

The OECD and Eurasia: partners for an inclusive globalisation

By Mr. Angel Gurría, OECD Secretary-General

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I have long been passionate about free trade and international integration and the benefits that they can bring to people everywhere. In my own country, Mexico, I have seen firsthand what a powerful impact they can have in lifting millions out of poverty. Yet I am ever more convinced that we can and must do more to ensure that the benefits of openness and international integration are shaped more equally. In advanced and emerging countries we are witnessing challenges not only to open trade and investment policies but also to the transparent, rules-based international economy that we had grown to trust, and perhaps take for granted. Multilateral co-operation is viewed with more scepticism, and protectionist pressures are rising.

Many people feel let down by globalisation and no longer believe the world economy works for them. Rising inequality and sluggish global growth add to their scepticism: real global GDP growth has fallen

below 3% for the last five years, making them the most lacklustre five years in over half a century. No wonder populist and nationalist political movements have resurfaced in so many countries, rich and poor.

There is much at stake for Eurasia countries (“Eurasia” here refers to the countries participating in the OECD Eurasia Competitiveness Programme: Afghanistan, Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan). They have spent a quarter-century integrating more deeply into international markets and institutions, gaining needed access not only to new markets but also to foreign technology and knowledge, as well as capital. Moreover, internationalisation reinforced other reforms. Joining institutions like the World Trade Organisation has helped entrench many beneficial reforms, while foreign direct investment and foreign trade strengthened support for greater security of property rights and more transparent and efficient institutions.

In many respects, deeper international integration over the last quarter-century has paid off for Eurasia. Inflows of foreign direct investment (FDI) to the region rose from less than US\$5bn per year in the early 1990s to an average of US\$73bn over the decade to 2014. In constant dollars, the region’s total foreign trade turnover tripled, while the people of Eurasia have seen a 2.3-fold increase in per capita GDP over the last two decades, as well as falling poverty rates and sharp improvements in human welfare.

Yet openness has come at a price. Many Eurasia economies have experienced rising inequality and periodic crises, usually arising from external shocks. Most have highly concentrated export profiles, and the region’s exports overall are dominated by hydrocarbons and minerals, leaving them particularly exposed to volatile commodity prices. These vulnerabilities constitute one of the

principal reasons that policy-makers across Eurasia are so concerned with diversifying economic activity and shifting towards a growth model that relies less on primary resources and more on human capital, innovation and the creation of high-productivity jobs. Increasingly, the OECD is working with countries in the region in an effort to create the conditions for such a shift, not least by helping them align their policies and practices with international standards.

Continued commitment to open markets – open to cross-border trade and investment, but also open to new domestic entrants – will be critical to realising these ambitions. Trade and investment flows do more than shift goods and capital from place to place. They spread technologies and – even more important – *ideas*. Productivity rises. That means more and better jobs, particularly where countries invest in skills and education, too.

This is particularly true in today's world where almost two-thirds of trade is in goods used in production, often as part of global value chains involving several countries. Closed borders can boost the cost of essential inputs and cut countries off from those value chains, stifling entrepreneurship and investment, and condemning them to low-skill, low value-added jobs. Reducing barriers between countries will help societies become wealthier, greener and more equal.

That said, we must still address the concerns that underlie the backlash against globalisation and open markets that we observe in many countries. The OECD is working to do just that. We have focused attention on rising inequality and its costs since before the crisis, and, indeed, have made inclusion form an important part of our agenda in working with the countries of Eurasia on social, educational and labour-market policies.

The challenge is three-pronged.

First, we must enhance our open, transparent and rules-based international economic order for the widest possible benefit. We must make trade easier, especially for small and medium-sized firms (SME), by addressing not just tariffs but also behind-the-border barriers that drive up prices for consumers and producers alike. This is the purpose of our work on export promotion and SME-FDI linkages in Eurasia.

Second, we need to make economic openness work for all, with policies to boost skills and encourage lifelong learning, and improve infrastructure and connectivity so that regions like Eurasia can make the most of foreign trade and capital. And we must do far more to empower all groups, and protect the vulnerable. The OECD is working with our partners in Eurasia to address these issues, from education to infrastructure to active social policies.

Third, we need to make international business genuinely rules-based, using the full range of available multilateral tools. The [OECD's Guidelines for Responsible Business Conduct](#) (RBC), for example, oblige investors to maintain high labour, tax, anti-corruption and environmental standards as they invest abroad. These Guidelines, which have been the focus of reviews in two Eurasia countries, make international investors lead by example and encourage domestic investors to follow suit. Through the [OECD/G20 initiative on Base Erosion and Profit Shifting](#) (BEPS), we are addressing tax avoidance, so that international trade and investment do not undermine public budgets. Three Eurasia countries (Georgia, Kazakhstan and Ukraine) have joined the BEPS Inclusive Framework, while six participate in our [Global Forum on Transparency and Exchange of Information for Tax Purposes](#) (Armenia, Azerbaijan, Georgia, Kazakhstan, Moldova, Ukraine).

Of course, business integrity must be matched by public sector integrity. For almost 20 years, our [Anti-Corruption Network for Eastern Europe and Central Asia](#) has provided a regional forum to prevent and combat corruption through peer reviews and peer learning. Its activities include trainings, exchange of information, elaboration of best practices and donor co-ordination. In

parallel, we have engaged in sustained and wide-ranging work to improve the efficiency and quality of public governance and public service delivery in many Eurasia countries.

Given the deepening co-operation between the OECD and Eurasia, it is fitting that the annual [OECD Eurasia Week](#) will take place in the region for the first time, in Almaty in October. This is a reflection of the maturity of our relationship with the Eurasia countries and, in particular, with Kazakhstan, which since January 2015 has been engaged in an [OECD Country Programme](#), an ambitious, whole-of-government process involving analytical work, enhanced participation in OECD bodies and adherence to OECD instruments. I look forward to address the opening of Eurasia Week but also to see first-hand the impact of our work with Kazakhstan and its regional peers.

We all know from experience that international openness brings greater prosperity, peace, innovation, diversity, and cultural exchange and security. But we will only succeed in preserving it if we ensure that its benefits are more widely shared. The OECD is committed to working with Eurasia countries as partners to design, develop and deliver better policies for better lives.

The author is OECD Secretary-General.

High-level representatives from Eurasia and OECD countries will meet in Almaty, Kazakhstan on Oct. 23-25, 2017 for the fourth annual [OECD Eurasia Week](#), to exchange perspectives on “Openness for Shared Prosperity”, assess progress made, and discuss the region’s future reform agenda.

More on the work of the OECD with the Eurasia region is available at www.oecd.org/eurasia