



**Address**

**The Honorable  
Ambassador Constance A. Morella  
U.S. Mission to the OECD**

**“The OECD in the 21<sup>st</sup> Century:  
A Catalyst for Global Economic Convergence”**

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Thank you for giving me this opportunity to speak to the Washington International Business Council about the OECD and its impact on the world, the United States and U.S. business in particular.

The OECD is an international organization like no other in the world. It's an organization with a remarkable history that traces its beginnings to the United States thanks to George C. Marshall, U.S. Secretary of State during World War II, who helped change Europe and the world forever with the "**Marshall Plan**." With that Marshall Plan, 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 its mandate is more relevant than ever. 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 **58%** of global GDP, **75%** of its trade, **50%** of its energy consumption and **18%** of the world's population. Without doubt, the OECD has been instrumental in facilitating the economic success these countries enjoy today.

### 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 heart of the OECD agenda, having much to offer a globalizing world that 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.

### 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 that exist in the world today.

### China

Our work with China is an excellent example of how the OECD is deeply engaged with the developing world in its efforts to ensure a ‘global economic convergence’ of world economies. Last year, the OECD conducted an economic review of China. The common sense economic advice, delivered in a dispassionate, non-confrontational tone, gained the

buy-in of key Chinese decision makers. This, and similar reviews of China's public governance, regulatory and environmental systems will help set the Chinese economy on a path of sustainable, domestic-demand led growth, which is in all of our interests. In a 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."

The OECD is producing a similar, first-time review of the economy of India. It should be available to the public a year from this fall.

### 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.

By helping non-OECD economies improve their economic performance, we are in turn helping all OECD Members protect their respective economic futures.

### 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.

### 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).

Outreach efforts are key to getting these principles widely understood and implemented. The OECD's program of corporate governance roundtables has allowed regional authorities around the globe to identify key corporate governance weaknesses in their markets and to marshal the political will –

from businesses and from policy makers – to address them. In this past year, the OECD has conducted a number of these regional roundtables, in Asia, in Latin America, and in the Middle East and North Africa.

### **What does the U.S. and its businesses 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 ensures 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 last report to Council, former 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 and expansion of our membership is currently under discussion and will be a prime focus of the organization's Members in the months to come. Last month, the assembled Ministers of our 30 member countries agreed to establish, within the next year, a mechanism to select new candidates for accession.

### 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 and Corporate Governance 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. In January I attended a press conference in Washington 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.

(Mention OECD and USCIB Tax Conference)

### OECD and U.S. Business

In fact, the voice of global business and U.S. business is well represented at the OECD through its Business and Industry Advisory Committee (**BIAC**), whose U.S. member is the U.S. Council for International Business (USCIB). 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 go hand-in-hand with economic development and they encouraged the OECD to maintain its high level of standards when engaging with non-Members.

Just two weeks ago, BIAC's General Assembly voted unanimously to appoint Charlie Heeter as its new Chair. Charlie, as many of you know, is a Principal in Deloitte & Touche USA, an executive member of USCIB, and will undoubtedly be a strong voice for U.S. business at this international forum.

At the U.S. Mission to the OECD we work as a facilitator between the USCIB and the OECD's Council, made up of representatives like myself from each member country. We help to ensure that the United States' business voice is heard, loud and clear, around the world.

## The OECD Role in the 21<sup>st</sup> 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. In the words of our new Secretary-General Angel Gurría, the OECD has the “broadest vision of any organization” and a “mandate to be at the center of globalization.”

The OECD is a transformational organization where it ‘cooks’ ideas into well-thought out policy that each of its members can ultimately support and implement. It is a dynamic model that has worked and carries with it an essential obligation to help shape the world in the 21<sup>st</sup> 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.

I believe the OECD is invaluable to the United States and will become increasingly more so as we work together as a ‘community of nations’ to charter the challenging waters of globalization.

Thank you.