The Bill Frenzel Champion of Free Trade Award – Economic Club of Minnesota

Remarks by Angel Gurría

Secretary-General, OECD

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(As prepared for delivery)

Dear Carla, Jim Jones, Mack McLarty, Congressmen Erik Paulsen and Tom Emmer, Ladies and Gentlemen, Friends:

It is a great honour to receive the 2017 Bill Frenzel Champion of Free Trade Award. I want to thank the Economic Club of Minnesota for this distinction.

With Bill Frenzel, I share a strong belief in free trade. We both contributed to the shaping of the current international trade system, representing our countries in different trade organisations; we both helped promote the North American Free Trade Agreement (NAFTA); we shared a passion for public service and, most importantly, for international co-operation. So I feel I am in the right place.

The fact that I am sharing this award with my friend, Bob Zoellick, is a source of great pride and satisfaction. An economist, lawyer, diplomat, trade negotiator, world banker, trouble-shooter, and one of the reasons why I was elected to this job. A true giant! We are surrounded by people who are proud to be friends of trade, which is also encouraging. Especially today, when we are witnessing a fundamental re-examination not just of trade policy, but of the open, rules-based international system that we so far took for granted.

Globalisation is leaving many behind

We have to begin by acknowledging that many people are unhappy. And rightly so. In the wake of the crisis, life has not been getting any better for a lot of them. They are worried that their children's lives will not be better than their own. They believe that the system is not working for them; they feel that it is unfair; and there is increasing evidence that many of them may actually be right.

We need to take these concerns seriously and make them our own.

The OECD has been trying to do just that.

We've been denouncing the low growth trap in which the world economy finds

itself, which can put at risk the promises we have made to today's workers, tomorrow's retirees and the next generation. Not a simple task when everyone is so eager to be professionally optimistic.

We have been showing that while some are doing very well, many are being left behind.

We have warned about a rising productivity gap between frontier firms and the rest; which also means a gap in wages and opportunity for their workers.

We have documented how the world is mired into a sort of Bermuda Triangle of inequality (of income, wealth, and opportunity). In OECD countries, the richest 10% of the population now earn, on average, around 10 times more than the poorest 10%. One generation ago, it was 7 times.

And we have demonstrated that quality of life isn't getting better for most. In fact, life is even getting shorter for some: in the US, life expectancy is actually falling. The American dream for many remains just that: a dream. It's getting harder to move up in the world financially, educationally, or otherwise – particularly if you are in the lower or even in the middle class.

Digitalisation, a sort of "globalisation on steroids", is causing further anxiety: on average, across countries, 9% of jobs are at high risk of being automated, while for an additional 25% of the workforce, half of the tasks will change significantly because of automation. These are sources of growing concern, since many workers who have lost their jobs in manufacturing either remain unemployed, or are moving into jobs with lower pay and less security.

Trade should improve people's lives

So why does the OECD back open markets? Because we can prove that when borders close and countries isolate themselves, societies become less secure, less prosperous, less fair, and less free. Open economies grow faster than closed economies. The more a country trades, the more technology and ideas spread; workers get more done, and higher productivity leads to better wages. Ultimately, more trade means more jobs!

The OECD does not champion trade for trade's sake, but as a way of improving people's lives. Trade has helped cut poverty, creating new markets and opportunities both in OECD and developing countries. This is crucial. More prosperity and opportunity abroad also means more security at home. Trade is opportunity! Trade will enhance stability!

Protectionism harms those it's supposed to protect. Trade delivers affordable products and services that underpin everyday wellbeing. It gives people the ultimate freedom of choice. When you tax imports, costs go up for everyone, but it hurts most those who can least afford it.

We're told that exports are good and imports are bad; that you win by having fewer imports. But trade is more like a relay race; North America is an eloquent example. US technology may start a product, Mexican workers may carry it forward, Canadian workers may add value, and the US may finish it and sell it. No matter who is holding the baton when that product crosses the

finish line – all win together.

These global value chains mean that our economies are now more interconnected than ever before. Almost two thirds of global trade is in intermediate inputs that are imported and used to make other products, including for export. Raising tariffs is a shot in our own foot, because it will put small- and medium-sized businesses out of business, and encourage large businesses to send more jobs overseas; because even if you close off trade, technology will still define which jobs stay and which go, and how the jobs that remain get done.

The way ahead

So what do we do? It is time to move from playing defence on trade to playing offense on a host of other policies that make the system work for all. We must move the ball forward on lifelong learning and skills. Move the ball forward on infrastructure. Move the ball forward on new opportunities for hard-hit regions. Move the ball forward on going digital, both for large firms and for SMEs, to increase productivity.

We all know the basics of trade competitiveness: domestic policies that encourage opportunity, innovation and competition.

We need to make it easier for small- and medium-sized businesses. Cut the tariffs, make trading cheaper. Remove the barriers to services that raise costs for all sectors. Regulate efficiently and fairly to promote competition. Keep credit flowing. And remember, nothing works without the rule of law.

But trade policy can't fix everything on its own – and we should stop pretending that it can.

Trade disrupts, that's one way it works. But we need to ensure that temporary setbacks that can raise unemployment in a single household to 50 percent, or 100 percent, do not turn into lifelong disadvantages for parents, for children.

This means having adequate programmes to support people in finding new jobs. It means social protection systems that get people back on their feet and prevent lasting hardship.

It also means thinking ahead. Work is changing, and so must labour markets and social protection systems. At the OECD, we're looking again at the toolkits to help governments be better prepared. In just two weeks, the OECD will release its Skills Outlook on how to equip everyone to get and keep good jobs in a world of global supply chains.

But inclusion is also empowerment and voice. We need to make trade policy-making more open.

Not everyone can be in the negotiating room, and we won't always agree, but dialogue can help identify new solutions. People must be able to debate and understand the trade-offs.

Context matters, geography matters. We need to go local, engage with people where they live. We need to reconnect trade with everyday experience.

But we also need to make the international system work better, using the full range of available tools. Sometimes this means rules, sometimes voluntary standards, other times dialogue and transparency. But from trade, to taxes to labour to the environment, we need international economic co-operation to make the system free, fair and open. We're talking about free and fair trade – this means saying no to protectionism, subsidies, and currency fiddling. But let's make sure that we get the diagnostic right, lest we mistake the enemy and end up fighting the wrong battle while not addressing the true causes of the lack of productivity and competitiveness.

We need to fix the rules where we have gaps and unfinished business – as is the case in agriculture, in competition, in investment, and in services. We need to bolster the policies that make the system fairer, like those on taxes and responsible business conduct.

Everyone must play by the rules. We have to be serious about implementing, monitoring and enforcing what we agree.

Dear Friends:

Soon, the Minnesota Vikings will select new players in the National Football League. In this American ritual, the lowest ranked team gets first pick, the top team last. This isn't altruism. Smart American football officials understand that if the bottom teams don't get a leg up, and the top teams remain unbeatable, fans will lose faith that their team can win, and will give up on the game. So the system rebalances towards fairness, every year.

We need to do the same. We must not back away from what we know is right – a free, fair, open, rules-based, inclusive trading system that works better for more people.

But only truly integrated domestic and international policies – focused on opportunity and well-being as the ultimate goal – can help trade achieve what our forefathers intended when they crafted the modern international trade and economic system after a bloody war: to bring about better lives for all.

Thank you very much.