



International Chamber of Commerce

Dinner

Remarks by Angel Gurría,
Secretary-General
OECD

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Madame la Ministre, Messieurs les Présidents, Mesdames et Messieurs,

C'est un honneur pour moi de me joindre à vous pour célébrer le 90^{ième} Anniversaire de la Chambre de Commerce Internationale. Depuis 1919, vous contribuez à la promotion des échanges commerciaux et des investissements internationaux. Vous avez fait face à plusieurs crises depuis 90 ans et connaissez les dangers du protectionnisme. J'aimerais vous livrer quelques réflexions sur ce sujet ce soir.

Faced with the scale of this crisis, governments are under intense pressure to respond quickly and massively. Priority is given to short-term remedies that can quickly gather a political consensus. In the heat of the moment, there is a tendency to ignore both the longer term and the international implications of such actions. If we're not careful, a global crisis will become a crisis of globalisation.

History reminds us not to be complacent. The beggar-thy-neighbour policies of the early 1930s may not have triggered the Great Depression, but they clearly made a bad situation much worse.

In recognition of this, G20 leaders at the Washington Summit last year pledged to refrain from raising new barriers to trade and investment. In addition, stronger legal obligations – whether multilateral, regional or bilateral – limit what governments can legally do and as a result, a repeat of the tariff wars of the early 1930s seems like only a remote possibility. International coordination among governments is also much better now than it was in the 1930s.

With respect to trade, although the number of new anti-dumping cases has been falling since 2003, new cases in the first half of 2008 outpaced the level a year earlier. Anti-dumping measures usually target exporters in one sector from a particular country, but the cumulative impact of widespread anti-dumping initiations and the likely retaliatory measures taken in the targeted country could pose a threat to world trade at this critical time.

In addition, many WTO members – particularly developing countries – set actually applied import tariff levels well below their WTO commitments. If these countries were to raise tariffs to ceiling levels, it could double or triple tariff rates faced by exporters in other countries.

Other trade policy concerns arise in the stimulus packages that are being developed in each country. “Buy national” provisions are intended to maximise the domestic impact of any stimulus package, but they often have a disappointing track record in terms of creating jobs at home. They also open themselves up to tit-for-tat measures in other countries, thus making any potential beneficial effect even less likely.

Government bailouts of key industries also need to be monitored to ensure that they don't inhibit necessary restructuring or degenerate into subsidies wars.

The risk of protectionism in terms of foreign investment is more diffuse but may be even greater than for trade. In bailing out local companies, governments have implicitly or explicitly taken on a role in the management of these firms, including in their future investment decisions. We need to ensure that these firms retain the flexibility to structure their activities on a global or regional basis – which is the key to their long-term survival. We also have to make sure that increased government involvement doesn't protect firms from takeovers by *bonafide* foreign investors.

These are indeed serious issues. If emergency measures are not well-conceived, they may deepen and prolong the crisis, and could also have severe long-term consequences. For many countries, it took until the 1970s for trade as a share of GDP to return to its level of 1929.

Faced with these short- and long-term risks, how can we help governments – and politicians -- to make the right choices? We know that political concerns will influence solutions to this economic crisis. How can we promote today solutions that are carefully thought out and which preserve longer term interests; that are conceived and implemented as temporary and are fully monitored in order to ensure discipline? Open markets are essential if we are to prevent long-run harm when economic conditions stabilise.

The OECD has a role to play in this area. As part of the OECD's Strategic Response, we are developing new analysis and guidance to governments for restoring sustainable long-term growth and designing effective exit strategies. Last November, the ECSS – one of the OECD's most senior Committees – issued a trade pledge, joining its voice to those warning of the danger of yielding to protectionist pressures in the current environment and stressing the importance of concluding the Doha Development Agenda negotiations.

Concerning investment, the OECD has, since its inception, been the leading forum for cooperation on investment policies. It has developed guidance for recipient country policies towards sovereign wealth funds which will allow such funds to invest freely at this critical juncture where the world needs more, not less, international capital. The OECD also currently hosts the so-called "Freedom of Investment process" which aims to help governments reconcile the need to preserve and expand an open international investment environment with their duty to safeguard the essential security interests and to take action to recover from the current crisis.

Business and the ICC have an important role to play. The OECD, other international organisations, academics and even some in the media will warn about the dangers of emergency measures that restrict trade or investment. Your voices carry much weight and need to be heard at this time when a message about the importance of economic openness may not be otherwise welcome.

Merci beaucoup.