



Keynote Address

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**“The OECD in the 21st Century:
A Catalyst for Global Economic Growth”**

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A Lasting Beginning

Each morning, as I climb the staircase to my office in Paris, I am reminded of the poignant beginnings of the Organization in which I now represent my country. There, gracing the walls of a magnificent foyer is the moving story of how George C. Marshall, U.S. Secretary of State during World War II, helped change Europe and the world forever.

Following a visit to Europe after the war and seeing first-hand Europe's struggle to rebuild and modernize local economies, Secretary Marshall understood the need to 'end despair in order to preserve the peace'. His visit to Europe convinced Secretary Marshall of the need of a special program that would enable Europe to recover from a devastating war.

With the help of the U.S. and other countries, Europe set aside rancor, rivalries and revenge in an unprecedented venture to rebuild its crippled postwar economies and created an expanding 'community of nations.'

In a radio speech to the nation on April 29, 1947, Senator Marshall summed up the gravity of the situation by saying, "The recovery of Europe has been

slower than had been expected. Disintegrating forces are becoming evident. The patient is sinking while the doctors deliberate.”

One year later Congress authorized the European Recovery Program, widely regarded as the ‘**Marshall Plan**’, and a newly formed Organization for European Economic Cooperation (OEEC) was formed with 17 founding members from Western Europe.

OECD Today

Today the OECD is its successor, having taken over from the OEEC in 1961. And nearly 45 years later, the Organization counts **30** countries among its Membership with a founding mission that has more resonance than ever - to assist sound economic expansion and contribute to the development of the world economy as a whole.

Today’s Membership now accounts for the most advanced and industrialized part of the world, representing some **60%** of global GDP, **76%** of its trade, **54%** of its energy consumption and **19%** of the world’s population. Without doubt, the OECD has been instrumental in facilitating the economic success these countries enjoy today.

Old Perceptions

With a Membership which has become so economically privileged and influential, the OECD has often been dubbed an exclusive “**rich man’s club**”, conjuring images of cigar-smoking, port-drinking men gathering to share their swashbuckling stories. As a Member of this Organization who is neither a cigar-smoker or swashbuckling male (though I have been known to have a port now and then), I can personally attest that this caricature couldn’t be further from the truth.

The days of the ‘OECD Club’ are far behind us and the OECD of today is using its extensive expertise and knowledge to shape the global economy of tomorrow by helping emerging market economies develop to their fullest potential and by addressing the most serious challenges we face in the 21st century.

How it really works

The OECD has left an **indelible mark** on economic development and spans areas as diverse as labor, trade, migration, education, energy, health, industry, taxation and the environment. It provides a **unique setting** where governments can compare policy experiences, seek answers to common problems, identify good practices and coordinate domestic and international policies.

It is a **forum** where peer pressure can act as a powerful incentive to improve policy and implement what we call “soft law” – non-binding instruments, such as the OECD Corporate Governance Principles – and can on occasion

lead to formal agreements or treaties. But the club is not members-only. As is critical in this globalizing world we live in, the Organization also uses these same mechanisms to invite other countries to take up its best practices, adopt its disciplines and submit to its peer review.

The OECD is unquestionably a very unique and effective Organization whose work falls into four broad categories or intergovernmental frameworks. The OECD:

1. **Guides economic or business activity:** For example, investment policy, international electronic commerce & consumer protection, corporate governance, export credits, competition policy, anti-bribery, steel & shipbuilding subsidies, transfer pricing guidelines for tax purposes and so on. Some of these, such as bribery and export credits, involve formal disciplines and peer review.
2. **Addresses objectives shared by a critical mass of Members - and sometimes non-Members too:** OECD's work on development issues, the Investment Compact for South Eastern Europe (SEE) set up under the Stability Pact, Economic Reviews of Members, the MENA project to contribute to Middle East peace and stability, and work in Africa in support of NEPAD objectives.
3. **Helps Members and non-OECD economies meet domestic challenges where international comparisons of best practices, supported by in-depth analysis based on reliable data, serve to develop national policies:** For example health systems, environment, education, pension plans, active social policies, regulatory reform, and so on.

4. Identifies important challenges that lie beyond the immediate political horizon, but for which governments should prepare in the future.

Globalization

The OECD is very much a forward-looking Organization and has become adept at helping economies adapt to a changing world. Globalization is at the top of the OECD agenda, having much to offer a globalizing world which no other organization can. (Flattening world)

In recent years, the OECD has moved beyond a focus on its 30 Member countries to offer its analytical expertise and accumulated experience to more than **70** developing and emerging market economies.

The OECD has adapted extremely effectively to a changing world through the development of its extensive **Outreach** programs and today, a growing number of countries are asking to become Members. Not only are Members satisfied with the high quality and relevance across the range of its work, they want the Organization to do more.

Reaching Out

It would be impossible to fulfill our mission of global economic growth without assisting the **developing world**. Developing countries cannot contribute to the successful development of the world as a whole unless they become strong **partners** in the quest for global economic development.

In consequence, the mandate of the OECD with respect to non-Member economies has become **central** to its activities. Indeed, the highest economic growth and employment and rising standard of living will not be achievable if the world remains divided between haves and have nots. And the OECD would be remiss if it did not offer its successful model to those in most need.

Collaboration

The OECD currently collaborates with some **70 non-OECD countries**. Our goal is to improve the integration of non-Members into the global economy, and to ensure that the emerging economic powers – including China, India and Brazil – participate in the global marketplace with regard for its rules of the road and best practices. As their economic security and well-being improves, so will that of the rest of the world. And as we all know, economic growth is also key to managing the social ills which exist in the world today.

For years the OECD has been working to help countries speed transition by “working for” them. Today, outreach is shifting to “work with” non-Members to engage them in OECD processes, to help them design policies and then monitor their implementation. Today, non-Members are ‘**participants**’ in the process as opposed to ‘recipients’. By helping non-OECD economies improve their economic performance, we are in turn helping all OECD Members protect their respective economic futures.

OECD Vision

The vision of the OECD in the 21st century is one where the health of one nation contributes to the health of all. Global economic development where

the principles of market economies, the rule of law and democratic institutions are enforced, are indeed the hallmarks of international stability. In our quest for global development, the principal task of the OECD will be to ensure that the experience and expertise developed through the OECD process reaches less developed economies so that they can quickly cross the perilous stream of development and reach the other side to become strong partners in a globalizing world.

OECD Impact

One of the positive influences of the OECD in the world is its ability to shape international rules and conventions, thus helping to ensure and improve a **level playing field** in international relations. Additionally, advancing policy dialogue through comparative research, fact based analysis and policy formulation constitutes a **proven approach** in dealing with the multiple challenges confronting evolving societies.

The OECD provides a forum in which participating countries develop best practices, guidelines, principles and other '**rules of the game**'. They may herald, or provide the building blocks for, other **binding international agreements**. And many important non-Member countries have shown a remarkable **willingness** to work with the Organization.

Our outreach work encompasses policies to enhance the investment climate, improve both public and corporate governance, build stronger national institutions for trade policy, and more generally to encourage the range of domestic reforms required in all countries to reap the full benefits of

globalization. Our work with non-Members emulates, as much as possible, the methods of cooperation applied among Members.

Non-Member Integration

Many of the non-Member countries we currently work with are part of the Committee structure within the OECD and sit as **observers**. For others we have developed specialized **country programs**. We are working very closely with the BRICS – Brazil, Russia, India, China and South Africa – and have achieved numerous successes among them.

China

OECD's vital cooperation with China is helping to ensure its integration into the world economy in a sustainable and mutually beneficial manner. The OECD, working in cooperation with the Chinese government, has just completed three comprehensive reports: a broad **economic** review, a Review of **Agricultural** Policies in China and one on **governance**. The latter was a two-year program to help Chinese policy makers address critical governance challenges (including corruption) based on the practical experience of OECD countries. And the economic study just completed could have a significant impact on China's macro-economic and structural policy making. Also pending is an Environmental Review of the country. In his recent trip to Asia, President Bush encouraged China "... to continue down the road of reform and openness – because the freer China is at home, the greater the welcome it will receive abroad."

Russia

The OECD has also been working closely with Russia since the early 1990's to support its reform and transition effort with the 'shared ultimate goal' of Russian membership in the OECD. Joint work covers an array of market reform initiatives, ranging from five Economic Surveys to policy reviews in areas including investment, education, agriculture, environment, innovation policy, trade policy, as well as corporate governance reform and the fight against corruption. We believe OECD work has had some important influence on policy-making and the Russian government has used OECD recommendations as a basis for much of its reform agenda.

Africa

The OECD is also implementing a new vision for Africa's development. The Organization supports **NEPAD's** objectives (New Partnership for Africa's Development) and the peer review methods used in the OECD are a major source of inspiration for implementing the NEPAD's peer review mechanism. The Membership has just agreed to house a unit that will support the Africa Partnership Forum, delivering on a key commitment made at Gleneagles.

DAC

The OECD added "development" to its name when it merged with the Development Assistance Committee (DAC) that accounts for more than **90%** of official development assistance worldwide. The OECD DAC is the **only venue** where the heads of all bilateral aid agencies meet to coordinate economic assistance policy. As such, it has been an important forum for advancing U.S. interests in areas such as aid effectiveness and post conflict

relief and reconstruction, as well as addressing fragile states. The DAC also issues annual reports that repeatedly illustrate that the U.S. is the world's largest donor.

Anti-Bribery Convention

The OECD does much more, including through regional and country initiatives to promote the world-wide application of OECD principles, guidelines and best practices such as the **Convention to Combat Bribery in International Business Transactions**. Today, in the 36 countries that have enacted the anti-bribery laws based on the OECD Convention, bribing a foreign public official is a **crime**.

The United States will continue to urge other governments to promote awareness of the convention and of national laws in their business communities. And we encourage efforts of our private sector to develop and implement corporate compliance programs to promote adherence to laws against foreign bribery.

Corporate Governance

The OECD Principles of Corporate Governance have been an important achievement in its Outreach work and have become the **international standard** for best practices in corporate governance. At the behest of the G7, the Principles were adopted by the Financial Stability Forum as 1 of 12 key codes to strengthen national financial systems used as a basis for the World Bank/IMF Financial Stability Assessment Programs (FSAP).

What does the U.S. gain from this Outreach work?

1. Through OECD mechanisms we gain the ability to **influence** policies of non-Members and encourage them to meet OECD standards, thereby providing a **level playing field** for U.S. companies abroad and at home.
2. We have **access** to a worldwide network of policy makers which ensure a **common understanding** on international policy principles.
3. This understanding by non-Members has a **positive effect** on the international trade and investment environment for U.S. multinational companies, reduces U.S. companies' compliance costs and minimizes conflicts between U.S. administration and other administrations.
4. And finally, the OECD's work helps to **remove obstacles** to the extension of the U.S. treaty network with non-members.

Unquestionably, there is no global forum which exists today that can deliver the kind of lasting impact on such a wide range of policy issues of interest to the United States government and its citizens as the OECD can and does.

In his recent report to Council, OECD Secretary General Donald Johnston concluded, after nearly 10 years at the Organization's helm, that if the "OECD did not exist, it would have to be invented." So vital has the Organization become that we currently have 19 countries requesting to join. Enlargement has been and will continue to be a topic of much debate and discussion among Members of the OECD.

Other Important Accomplishments

There are a number of other important issues that form a key part of the U.S. agenda at the OECD. In addition to our work on the Anti-Bribery Convention, Corporate Governance, and Development Assistance already mentioned, the U.S. is working closely with the OECD to advance a number of other **key initiatives** that have brought very positive **results**:

Energy

Following the devastation of Hurricane Katrina, the International Energy Agency (IEA), an OECD sister agency, activated its emergency response plan, releasing **60 million barrels** of oil into the market over a 30-day period. The oil and products came from the 26 member countries who are each required to keep a reserve of oil equivalent to the amount a country imports for 90 days. Founded in 1974, emergency preparedness is one of the key missions of the IEA and this was only the **second time** in the history of the agency that the plan was activated.

Work on Chemicals

OECD work in the area of chemicals and pesticides saves U.S. governments and companies an estimated **\$60 million** or more per year. Its work in areas such as coordinating approaches to hazardous chemicals and pesticides and

biotechnology also generates significant benefit to U.S. industry and government.

Environment

The U.S. is spearheading a new Environmental Policy committee 'Strategic Vision' designed to enhance the economic policy relevance of all of OECD's environmental work. Active work continues in many areas including environment and finance, environment and trade, chemicals management, environment and tax, and environmental assessments of Member and non-Member countries. Later this morning, I will attend a press conference to release the **U.S. Environmental Performance Review** conducted by the OECD in 2005.

Export Credit Disciplines

OECD's export credit and tied aid disciplines save U.S. taxpayers an estimated **\$800 million** annually. They allow our exporters to compete for contracts on the basis of price, quality and service of their products rather than on the availability of government-subsidized financing. Tied aid disciplines also allow for \$1 billion in additional U.S. Exports annually.

Fiscal Affairs

Through work on the Model Income Tax Convention and Transfer Pricing Guidelines, Member countries of the OECD establish the 'rules of the game' regarding taxation of multinational enterprises. Developing a global consensus on these issues reduces the risk of double taxation, discrimination against foreign investors and simple uncertainty that could otherwise constitute barriers to cross-border trade and investment. Business can provide input on the projects and they also have an opportunity to shape the tax agenda, making it more reflective of the issues that business face.

In fact, the voice of business is well represented at the OECD through its Business and Industry Advisory Committee (**BIAC**). In December I spoke to BIAC about some of the issues I raise today and benefited from their comments and feedback. Of the many issues on the agenda, one message they embrace is that democracy and freedom of rights go hand-in-hand with economic development and they encouraged the OECD to maintain its high level of standards when engaging with non-Members.

The OECD Role in the 21st Century: Shared Development

OECD has indeed always enforced a high level of rigor in its work and has come to be respected throughout the world for its professionalism, accuracy, in-depth analysis, impartiality, expertise and unrivalled contribution to all areas of economic progress. This fundamental model has held all Members in good stead and will now be used to help others, less developed, to become full contributing members of a globalizing world.

As a former elected representative at State and Congressional levels for nearly 24 years, I have experience in a wide range of policy issues designed to benefit the citizens of the United States. I came to the OECD not as a skeptic but as a willing partner in our efforts to advance global economic development. Sitting at the table with 29 other countries around the world, I have experienced first-hand the ability of the United States to be able to influence, on a global scale, important decisions which affect us positively, back here at home. I have also been able to learn from the shared wisdom of my colleagues so that again, we too could benefit from the collective experiences of others.

As the Permanent Representative of the United States to this global body, I am more convinced than ever that the vision of Secretary Marshall some 60 years ago to create a forum where countries could set aside rivalries and create a community of nations that could ‘preserve the peace’ through the process of economic expansion, has had an immeasurable and lasting impact not only on the world but on the United States itself.

The OECD is a dynamic model that has worked and carries with it an essential obligation to help shape the world in the 21st century, bringing peace and economic prosperity and stability firmly within our grasp. By sharing our experiences, by working together towards common goals, the OECD will continue to extend its hand to the developing world, pulling them closer than ever in our shared quest for prosperity and growth. The OECD stands poised to become a world catalyst for attaining the highest sustainable economic growth, representing one of the most critical imperatives of our time. And the United States must stand shoulder to shoulder as we advance these strategic objectives for the betterment of all our ‘community of nations’.