

Oral Statement by Mr. Ángel Gurría
Secretary-General
Organisation for Economic Co-operation and Development
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I want to start by thanking the Korean government for their hospitality and their effective leadership of the G20.

As several leaders mentioned at dinner last night, the challenge we face today is to prove the G20 is as good in building a new, sustainable growth path as it was in managing the crisis. Our credibility and our very *raison d'être* is at stake.

In Toronto, I called on you to *go structural*. This exhortation still stands. Having exhausted most of the room for expansionary macroeconomic policies, we now need a clear and ambitious agenda for structural reforms.

The measures tabled by your governments in the context of the *Framework for Strong, Sustainable and Balanced Growth* suggest you all agree on this. The OECD has been supporting your country-led efforts to develop the G20 structural reform agenda.

We assist by *making the case for reforms*. For years, through our regular country economic reports and our Going for Growth exercise, we have analysed and measured the impact of structural reforms in G20 economies. Such work fully underpins the Framework's approach by showing that well-designed and well-implemented reforms yield a *triple* dividend:

- 1) they lift output and employment,
- 2) they strengthen public budgets and
- 3) they rebalance global demand.

Let me give some concrete and powerful examples:

- Reducing the taxes on labour to the lowest level among G20 countries would ultimately increase the average employment rate by 3.5 percentage points;
- It is also worth highlighting that a 1 percentage point reduction in unemployment would improve G20 fiscal positions by up to 0.5% of GDP;
- By the same token, further opening markets for trade and investment would boost business confidence, income and employment, at no fiscal cost; and
- Over a longer term horizon, reforms to improve education systems offer even larger payoffs. Our host country is an excellent example.
- An increase in social spending of 1 percentage point of GDP could reduce private savings by about 1.5 per cent of GDP and thereby contribute to lowering global imbalances. For countries with low levels of social spending, the multiple is even higher.

Making the *case* for reform is only a first step. The second is to educate citizens and build pro-reform consensus to face down the inevitable coalescence of recalcitrant vested interests.

The third is to identify and address the distributional impacts of reforms.

Last but not least is the effective implementation of reforms.

Going forward, through this comprehensive approach to structural reform we stand ready to support you in building the most innovative, green and socially inclusive societies. This should be our common objective in the next phase of a truly ambitious Framework.