



**High-level Policy Dialogue with the International Financial and Trade Institutions: Current Trends in Economic and Trade Policy and the Advancement of Sustainable Development**

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Thank you for the opportunity to be here today, and to share the OECD's perspective alongside my distinguished colleagues.

The problem with following so many excellent presentations is that everything has been said – but not by me.

And sometimes repetition for emphasis is valuable. I will try not to repeat too much, however.

As we have heard already, the mood in the global economy has brightened during the last year.

In a phrase, the economy is better but not good enough.

Not good enough to reduce one of the main obstacles to sustainable development – persistent and rising inequality.

We know the statistics. Eight men are richer than the world's poorest 3.6 billion people. The richest 10 percent earn 10 times more than the poorest 10 percent.

This is unsustainable. This is a major risk to implementing the SDGs.

Inequality is an economic drag and a social blight. This is true in rich countries and in poor countries.

In OECD countries, real median incomes have not increased in 20 years. But inequality has.

It is not good enough to counteract the rapid technology revolution that is causing job losses in manufacturing and specific regions.

It is not good enough to cushion economies against geopolitical shocks and resulting financial instability.

It is not good enough to insulate us from the potential reactionary retreat to protectionism and the potential for trade wars that would setback our efforts to achieve all of the 17 SDGs.

These are the risks. What are the responses?

We don't have all the answers. But there are some clues for what has gone wrong.

For example, in the past few decades, tax systems in the OECD have tended to shift the tax burden onto labour and become less progressive.

Globalisation has also facilitated tax evasion and avoidance, trends we are fighting through programs like BEPS and automatic exchanges of tax information.

There is also evidence that globalisation has fed the dominance of leading firms in some sectors and allowed the rise of market distortions and unfair trade practices<sup>1</sup>.

And of course, the combination of technological change and globalisation has put many jobs at risk, which contributes to the polarisation of labour markets.

As we saw earlier this month in Hamburg, plenty of people are taking to the streets to express their anger at globalization and the growing concentration of wealth in the hands of the elites.

And in the corridors of power in some capitals, we hear calls for increased protectionism. We hear threats of tariffs, quotas and subsidies as a way of "saving" domestic jobs.

These measures are counterproductive. Governments need to resist calls for protectionism for sound economic reasons.

It makes domestic firms less competitive in the export market. It leads to a drop in GDP. And it holds back economic growth for all countries.

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<sup>1</sup> OECD Global Economic Outlook 2017 (June 2017): <http://www.oecd.org/economy/economicoutlook.htm>

So where do we go from here?

At the OECD we are designing policies rooted in inclusive growth and well-being. An integrated policy approach is needed to make globalisation work for all – and is also what is needed to implement 2030 Agenda.

We need a more level playing field for the international system, not a playing field fragmented by protectionism.

This will require domestic reforms to boost competition, job creation, skills and innovation.

On a macro level, policy makers need to harness the full range of international economic cooperation tools to ensure that businesses adhere to high standards of conduct, that cross-border tax arrangements are transparent and fair, that corruption is reduced, and that labour and environmental standards are respected.

Most importantly, it will require targeted policies to help people who are left behind seize new opportunities.

Agenda 2030 requires a whole-of-government approach. So does fixing globalization.

Simply put, global challenges require global solutions. The OECD and our member countries are determined to be part of the solution for all countries.