



Open trade and growth for all

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Coming from New Zealand, a distant country with a small population, I deeply appreciate the importance of open trade. Being connected with other economies through trade has helped New Zealand's agricultural sector become more competitive and efficient and has supported the growth of other sectors like high-value manufacturing.

Because trade is critical to our economic well-being, New Zealand has always been involved in regional trade discussions and is a signatory to many bilateral agreements. We also support WTO endeavours because we believe bilateral and multilateral negotiations are both valuable in achieving open trade flows.

Among the many negotiation frameworks that aim to facilitate open trade, the work of the OECD is critical in providing the soundest possible economic analysis. Supported by BIAC's advice and advocacy from the business sectors of all member countries, the OECD is uniquely placed to advance business-led growth. This is the reason for my long-term involvement in the work of BIAC, where I was recently elected Chair.

BIAC has a key role to play in the immediate post-GFC environment. In times of crisis and uncertainty people have a natural tendency to look inwards. We observe this in multinational arenas, in nations and even at the business level. Understanding the immediate and long term benefits of open markets is not always easy, and the task of advocating the benefits of open interaction and trade must be constantly made.

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The fact is that no country has ever benefited in the long term from closing its markets. Open and competitive markets are essential for economic growth worldwide. In our globalised world, fluid economic exchanges are too important to be subject to protectionism. Reintroducing barriers to international activities would lead not only to higher costs and lower global trade but also to lower growth, productivity and welfare for the communities in which our businesses operate. It is important to keep communicating the point that growth can only be led by the private sector, and that open markets are not a threat to local businesses.

Trade and investment flows are becoming ever more complex. Today global supply chains drive cross-border trade and investment. This integration through supply chains strongly supports productivity in both developed and emerging economies, although until recently it has not been possible to show exactly how much value has been added by intermediate goods and services in specific parts of complex supply chains. In the absence of this kind of analysis it has been easy to assume the existence of trade imbalances in favour of countries located at the final link of the chain, and given this misapprehension, it is perhaps not surprising that calls for protectionist measures should arise.

A new method for measuring 'trade in value added' - TIVA - is now helping quantify the value brought at each of the links of the chain. This method, developed by the OECD and WTO, will bring more transparency in accounting for trade flows, and will help to overcome protectionist sentiment. I think that analysis of global value chains using TIVA will be a game changer and we can expect it to bring great benefits in revealing the benefits and efficiencies of open trade.

Our new complex trading environment has also superseded the philosophy that 'exports are good and imports are bad'. Imports, like exports, can drive increases in productivity. They can contribute to the competitiveness of other industries and add to employment. Importing intermediates for domestic production and re-export can contribute to higher productivity and better working conditions and jobs.

For trade to contribute to job creation and rising incomes, the reduction of trade barriers needs to be accompanied by a comprehensive suite of complementary policies:

- Measures leveraging the benefits of open markets: pro-competitive regulatory frameworks, employment policies targeting innovation and adaptability to challenges, sustainable social safety nets, policies for quality education and skills development, technology diffusion, good governance practices and others.
- Measures facilitating market access: foreign companies must be enabled to operate on a level playing field under

sound competition rules - these benefit not only foreign investors and importers, but also local businesses in local markets.

Every country is different, and policy prescriptions will differ according to local circumstances, but the fundamental principles of open trade and competition in markets are the best hope for growing the prosperity of all countries. ■