



Keynote Address

**The Honorable
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U.S. Mission to the OECD**

“Does the OECD Matter?”

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Thank you for your kind introduction Dr. Pavis. I also want to express my gratitude for the invitation you extended me to come and speak to your students here at the University of Paris.

As a former Professor of English at Montgomery College in Rockville, Maryland, I have always enjoyed the rigors of academia and feel very much at home with you today.

You have asked me to address an important topic that is often being asked of public institutions, not only by themselves but by the greater community at large. And as many of you will go on to have professional careers in international organizations, it is a question you must be prepared to examine yourselves should you choose to work in the public domain.

“Does the OECD matter?” is a question that many a commentator has previously posed and one that is increasingly being deliberated as the organization responds to a changing and globalizing world.

For those governments who contribute financially to the OECD, resolving this question enables them to ensure that they are indeed receiving a

valuable return on their investment. For those working for the organization, answering this question provides them with the critical information needed to help steer the organization forward and maintain its course.

But to fully and adequately consider this question, one must first understand where we have come from and why we are here, which has undoubtedly shaped who we have become today.

In the beginning

The OECD grew out of the Organization for European Economic Co-operation (OEEC), set up in 1947 with support from the United States and Canada to co-ordinate the Marshall Plan - the United States' \$13 billion aid program for the reconstruction of Europe after World War II.

Created as an economic counterpart to NATO, the OECD took over from the OEEC in 1961 and since then, its mission has been to help governments achieve sustainable economic growth and employment and rising standards of living in member countries while maintaining financial stability, so contributing to the development of the world economy.

Its founding Convention also calls on the OECD to assist sound economic expansion in member countries and other countries in the process of economic development, and to contribute to growth in world trade on a multilateral, non-discriminatory basis.

In recent years, the OECD has moved beyond a focus on its 30 member countries to offer its analytical expertise and nearly 60 years of accumulated experience to more than 70 developing and emerging market economies around the world.

What started as a means of **coordinating** recovery efforts has evolved into an organization that provides policy makers with the very latest academic thinking, serving the legislatures of its members throughout the world and striving not only to stay abreast but **ahead** of the mind-stunning evolution of the modern world.

The OECD Today

Globalization has seen the scope of the OECD's work move from examining each policy area **within** each member country to analyzing how various policy areas interact with each other, **between** countries and beyond the OECD area.

This is reflected in work on issues such as sustainable development, bringing together environmental, economic and social concerns across national frontiers for a better understanding of the problems and the best way to tackle them together.

Unlike any other, the OECD is a **unique** forum where the governments of 30 market democracies work together to address the economic, social and governance challenges of globalization as well as to exploit its opportunities.

The Organization provides a **setting** where governments can compare policy experiences, seek answers to common problems, identify good practice and co-ordinate domestic and international policies.

It is a forum where **peer pressure** can and does act as a powerful incentive to improve policy and implement “soft law” or non-binding instruments such as the OECD Corporate Governance Principles, and can on occasion lead to formal agreements or treaties.

Exchanges between OECD governments flow from information and analysis provided by a secretariat in Paris. The secretariat collects data, monitors trends, and analyses and forecasts economic developments. It also researches social changes or evolving patterns in trade, environment, agriculture,

technology, taxation and more. It has become world renowned for its unparalleled statistical work and is relied upon by governments, academia and business alike.

Indeed, the OECD has become one of the world's largest and most reliable sources of comparable **statistical, economic and social data**. OECD databases span areas as diverse as national accounts, economic indicators, the labor force, trade, employment, migration, education, energy, health, industry, taxation and the environment.

The OECD helps governments to foster prosperity and fight poverty through economic growth, financial stability, trade and investment, technology, innovation, entrepreneurship and development co-operation.

It is helping to ensure that economic growth, social development and environmental protection are achieved together. Other aims include creating jobs for everyone, social equity and clean and effective governance.

Helping Governments

The OECD is at the **forefront** of efforts to understand and to help governments to respond to new developments and concerns. These include

trade and structural adjustment, online security, and the challenges related to reducing poverty in the developing world.

Over the past decade, the OECD has tackled a range of economic, social and environmental issues while further deepening its engagement with business, trade unions and other representatives of civil society.

Negotiations at the OECD on taxation and transfer pricing, for example, have paved the way for bilateral tax treaties around the world.

The OECD is a group of **like-minded** countries. Essentially, membership is limited only by a country's commitment to a market economy and a pluralistic democracy. It is rich - its 30 members account for **56 %** of world GDP, **95%** of world official development assistance and **three-quarters** of world trade - but contrary to those who characterize the organization as a 'rich man's club', **it is by no means exclusive.**

Non-members are invited to subscribe to OECD agreements and treaties, and the Organization shares expertise and exchanges views on topics of mutual concern with more than **70** countries worldwide, from Brazil, China, India and Russia to least developed countries in Africa.

A Globalizing World

And in a rapidly changing and globalizing economy, the OECD is changing too. We are currently considering the important issue of enlargement and admitting new members to the organization.

Low-key and often understated, the OECD is sometimes perceived as a think tank. That's certainly part of its function. Its extensive statistics base is one of the most widely used and respected sources of comparative economic data in the world.

But the OECD is **much more** than a talking shop. It's a forum within which governments get to grips with the challenges posed by **globalization**. Its members define policies needed to support sound and sustainable economic growth and implement them through national legislation.

An excellent example of the OECD's impact is its work on **corruption**.

Corruption poses a serious threat to collective security, democracy and sustainable development. It imposes enormous costs on countries and destabilizes critical rule of law institutions and market-based systems that underpin democracy throughout the world.

Corruption often facilitates criminal activities, such as drug trafficking and money laundering, and can fuel transnational crimes and social/political conflict that threaten regional as well as global security.

Led by strong efforts from the United States, the OECD's 1997 **Anti-Bribery Convention** captured worldwide attention as the **first** global instrument to fight corruption in cross-border business deals. Since its ratification by all 30 OECD members and six non-members, it has made significant headway in the fight against corruption. Today, it is considered one of the most **rigorous** anti-corruption conventions, and continues to serve as a model for new initiatives.

All members of the organization and six non-member countries put "**peer pressure**" into action by reviewing each signatory's laws to implement the convention. Peer review proved to be a successful method to identify shortcomings in the implementing laws, and propose corrective measures.

Today, as a result, in the 36 countries that have enacted anti-bribery laws based on the OECD Convention, bribing a foreign public official is a **punishable offense** and has already led to convictions in a number of countries.

By promoting high-standards, the Convention has contributed to leveling the competitive playing field for companies doing trans-border business. This is indeed one of the most important aims and achievements of the OECD Anti-Bribery Convention.

In parallel, the OECD has consistently pressed for the elimination of barriers to trade and investment. In the late 1980s and early 1990s, OECD work on measuring government subsidies to farmers paved the way for the integration of agriculture into the multilateral trading system and the successful conclusion of the Uruguay Round Agreement on Agriculture.

The General Agreement on Trade in Services arising out of the Uruguay Round owed much to the OECD analysis of how core principles such as transparency and non-discrimination would work for services.

In 2001, major steel-producing countries from all over the world chose the OECD as a forum for negotiations aimed at eliminating subsidies that distort trade in steel products, knowing that it would provide impartial analysis and statistics as a basis for their work.

OECD Impact

Many OECD projects are of direct interest mainly to specialists. But some become well-known among a wider public. A good example is the OECD's Program for International Student Assessment, known as **PISA**, launched in 1997 to monitor the performance of education systems for students age 15 and below within an internationally agreed framework.

First results published in 2001 attracted widespread attention, particularly in countries which did less well in the resulting comparative rankings. PISA results and analysis continues to be debated by policy-makers, teachers, parents and the business sector and has resulted in reinforcing a shift in public and government concern away from mere control over educational resources and content towards a focus on the all important outcomes. Thanks to PISA, countries are now able to identify weak points in their education systems and take the necessary corrective action.

Among OECD projects little known to the public but highly valued in specialist circles, the 'Globally Harmonized System for the Classification and Labeling of Hazardous Chemicals' identifies hazardous substances and mixtures based on their physical properties and potential risks to health and the environment.

This system was hailed as a **major** achievement at the World Summit on Sustainable Development in 2002 and **adopted** by the UN Economic and Social Council in 2003.

In a related area, the OECD Chemicals Program has developed a system based on mutual acceptance of data and testing of chemicals for safety, whose value to governments and business is valued at more than **60 million euros** per year.

Also having a tremendous effect is the OECD's Export Credit and Tied Aid disciplines which saves the U.S. government alone over **\$800 million** per year.

The OECD has also had a tremendous impact on the developing world by promoting fairness in globalization. Its Development Assistance Committee (DAC) is **the** international Forum for donor governments seeking improved quality and effectiveness of aid through enhanced coordination.

In 1996, the DAC launched a "21st Century Strategy" for aid, later transformed into the UN's Millennium Development Goals and in 2001, a DAC agreement to untie Official Development Assistance to the Least

Developed Countries boosted Recipient countries' freedom of choice in how they actually use aid.

The aid work we do at the OECD is particularly important given that OECD members account for **95%** of world official development assistance. And the OECD Development Assistance Committee is the **only venue** where the heads of all bilateral aid agencies meet to coordinate economic assistance policy.

A very recent and highly effectual action taken by the OECD was its swift response to the devastation and havoc wreaked in the United States in the wake of Hurricane Katrina. In response to the destruction, the International Energy Agency (IEA), a sister agency to the OECD, activated its emergency response plan, releasing 60 million barrels of oil into the market over a 30 day period, mitigating the disruption of world oil markets and moderating the price rise which ensued. This was only the **second time** in the history of the IEA that the emergency plan was activated.

Another stellar achievement by the OECD is its work on **tax policy** and international standards setting. In this age of capital mobility and globalization, this work is extremely important to multinational corporations who risk incurring double taxation.

Additionally, it's invaluable because it builds a transparent, predictable environment on which international business can rely. In fact, the OECD tax policy and standard setting work goes beyond the 30 member countries, as most other countries in the world look to the OECD for expertise and follow the organization's lead.

The OECD has also taken a lead role in the crucial area of corporate governance. In 1999, member countries adopted the OECD's ground-breaking '**Principles of Corporate Governance.**' These principles form the basis for joint projects by the OECD and the World Bank Group to spread awareness and support for best practices in corporate governance worldwide.

Governments have recently started a review with a view to updating them in the light of lessons learned from corporate scandals in various countries, including American giants such as Enron, WorldCom and Tyco. In Europe, we're also familiar with scandals at companies such as Ahold, Vivendi, Royal Dutch Shell and Parmalat.

How the OECD Works

I could certainly continue citing the many valuable ways in which the OECD has made an impact. But to truly appreciate how unique this organization is, it's important to understand how it works.

OECD's way of working consists of a highly effective process that begins with data collection and analysis and moves on to collective discussion of policy, then decision-making and implementation.

Mutual examination by governments, multilateral surveillance and peer pressure to conform or reform are truly at the heart of OECD's effectiveness.

Discussions at the OECD sometimes evolve into negotiations where OECD countries agree on rules of the game for international cooperation. They can culminate in formal agreements, for example on combating bribery, on export credits, or on capitals movements; or they may produce standards and models for international taxation or recommendations and guidelines covering corporate governance or environmental practices.

In fact, there is **no other** international body which operates in the same way and with the same wide-reaching effectiveness as the OECD, covering every area of policy discussion except defense.

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.

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.

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 U.S. 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 my country to be able to influence, on a global scale, important decisions which affect us positively. 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 U.S. Secretary of State

George C. 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 throughout the world.

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.

Many thanks for allowing me to share with you some of my experiences and views of the OECD, and I would be pleased to take any questions you might have.