Announcer: Ladies and gentlemen, please welcome to the stage Susan Axelrod, Chairwoman and Founder, Love and Quiches Gourmet.

Susan Axelrod: Good afternoon. Can you hear me? My name is Susan Axelrod and I am here to represent small business leaders across the country and to introduce our keynote speaker Madame Christine Lagarde. I am the founder of a woman owned business begun in my home kitchen in 1973 with just one quiche. Love and Quiches Gourmet now ships our bakery products worldwide. Chocolate cakes to Saudi Arabia, cheesecakes to Japan, brownies to Morocco among others and hopefully soon, once the economy improves, once again to Russia where they love authentic vanilla cheesecake. From a one man band we now employ several hundred people. We create jobs here, manufacture our products here, buy our ingredients here, pay our rent here and our quiches and desserts are also enjoyed here all across the U.S.

Our exports are a vital component of our growth plans. With Ex-Im insuring our receivables my company has been able to create more jobs and to embark on a whole new chapter in our strategic plan by expanding to even more markets around the globe. Without the Export-Import Bank we would be put at a competitive disadvantage and would not be able to compete with other bakeries around the world for our piece of the pie. It is now my pleasure to introduce today's keynote speaker, managing director of the International Monetary Fund, Madame Christine Lagarde. Madame Lagarde, not finished ...

Madame Lagarde joined the French Government in 2005 as Minister of Foreign Trade. In 2007 she became the first woman to hold the post of Finance and Economy Minister of a G7 country. As first member and subsequently as chairman of the G20 she launched a wide ranging work agenda on the reform of the International Monetary System. In July 2011 she became the 11th Managing Director of the International Monetary Fund and the first woman to hold that position. The following year was named Officier in the Legion d'honneur. As one who holds a tremendous amount of respect for fearless women I am honored to welcome Madame Christine Lagarde.

C. Lagarde: Good afternoon to all of you. I would like to say thank you to Susan Axelrod and it's from a quiche woman to another quiche woman. When I ask my children what they like best? Your quiche mom. I know what business you're in and how important it is. I'm delighted to be here with you today. I have to tell you, it takes the magic touch of Fred Hochberg because when Fred mentioned that he would like me to come and speak at your venue today I said, Fred, I would very much like to do that, for you, for your institution, for your friends, colleagues, clients but there might be a little hiccup because the Greek negotiations will be underway. Fred must have thought of something because there is, for those of you who've read the excellent pieces of news that we get on our screens, there has been a little meeting between Prime Minister Tsipras and Chancellor Merkel. Fred must have organized some sort of good delegation of work here.

Thank you Fred for having me and for allowing me to speak to your guests, clients and friends and family, my salute here, about a topic that has been the beginning of my public life back in 2005 in which is your day to day life, that is the importance of international trade. Let me start by saying something that often gets lost in the nitty gritty of trade discussions. If you care about growth and innovation. If you care about jobs and the real income of people. If you care about poverty reduction and greater economic fairness. If you do care about all these things well you must care about trade and whatever facilitates trade. We, at the IMF, we care deeply about those issues. We have been committed to the idea of open trade, that is ideally underpinned by multilateral agreements and institutions. This institution was created 80 years ago, a little over 80 years ago.

The IMF was set up 70 years ago right after World War II that devastated not only countries, killed millions of people but destroyed the economy. Our institution was designed to prevent a return to the self defeating economic policies of the Great Depression, which included, among other things, the miscalculation by Central Bankers but more to the point, extreme trade protectionism. Let me quote for you Article I of the IMFs Article of Agreement dating back to 70 years ago. "The purpose of the IMF is to facilitate the expansion and balanced growth of international trade and to contribute thereby to the promotion and maintenance of high levels of employment and real incomes." In their great wisdom Lord Maynard Keynes and Dexter White decided that international trade should be right at the center of the IMF mandate, which is why Fred, you and I have something in common.

Now fast forward. More from 1944 Bretton Woods to the global financial crisis of 2008, which marked the latest turning point in global trade. When that crisis struck, trade protectionism became the dog that did not bark. I can tell you, for having been at the time, Finance Minister, there were a few things that we feared most of all. One was Central Bankers retreating to their respective territory and not putting enough liquidity in the circuits and protectionism. In all the G20 first communicates from the first meetings, that was first and foremost, we will not go into protectionism. We will refrain from protectionism. One meeting after the other. That was expected. People thought that in that huge crisis the first move would be, let's protect our turf. Well, it did not happen. That was a reflection of the unprecedented level of international cooperation that prevented global economic meltdown.

Unfortunately, the financial crisis helped put a damper on growth in global trade. 2015 is likely to be the fourth consecutive year of below average trade growth with at least one more year of disappointing growth to come according to the latest WTO prediction. It's fairly simple. Before 2008 and for decades, actually, the growth of global trade was more or less double the growth of GDP. It is now pretty much on the par with GDP growth. One of the engines of global economic growth has just slowed down because of cyclical forces but also because of structural forces. This trend must be reversed if we care about all the things that I've mentioned earlier. Reinvigorating trade is not just nice to have, it's essential to have. It's essential to have to prevent what I have called the new mediocre. Now what is the new mediocre?

New mediocre is that world where everything that should be high is low and everything that should be low is high. What does she mean by that? All right. Low inflation, low growth, low investment, low trade, low productivity. We would all want that to be high. What's high and should be low is high debt and high unemployment and that is the new mediocre that we want to avoid. Trade can be a great tool to avoid it. If we need a better trade engine we need a global shift and we need new policies.

Let me start by briefing outlining the case for a better trade engine. You call know it well. You belong to that world of doing business across borders, of taking risks, of sourcing out the opportunities of markets, of making sure you've edged, you've risked and you're properly financed. Trade is good for growth. How? Because it is transformational and it calls for reforms, notably trade agreements. It encourages countries to specialize in the goods and services in which they have the comparative advantage. It's as old as economic theories. By using the existing resources more efficiently, they can help lift world production and consumption. In other words, as I'm sure Susan you've done and many of you have done, specialize in where you are best and trade with the rest. The classic gains from this strategy includes lower prices for consumers and companies and therefore higher real incomes and a great variety of goods and services available for purchase.

Let's just touch on spillovers because that's a direct transformational effect. Trade reforms can also have a powerful and direct effect on growth by igniting and amplifying other structural reforms. Let me give you a few examples. Trade reforms will increase external competition in product and services markets. They can encourage key infrastructure investments. Think of new ports, new roads, new railroads that will carry goods across and not let crops rot where they grow. They can spur innovation through research and development and learning by exporting, learning from exporting. They can strengthen an institution by encouraging better governance and better business environment.

All this would help policy makers to reverse the decline in productivity growth in advanced economies and boost productivity improvements in emerging and developing countries as well because that issue of productivity is one where we are too low and where we have revised downwards over and over both in advanced economies as well as in emerging market economies. If you look at the numbers, for instance, in the period 2001 to 2007 potential annual growth in the advanced economies was 2.2. It has gone down to 1.7. So, productivity is one of the key drivers to actually improve growth potential, which we so badly need.

In summary, open trade is an important contributor to growth, to job creation and as you Fred, said yourself, I quote, "Millions of American workers have jobs that depend on trade." You are all employers of those employees who benefit in their day to day job and pay slips at the end of the month or twice a month in some cases, from trade. By encouraging greater specializations trade fosters industries that are more competitive and therefore more sustainable. Let's not forget one point that I should have mentioned, which is that over the last few decades trade has massively lifted millions and millions of people out of poverty. It's predominantly the case in China but not only in China.

So, there is a compelling case for better trade engine. How can policy makers actually help shift global trade into a higher gear? For at least three decades before the 2000 financial crisis, as I said, global trade grew twice as fast as global growth. How can we deal with this slow down that we have experienced now for the last four years? We believe that there are two key structural factors that are at play to slow down growth as it has.

The first one is the maturing of existing global value chain. We've done a lot of research on that and I'm sure you do yourself. In North America, in Europe, in South East Asia, these value chains have pretty much exhausted the output that they procure. New value chains have to be explored, have to be formed. Policy makers need to unlock the trade potential of those other regions. South America, South Asia, Sub-Saharan

Africa, the Middle East and North Africa. These are the regions that would greatly benefit from being better integrated amongst themselves and within the more global trade. It would be good for them. It would be good for the world.

The second structural factor holding back trade growth is the slow down in trade liberalization. For example, multilateral negotiations have stalled and regional trade initiatives have not matched the transformative effect of say, the North American Free Trade Agreement. Over 20 years of age. This is why policy makers need to press ahead with negotiations on the TPP as well as it's trans Atlantic cousin, the TTIP.

Let me give you a few numbers that are not IMF numbers, they are the Peterson Institute numbers. Peterson Institute finds that the TPP could boost world income by 295 billion per year over the next decade. It also finds that the TPP would raise U.S. incomes by 0.4% or 77 billion a year. The U.S. could gain a comparable advantage from the implementation of the TTIP according to estimates by the European Union authorities. We can disagree. We can challenge those numbers. I spend my life at the moment with a lot of economists and it's part of their day to day job in life to actually challenge numbers. So, any number that I come up with I know that I have to fret about them because they will challenge the numbers. It gives us a rough estimate of how much there is to be had from those trade agreement implementations.

I have to say that watching television last night, as of course we all do, I was particularly pleased to see what happened in the financial committee at the Senate, 20 to 6 is a pretty good vote to actually support the TPP going forward. I very much hope that that will display cooperation between sensible authorities when it comes to stimulating business and encouraging enterprises. On the other side of the Atlantic I very much hope that progress will be made as well with a view to lifting growth and confidence in the European Union as well as in trade in general because it's not just a growth booster, it's also a confidence booster. It's very important. For having discussed that issue with Prime Minister Abe I know that the Japanese government will use that development as well as part of the third arrow of it's three arrow policies. Emerging and developing economies would benefit from better integration into the global economy. On all sides there are good incentives to cut deals. Political leadership is now needed to push the advantage forward for the benefit of the economy.

You know what, the same goes for WTO because the agreement that was reached in Bali, which the Indian authorities eventually rallied around, that agreement could also unlock massive benefits, which have been estimated at 1 trillion U.S. dollars additional economic value that could be delivered. That could be delivered to the benefit of those emerging and developing countries where you can unlock value out of the new value chains because of trade facilitations. Not tariff issues, trade facilitations.

There are signs of progress on all these fronts but clearly we all need to collectively be a bit more ambitious, which brings me to my third and last point. What are the trade policies that economies should pursue. The IMF has recently reviewed it's own policy advice to make sure that trade remains an essential part of our operational work. That includes technical assistance from our part and our annual assessment because every year we go to about 188 countries to verify what is under the skin of the economy. Trade is definitely part of that review now.

Policy advice has to be country specific but there are at least three factors that are pretty common to all those countries. First, the most advanced economies will largely have to focus on what I call the 21st century trade agreements such as opening services markets and making regulatory systems more coherent. There's not much by way of tariff gains to be had because that has already been negotiated but more sophisticated, more in depth work needs to be done for those 21st century arrangements that touch on intellectual property, for instance, or the status and benefits of state owned enterprises and how fair those are.

Second, many emerging market economies, especially in South Asia and Latin America can still greatly benefit from integrating into the global economy through the traditional trade liberalization and this may include unilateral efforts to open up trade and encourage foreign dollar investment.

Third, for developing economies trade and integration into global value chains should be a central plank of the developing countries for their growth strategy. Again, trade facilitation will be key for them. We certainly stand ready to help all of them with their respective attributes.

Now let me conclude and I couldn't resist that, after all I'm French. It's not just about the cuisine, it's also about great thinkers. So, I can't resist quoting a great writer, about 300 years ago and I'm referring to Montesquieu. Montesquieu said the following, bear with me, [inaudible 00:22:34]. Easy. All right, I'll translate. Trade is the best cure for prejudice. It is a normal general principal that wherever there is good citizenship there is trade and that wherever there is trade there is good citizenship.

The most destructive economy prejudice is trade protectionism. Policy makers must remain vigilant about the all style, in your face, protectionism as well as the new style, behind your back protectionism. By that I mean, tariff measures, non-tariff measures and they can have all sorts of different disguise. Smart efforts to reduce and dismantle those barriers should be strongly supported. That is why we at the IMF, we strongly support the preferential trade deals of the TPP or TIPP, as long as they are complying and in accordance with much larger multilateral trade. Key thing though, is to avoid back to Cuisine Susan, the spiggoty bowl. The spiggoty bowl is when you have all these trade agreements bilateral, multilateral, submultilateral, regionals and you really don't really know your way around. We need to avoid that for sure.

I strongly believe that the global deals we actually deliver the good approach. Rather than simply bolstering the existing trade arrangements between countries that have known each other for longer than they have been trading with each other is certainly a better platform to actually go multilateral. The last major global trade agreement is now 20 years old. We can do better than that. I'm sure that all of you are concerned that we try to all do better than that. We certainly will try at the IMF to help.

Now, as a final little takeaway from my remarks to you. I would like to give to my friend Fred, just a little quote from two key writers. I've mentioned Montesquieu so I'll stay away from the French. I will rely on the Britts. In the Tale of Two Cities it was the best of time. It was the worst of time. Back to Dickens, but we have Great Expectations, don't we Fred. Thank you.