

OECD FORUM 2005

FUELLING THE FUTURE: Security, Stability, Development

Keynote Address

Göran Persson – Prime Minister, Sweden

Distinguished guests,

Ladies and gentlemen,

We live in a time where global progress is a real possibility: The world is richer than ever before. Great scientific advances are made in medicine and technology. Many poor agricultural economies have been transformed into rich industrialised, even post industrial, societies. Political freedom and democratic elections are becoming the norm.

There are good reasons for optimism, even pride. But not for complacency! Human progress should be measured not by the achievements of the most privileged, but by the conditions under which the poorest throughout the world are forced to live.

Globalisation continues to have huge potential for boosting growth, trade, employment and prosperity. We have ample opportunities to advance the objectives that the 0 ECD embodies.

But when we look at the effects of the intensified globalisation on the economy over the last one or two decades, we get a mixed picture.

On the one hand: The absolute gap between the richest and the poorest has never been wider. And it continues to grow.

So, we see that globalisation provides for a better life for many people around the world. But we also see that its impact differs greatly between regions, economic sectors and individuals. It is by no means yet working for everyone, everywhere.

Our task is to make globalisation inclusive. We must seize on the great opportunities that free trade and open markets create for all, while addressing the needs of those who risk being left behind. We must do this globally as well as in our own countries.

Ladies and gentlemen,

A new OECD study points to the importance of domestic policies for managing the rapid changes that globalisation brings. For society as a whole, the shift of labour into new, more productive areas is of great benefit. But for individuals, these changes can carry great costs.

This is nothing new for an open, trade-oriented country like Sweden. Our economic growth is largely a product of continuous structural adjustments. We have encouraged those changes, and continue to do so. What is new is the pace of change.

Sweden, along with the other Scandinavian countries, have been coping well with globalisation. Sweden, Denmark and Finland are the top three countries within the ED when the World Economic Forum ranks economic competitiveness.

I believe that the reason why we are doing relatively well is that we have developed policies that facilitate structural adjustment. That enables us to harness the full potential of globalisation.

It is not about protecting old and inefficient sectors. It is about facilitating change for the individual- to build bridges from the old to the new, from the shrinking sectors to the innovative, from the stagnating to the vibrant and growing.

To do so, we must provide people with opportunities to learn new things, to move or to change jobs late in life. And they need secure incomes, in case the unpredictable – an illness, unemployment – strikes.

In a rapidly changing economy, life-long education,' a strong social security system and active labour market policies are key assets.

In the same way, it is crucial to give women the same rights, opportunities and pay as men. Parenthood must not be an obstacle to work. And work must not be an obstacle to parenting.

Sweden has one of the highest levels of female labour participation in the world, and one of the highest birth rates within the European Union. Few things are more important to economic and social development than a good demographic structure.

The success of the Scandinavian countries is surprising; perhaps; for some. Because it is often said that in the era of globalisation, countries with general welfare policies cannot be competitive. It is claimed that countries with large public expenditure cannot be successful growth nations.

The development in the Scandinavian countries during the past decade is a powerful argument against this logic.

We have strong social security – but a higher level of employment and work force participation than most other countries.

We have high public expenditure – but we have had greater economic growth in the past ten years than the OECD average.

We have a large public sector – but there is also a vigorous and expanding business sector that competes successfully in the world market.

That is why I am convinced that the general welfare model is modern and forward-looking. It is not only fair. It can also be a very competitive model in a globalised economy.

People who feel secure dare to make changes. But if we leave people alone on the rough seas of globalisation, they might start to view globalisation as a threat.

It can be made a scapegoat, especially in countries with stagnant economies. It could be tempting to blame the forces of globalisation for all problems. That could be a dangerous situation, politically and economically. That is what we must avoid.

The OECD has an important role in this respect. With its superb analytical capacity it plays a key role in getting the facts of globalisation on the table. I hope that we will agree at the ministerial meeting to expand OECD research on ~ broad spectre of aspects of globalisation.

I also wish to see an even stronger focus on areas where OECD countries together can show global leadership.

One important step is to forge a strategic partnership with non-OECD members. By 2030; China and India might be two of the world's three largest economies. How can we discuss the future of globalisation without having them and other emerging economic powers at the table?

Of course, we cannot. That is why this year's ministerial will be the most outward-looking so far.

Ladies and gentlemen,

On my way to the Forum this morning, I passed by the exhibition next door on Dag Hammarskjöld, the Swedish former UN Secretary-General. This year, we commemorate the 100th anniversary of his birth. I was reminded by his words:

"Never look down to test the grounds before taking your next step; only he who keeps his eyes fixed on the far horizon will find the right road".

This is how we must approach the fight against poverty worldwide and for global development.

And this is an area where the OECD can show real leadership. Five years ago, world leaders agreed on the Millennium Development Goals. We pledged to cut extreme poverty in half by 2015. That means raising the living standards of 640 million men, women and children from a life-threatening level.

I view the OECD as a vital platform to achieve a sustainable and equitable global development. I consider core OECD issues such as trade, economic development and sustainable development critical for fighting poverty.

Everyone must take responsibility for global development. All government policy areas must contribute to this common goal. One set of measures must not undermine another. Today we see that happening on an international scale; agricultural subsidies) trade barriers and debt burdens impact badly on development.

My sympathies are with the Africans when they rightly criticise the enormous subsidies to agriculture – amounting to many times the annual level of total official development assistance.

It is simply not acceptable that EU agricultural policy costs an average European family some 100 euro a month extra – while at the same time hindering developing countries from getting out of the poverty trap.

We must increase awareness of – and address – such inconsistencies. To successfully fight poverty, our policies must be coherent and mutually supportive. I anticipate that OECD ministers will send a strong message to the UN Summit in September, on their common contribution to the achievement of the Millennium Development Goals.

We must also address debt relief. Some African countries today spend more on debt service than on health and education.

We must address the urgent need to increase official development aid. All rich countries have committed themselves to spending 0.7 per cent of their GNP on development assistance. This pledge has yet to be fulfilled.

The world does not want any more broken promises in this regard. Sweden has proposed a time-table for reaching this goal by 2015, and so has the UN Secretary General in his recent proposal for bold UN reforms.

In the meantime, we should establish financial solutions to increase the flows of assistance without delay.

Trade policy could be our most efficient tool for reaching the Millennium Development Goals. Integrating developing countries fully into the world economy will bring us closer to the goal of cutting poverty in half.

Ladies and gentlemen,

Investment in energy is important to promote economic growth. But energy investments are crucial also in order to efficiently combat climate change one of the greatest global challenges.

Energy investments are long-term and will be decisive for the development of our societies throughout a large part of this century. If we make the right choices now, we will facilitate the transition into a low carbon sustainable future built on renewable resources. If we fail, the necessary reductions will be out of reach.

A few months ago, the Kyoto Protocol became a legally binding treaty. This is an important first step. But we need to press on. We urgently need to start looking at a climate regime beyond 2012 that halts global warming. More countries need to set caps on their emissions of greenhouse gases.

This is an area where the OECD countries must lead the way. We are all responsible for our common environment, but more can be asked of the richer countries. We must lead the way in the transition to renewable; clean and energy-efficient technologies.

Sustainable development is an economic opportunity; not an obstacle. The search for environment friendly technologies will trigger innovation and productivity. The markets for such technologies will be huge.

I am convinced that countries that choose to change their unsustainable production and consumption have much to gain. They will have a healthier environment, but they will also promote growth; new business opportunities and job creation.

Here we find part of the solution to the equation between greater economic growth and development that is environmentally and socially sustainable. This is an optimistic view; but I am convinced that it is valid.

Ladies and gentlemen;

How do we meet the global energy needs and tackle climate change at the same time?

How can trade and investment best contribute to fighting poverty?

How can we make the transition to a more sustainable development while fuelling the economy?

How can an open economy that uses the potential of globalisation be combined with domestic policies that ensure that no one is left behind?

Those are the key questions for this Forum and for the ministerial meeting later today.

They are ambitious.

They entail both trade-offs and conflicting interests, and real opportunities.

This is politics. This is exciting.

Let us not fear the difficult.

The future is not decreed by fate. It is people in co-operation that" shapes it. The choice is ours.

Thank you!