions;
- bilateral, regional, plurilateral and multilateral agreements and initiatives;
- implications for trade and investment flows of existing international instruments.

IV. On the basis of the work above:

- identification of common features and differences, including overlaps and possible conflicts, as well as possible gaps in existing international instruments;
- advantages and disadvantages of entering into bilateral, regional and multilateral rules on investment, including from a development perspective;
- the rights and obligations of home and host countries and of investors and host countries;
- the relationship between existing and possible future international cooperation on investment policy and existing and possible future international cooperation on competition policy.

ANNEX 3

*Summary of contributions received in the Working Group
on the Relationship between Trade and Investment in 2001*

<i>Symbol (WT/WGTI/W/-)</i>	<i>Member / Other Source</i>	<i>Where introduced (Reference in Minutes)</i>	<i>Topic</i>
W/95		M/14, Para. 2	Foreign Direct Investment and the Balance-of-Payments – Note by the Secretariat
W/96	Korea	M/14, Para. 64	The General Agreement on Trade in Services (GATS) and its Implications for an Investment Agreement
W/97	Canada	M/14, Para. 41	Foreign Investment Barriers: A Report by the Canadian Chamber of Commerce in Partnership with Industry Canada
W/98	Canada	M/14, Para. 43	Industry Canada Research Program on Foreign Direct Investment
W/99	Singapore	M/14, Para. 45	The Economic Relationship between Trade and Investment: Investment Promotion and Incentives
W/100	OECD	M/14, Para. 61	Summary of OECD Work on Issues Related to Investment Policy Analysis
W/101	UNCTAD	M/14, Para. 62	Recent Work Undertaken within UNCTAD's Work Programme on International Investment Agreements
W/102	European Community and member States	M/15, Para. 39	Technical Assistance and Capacity Building Related to Foreign Direct Investment
W/103		M/15, Para. 2	Merger and Acquisition Activity and the Balance-of-Payments; Foreign Portfolio Investment - Note by Secretariat
W/104	Japan	M/15, Para. 44	Investment Rules for Developing Policies
W/105	India	M/15, Para. 16	FDI Flows and Technology Transfer
W/106	UNCTAD	M/15, Para. 37	Recent Work Undertaken within UNCTAD's Work Programme on International Investment Agreements
W/107	UNCTAD	M/16, Para. 3	Recent Work Undertaken within UNCTAD's Work Programme on International Investment Agreements