



**Welcoming Remarks**

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

**“OECD Initiatives in International Taxation: Looking Ahead”**

**June 5, 2006  
Washington, D.C.**

**Thank you, Mr. Heeter, and congratulations on your appointment as the new Chairman of the Business and Industry Advisory Committee. Thanks also to Mr. Richard Hammer, of the U.S. Council for International Business, and Mr. Jeffrey Owens, of the OECD's Center for Tax Policy and Administration. I appreciate the opportunity to share the podium with them at the opening of this conference on OECD Initiatives in International Taxation.**

**You are supposed to be looking ahead, if the agenda of this conference is accurate. I would like to take just a few minutes to look back: to look back on the year that has passed since we were last gathered here in Washington. We have really started to see a lot of things change at the OECD, and change for the better.**

**First of all, we have a new Secretary General. Former Mexican Finance and Foreign Affairs Minister Angel Gurría has officially taken over from his fellow-NAFTA member country citizen, Canadian Donald Johnston. The United States played a key role in identifying the best possible candidate from a very strong field, and we are very happy at the direction in which Mr. Gurría intends to take the Organization. He has a lot of good ideas that will build on the work of his predecessor. This is evolution, rather than revolution, as the saying goes.**

**Second, late last month the assembled Ministers of our 30 member countries approved a plan to streamline the decision-making power of the OECD. This was the culmination of a yearlong process of very intense activity. The United States recognized that the OECD has to reform if it is going to expand and to remain relevant as a player on the**

**world stage. We have a number of countries knocking at the door – Chile and Israel, for example, or the Baltics and other new members of the European Union. If it seemed difficult to get 30 countries to agree on substantive matters, adding more members increases the complexity geometrically. Now, we have a more efficient system and we can consider expanding membership.**

**The next step is to draw up a list of potential new members. There are the handful I already mentioned, but there are other potentially attractive candidates as well. Thailand has been mentioned by some, Brazil by others. The Ministers agreed last month to establish, within the next year, a mechanism to select new candidates for accession.**

**There is also the problem of how to engage with those large emerging economies such as Brazil, Russia, China, India and South Africa -- the so-called BRICS. At some point in time, we may like to see them all become members of the OECD, but question their readiness for the time being. Although they are not presently able or willing to comply with the very stringent disciplines that are required for accession, it is in our interests and their interests to move closer together in those areas where we can make progress.**

**The process of engagement has been going on, already, for quite some time. 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 decisionmakers. 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. 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.**

**Turning briefly to subject of corporate governance - because I know it is of interest to this audience - the OECD, with strong U.S. backing, is on the forefront again. The OECD Principles of Corporate Governance are critical to promoting financial stability in OECD and non-OECD countries alike. With strong business input, the OECD's Principles were first negotiated by member countries in response to the cataclysmic Asian financial crisis in 1997.**

**The Principles, which were updated in 2004, deal with such basics as the rights of shareholders, the role of stakeholders, disclosure, transparency and the responsibilities of corporate boards. They were deliberately focused on broad features of corporate governance rather than on detailed prescriptions, building in the advantage of flexibility to adapt to different legal systems and to different business structures.**

**The OECD Principles are used by the World Bank to evaluate countries around the world. Many of the evaluations are published on the Bank's website and are a good resource for anyone wanting to know the corporate governance standards of those countries which appear.**

**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.**

**A couple of extra words on the OECD and this last troubled region of the world. The OECD is one of the principal drivers behind the Middle East and North Africa, or MENA, initiative. The other principal drivers behind the MENA initiative – and this is the real innovation – are the governments and the citizens of the countries themselves.**

**The MENA initiative has two broad lines – one covers investment and the other covers corporate governance. One hears a great deal about global imbalances, about high oil prices and about the lack of viable investment alternatives in the Middle East and North Africa. Capital, as we know, flows to where the risk-adjusted expected return is highest. It is no surprise that the United States is such an attractive place to invest. We have a secure, transparent, non-discriminatory and self-correcting system to guarantee investors the best return – risk-adjusted – in the world.**

**It is our view that the frustration and rage which turns the Middle East into a seedbed for radical ideas and terrorist action can be effectively addressed by introducing democracy as well as sound investment and corporate governance principles. The MENA initiative seeks to achieve these latter two.**

**Finally, and I do not intend to dwell on this point since – looking forward -- it is the subject of the conference itself, I would like to tip my hat to the organizers of this conference again for the work you do.**

**There is an old Hebrew proverb that says: "The devil is in generalities, but God is in the details." Sometimes you hear it the other way around, but the point is basically the same – if you don't get the details right, it can be Hell. We can – and I do -- make grand speeches about globalization. The risks, the rewards. The challenges, the opportunities. But working on the details of globalization is the hard part and you people assembled here today are in the vanguard.**

**In the last few years, the OECD's Committee on Fiscal Affairs has developed better rules on international transportation, taxation of cross-border pensions and allocation of income from the exercise of stock options. All of these have been well-received by business. Business is also very interested, of course, in work on improving mutual agreement procedures, of which arbitration is a part.**

**As a matter of fact, Tricia Brown informs me that an arbitration provision has just recently been included in the new protocol to the bilateral tax treaty between the United States and Germany. [DO NOT USE UNTIL CONFIRMED] I notice that Tricia will be taking part in a panel tomorrow on cross-border services.**

**In the future, I understand that the Committee on Fiscal Affairs is likely to start a project on the tax treatment of mutual funds. Investors should be in the same position whether they invest through a mutual**

**fund or buy stocks and bonds directly – as things currently stand, it makes a difference, and this distorts rational decision-making. This is just one of the many projects which the United States values and why we appreciate the work that the OECD does.**

**Now is the time to turn things over to a man who is always looking ahead, my good friend Senator Orrin Hatch. Born in Pittsburgh, Senator Hatch was taught the value of hard work early in life and as a young man, he worked as a metal lather. Working his way through college at Brigham Young University, he went on to study law at the University of Pittsburg Law School, graduating no less, with honors.**

**After practicing as an attorney, Senator Hatch challenged himself yet again and became elected to the United States Senate in 1976 having held no previous office.**

**Senator Hatch has been a champion for many causes important to Americans. He has been recognized by the National Taxpayers' Union for his fiscal responsibility and has been dubbed by others "Mr. Free Enterprise," "Guardian of Small Business," and "Mr. Constitution."**

**As the most senior Republican member of the Senate Judiciary Committee, Senator Hatch takes an active role in the confirmation of all judicial nominations and has a direct impact on such issues as civil rights, immigration, antitrust and consumer protection.**

**Senator Hatch is also the 2<sup>nd</sup> Ranking Republican on the Senate Committee on Finance, where he has been a leading advocate for**

**policies encouraging savings and investment, as well as many other important pro-growth tax bills.**

**Now in his fifth term as Utah's senator, Orrin Hatch comes well equipped to this conference today from his work as a member of the Joint Committee on Taxation. Senator Hatch oversees the actions of the Internal Revenue Service to monitor for waste and fraud, and develops legislation that addresses the problems of the U.S. taxpayer, particularly in the areas of simplifying the tax code and providing tax relief for American families.**

**And if all this weren't enough – being a successful lawyer and a politician – perhaps what you didn't know about Senator Hatch is that he has been equally successful as an accomplished songwriter. His first love was music, which became an integral part of Orrin's life at a young age, starting with piano lessons at the tender age of six.**

**While attending college, Senator Hatch developed a keen skill for writing poetry and in 1996 singer, songwriter Janice Kapp Perry caught wind of his talent and he has since written over 300 songs for Janice. He also wrote a song, *The Different Makes the Difference*, for his dear friend Muhammad Ali.**

**As George Gershwin said, "True music must repeat the thought and inspirations of the people and the time. My people are Americans and my time is today."**

**Please join me in welcoming the indomitable Senator Orrin Hatch - lawyer, politician, musician - who has always been inspired by people.**