Opening Remarks by Angel Gurría, OECD Secretary-General
OECD HQ, Paris, 8 November 2011

Ambassadors, Professor Bhagwati, Ladies and Gentlemen:

Welcome to the 8th annual Global Forum on Trade. This has become quite an important platform for the debate on trade issues and the improvement of trade policies. Our focus this year, on "Trade, Jobs and Inclusive Growth", cuts right to the center of our economic policy challenges: the human dimension.

In this challenging moment when our recovery is losing steam, when our governments keep struggling to find a balance between fiscal consolidation and job creation, when the phantom of protectionism is showing again its ugly face and current account imbalances are still producing severe global distortions, international trade has become an essential policy issue.

The question is how can we turn trade into an engine of stable employment and inclusive growth?

The OECD has been working on this issue with other international organisations, both through the International Collaborative Initiative on Trade & Employment (ICITE) and our work with WTO on monitoring crisis driven protectionist measures in the context of the G20. And we are delighted to enrich this work with your ideas. We need to generate a new momentum for the promotion of international trade as a source of employment and inclusive growth. And this Forum provides a unique opportunity.

International trade has remarkable benefits

An open trading system is vital for prosperity. Each country might have its own idea, based on its own experience and culture, of what an ideal trading system looks like. But there is widespread agreement on the benefits of having an open and well regulated international trade system.

The evidence is compelling. Trade openness and liberalisation allows countries to increase the productivity. Trade has fuelled competition, innovation and economies of scale. As a consequence, consumers have enjoyed better prices and increased choice, while competitive producers have gained access to better inputs and larger markets. The rise of emerging economies was made possible mainly by international trade.

However, this does not necessarily mean that international trade is operating for the full benefit of everybody. There is a need to enhance its contributions. For example: Is international trade helping to reduce socio economic disparities in highly exporting countries? Is integration to world markets promoting regional integration in some countries? Is our international system, as it operates today, programmed to impact irreversibly our environment? Who are the main beneficiaries of open trade?

One of the key questions is precisely where we will focus our attention in this Forum:

What is the relationship between trade and jobs?

While the positive impact of trade on growth and development is well-documented, the relationship between trade and jobs is more complex.

On balance, market openness is associated with increasing incomes, job creation, improved working conditions and reduced poverty. Recent analysis by the ICITE project, argues that a worker employed in a high-openness sector in Chile earns about 1100 Euros more a year than a cohort who is employed in a closed sector. The studies presented at our ICITE conference in Manila earlier this year demonstrated that trade openness led to improved working conditions, not only in terms of pay, but also working hours and life expectancy.

Trade also affects the relative demand for a country's products. By opening new economic opportunities, it stimulates reallocation of resources from less productive firms and sectors of the economy to more productive ones. Through this mechanism trade can impact: 1) the overall number and distribution of jobs; 2) wages and wage inequality; 3) working conditions; 4) the level of risk and volatility.

But these are all synergies that respond to market forces and volatilities. And, if left unchecked, can have a negative impact on our workers and their families, on our environment, on our safety. Trade is an avenue through which the consequences of “creative destruction” - both positive and negative - are spread across borders. We therefore need complementary policies to ensure that the opportunities of international trade are well distributed across countries and societies.

Global trade and inclusive growth

Not everyone is equally prepared to reap the benefits of international trade. As Professor Bhagwati concluded a recent Project Syndicate article, “the poor need greater access to education in order to increase their economic opportunities”.

My country, Mexico, is an example, since it signed the North American Free Trade Agreement, its annual exports have skyrocketed to close to 300 billion dollars a year, becoming one of the tops exporters in the world. But the benefits of NAFTA need to be better distributed. Empowering poor people is crucial to help them make the most of trade dynamics.

Millions of people are also vulnerable to the constantly changing dynamics of global trade. While economists often focus on long-run effects of trade that are welfare-enhancing, there are real and immediate concerns with respect to short-term adjustment costs. These may affect relatively some groups in society (e.g., workers in a specific sector). For vulnerable groups robust safety nets, active labour market policies and long-term strategies that increase society’s overall resilience to external shocks are crucial.

One of the key messages from our work is: societies can even benefit more from open trade, if this openness is accompanied by labour market and employment. Thanks to such supporting policies in place trade has created new opportunities for groups of workers that might have been previously excluded from the labour market – such as women and youth – and has played a pivotal role in reducing poverty in developing countries.

This brings me to my final point:

Policies matter

From on-going work on ICITE, three groups of policies emerge as most important in allowing countries to reap the benefits of trade.

There are policies that support: 1) sound macroeconomic stability and a conducive business climate; 2) robust labour market policies. and 3) education and skills development. The point of such policies is to ensure conditions are conducive to a healthy business environment and job creation, provide a competitive workforce to meet labour demand, and offer social protection for those dislocated by adjustment to ensure that the gains from trade are widely distributed.

Thus, it has to be stressed - international trade is closely interlinked with inclusive growth. Trade creates new economic opportunities, allowing countries to leverage previously unused assets and human capital. Policies improving infrastructure and business climate, human capital and protection of vulnerable groups allow countries to capitalise on this potential.

And, as we know that production is increasingly fragmented across countries, we need to reconsider the way we measure trade. Goods and services cross borders several times as intermediate inputs. And in this process, many countries contribute to the value of what is identified as a final export. This reality for businesses is not well reflected in trade statistics that attribute the full value of a good or a service to the last country that has contributed to its production. This is why OECD, together with WTO has recently embarked on a project to measure and understand trade in value-added terms. This project should help to dispel misperceptions about who benefits from trade.

To conclude, let me underscore that protectionism and similar distortions carry a substantial economic cost for consumers and the labour market, and thus offer no alternative to market openness. In fact, further trade opening has the potential to deliver substantial additional

economic benefits, including for labour markets. In the midst of sluggish recovery, such liberalisation would constitute a great, and much-needed stimulus. And I say this explictly today, knowing that progress in the Doha Development Agenda is not looking better.

And now, it is my great privilege to invite Professor Jagdish Bhagwati from Columbia University, who certainly needs no introduction, to deliver his keynote address. A very warm welcome to you Prof. Bhagwati, we feel very honoured to have one of the leading advocates for trade openness with us today. I hope you feel at home in the OECD and look forward to some stimulating discussion.

Thank you all very much. Professor Bhagwati the floor is yours.