

Network for Open Economies and Inclusive Societies (NOEIS)

Ministerial Statement – Paris, 22 May 2019

The Network for Open Economies and Inclusive Societies (NOEIS) – launched in 2017 by the Netherlands – now consists of 24 countries committed to advancing a well-functioning open global economy while reducing excessive inequalities: Argentina, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Finland, Germany, Hungary, Ireland, Japan, Latvia, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Peru, Poland, Spain, Sweden and Turkey.

This year's OECD Ministerial Council Meeting (MCM) focuses on the opportunities and challenges of the **digital transition** we are currently facing. Digitalization offers unprecedented opportunities for growth and sustainable development, especially through increased productivity. Nevertheless, productivity growth has slowed in the past decade. One of the key ingredients for raising productivity is **economic openness**. Open trade, investment and financial flows play a critical role in the diffusion of new technologies across borders that drive forward efficiency improvements. Stimulating innovation and business dynamism, including through greater market openness and a sound regulatory environment, is vital to achieve stronger growth. However, economic growth does not automatically go hand in hand with **inclusiveness** or **sustainability**. Ensuring **equality of opportunities** is necessary for the well-being and higher living standards of all citizens, for safeguarding social cohesion and securing growth in the longer run.

National economies are more integrated than ever before, which underscores the **crucial need for effective international cooperation to reconcile openness with inclusiveness**. Multilateral institutions provide the best platform to address concerns about economic openness without sacrificing open markets. **Protectionist measures and practices should be rolled back**, eliminating market-distorting subsidies and forced technology transfer. **The rules-based multilateral trading system needs to be strengthened through WTO reform**, in particular by improving its dispute settlement system, its negotiating function, monitoring and transparency. It is important to use the full range of international economic cooperation tools to make the global system work better. Trade flows are shaped by a wide set of factors in how countries interact with each other in the worldwide economy – ranging from financial regulation and tax cooperation to combatting bribery and corruption, and to labour rights and environmental protection. These issues are the subject of different kinds of agreements in the international economic cooperation toolkit, including legally-binding multilateral rules, voluntary guidelines and codes of conduct, policy transparency and dialogue with stakeholders. OECD efforts to promote adherence to and encourage effective implementation of standards and instruments to level the global playing field such as the Guidelines on Multinational Enterprises and the Due Diligence Guidance on Responsible Business Conduct, are very welcome.

Trade improves economic performance by broadening markets, fostering competition and investment, and enhancing the transfer of technological progress and know-how. Trade and market openness have historically gone hand in hand with better economic performance in countries at all levels of development, creating many jobs and substantially reducing poverty. Open economies grow faster than closed ones. Open markets have delivered unprecedented overall improvements in consumers' well-being, due to the increased availability of goods and services and lower prices. Trade openness also benefits firms, by giving them access to bigger markets, allowing them to increase the scale of their production, and boosting market competition and innovation. Increased trade fosters incentives to invest and technology transfers between countries, which in turn sow the seeds for future growth. Younger, smaller and more innovative firms in particular stand to gain from opportunities to scale up and enhance productivity.

Trade should work for all. Trade makes the world more dynamic. A powerful driver of structural change, trade helps to reallocate resources to the sectors and areas where they can be most efficient. In this context,

those affected by profound disruptions must be enabled to adjust to the shifting economy. The growing digitalization of our economies and more open markets have reshaped global production, replacing locally segmented manufacturing with more complex global value chains, which have sharpened the interdependencies between trade and foreign direct investment. Restrictions and distortions to cross-border trade and investment can have significant spillover effects, magnifying costs in the domestic and global economy, and hindering innovation. Such costs are ultimately borne by consumers and downstream business customers, who pay higher prices and enjoy less choice than they would in more open markets. Ensuring that greater economic openness and progress in technology and knowledge yield higher and more widespread gains requires a combination of domestic and international policies and increasing the resilience of regional economies. Countries should therefore promote inclusiveness, also by pursuing targeted policies on education, training and infrastructure. Additionally, countries should take into account the need to protect scarce natural resources and biodiversity and to respond to the global challenge of climate change.

Education and skills upgrading are pivotal for economic prosperity and upward social mobility. More equitable and inclusive education and skills policies can have a significant social and economic impact, helping both men and women thrive in a digital world regardless of their background. In the short term, responses to skill shortages should include the provision of better on-the-job training and education support in order to increase opportunities for the workforce and reduce the mismatch between workers' skills and employers' demands. Reducing barriers to labour mobility, including through reforms of housing market policies and the decoupling of pension and other rights from specific jobs, will also help improve skills matching. A longer-term response to increased inequality of opportunities is a reform of learning and training systems to ensure that citizens acquire the skills increasingly necessary in a knowledge-based open economy. This incorporates measures to facilitate access to education for disadvantaged groups so as to reduce the digital divide. Developing life-long learning programs that benefit those who need them most remains a challenge shared by most countries, as mentioned in the OECD's Skills Strategy and Outlook.

Equality of opportunities also needs to be further strengthened in the labour market, while emphasizing the importance of resilience and adaptability for good economic performance in a changing world of work. Evidence from the new OECD Jobs Strategy reveals that countries promoting job quantity, quality and inclusiveness perform better than those focusing predominantly on market flexibility. While flexibility-enhancing policies in product and labour markets are essential to stimulate the creation of high-quality jobs in an ever more dynamic environment, gains and costs need to be evenly shared. This will be increasingly important in light of the digital transition and rapid technological change that our economies and societies are undergoing. The latest OECD Employment Outlook estimates that 14% of existing jobs are at high risk of automation in the next 15-20 years, and another 32% are likely to see significant changes as individual tasks are automated.

Preventive policies can help achieve good and sustainable outcomes, updating and adjusting employment protection frameworks and collective bargaining systems without stifling innovation in the way work is organized and carried out. **Effective activation frameworks and improved working conditions** have the potential to increase labour force participation from underrepresented groups, narrowing gender gaps and reducing the risk of poverty and exclusion.

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