



Address

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

“The OECD: What we know today about our globalizing world”

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Thank you for that kind introduction. It's a great pleasure for me to be here with Junior Guild to tell you about our work at the Organization for Economic Cooperation and Development (OECD). The OECD is a very unique Organization making a tremendous impact in the world and I like to take every opportunity to inform people about what we're learning and achieving as members of this Organization.

History

In order to appreciate more fully what the OECD is doing and why, it's important to know a little bit about our background and history. It all began with an American statesman names George C. Marshall, U.S. Secretary of State during World War II, who 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 46 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.

The OECD 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 that no other organization can.

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.

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.

Statistics underpin the whole fabric of the OECD's work and the Organization has become one of the world's largest and most reliable sources of internationally comparable statistical, economic and social data.

A Globalizing World

We're learning a lot about the world through OECD work, particularly as globalization is having profound effects on countries around the globe. I'd like to share with you some of what we know is happening in the world today which is helping to shape the policies of OECD member countries:

Employment

Governments throughout the world are increasingly pre-occupied with the issues of employment as we endeavor to ensure economic growth for our nations. From 1991-2004, total employment rates (men and women) have risen in 17 OECD countries, but fallen in 13. Particularly large falls were recorded in Turkey, Poland, Sweden, Czech Republic, and Slovak Republic. Particularly large increases were recorded in Ireland, Spain and the Netherlands.

Employment rates for men decreased in 19 countries. For women, on the other hand, employment rates grew in 23 countries, showing a clear convergence in the rates for women and men, though differences remain large in many countries.

In all OECD countries median wages for men are higher than those for women. The average difference is more than 15% and exceeds 20% in several countries. Male median earnings are more than 20% higher than those of women in Korea, Japan, Germany, Switzerland, Canada and the United States. Note that these are median earnings in full-time jobs and so are not affected by a widespread preference for part-time work by women (though men tend to work longer hours than women).

At the other end of the scale, the gender gap is less than 12% in New Zealand, Belgium, Poland, Greece and France. The OECD finds that low female employment has a significant and negative impact on relatively lower-income, Asian and Mediterranean OECD countries.

Science and Technology

We know that there is a strong correlation between a country's level of investment in science and technology and its economic growth. Since 2000, Science and Technology Research & Development expenditure relative to GDP has increased in Japan and, to a lesser extent, the EU, and it has decreased slightly in the United States. R&D expenditure for China has been growing even faster than GDP.

The U.S. and Japan are moving more rapidly towards a knowledge-based economy than the EU. For most countries, increases in software expenditure were the major source of increased investment in knowledge.

In 2002, investment in knowledge amounted to 5.2% of GDP in the OECD area. In 2002, the United States invested 6.6% of GDP in knowledge, Japan 5.0% and the European Union 3.8%. Sweden and Finland also invested more than 6% of GDP in knowledge in 2002, while less than 2% of GDP was invested in knowledge in Portugal and Greece.

Despite the dot.com crash of 2001, growth in broadband has been strong. Indeed, the number of broadband Internet connections in OECD countries has risen from an average of 2.9 in 2001 to 13.6 subscribers per 100 inhabitants in December 2005. Total connections rose in 2005, from 136 million in June to 158 million by December. Roughly a third of those subscribers are in the US. However, while broadband penetration there is above average, at 16.8 subscribers per 100 inhabitants, it is far lower than in Iceland, which has 26.7, Korea, the Netherlands and Denmark, each with over 25. Although Korea had by far the highest broadband penetration in 2001, the strongest recent subscriber increases were in Iceland, Finland, Norway, the Netherlands and Australia.

Education

A country's economic growth is also dependent on the level of skills of its citizens – one additional year of education adds an estimated 3 – 6 percent to economic output in developed economies.

OECD's Program for International Student Assessment (PISA) assesses student knowledge and skills in mathematics, reading, and science at age 15. In general, girls outperform boys in reading by a wide margin while boys outperform girls, by lesser margins, in mathematics and, even less in science.

On average 33% of women aged 25 to 34 have tertiary education compared with 28% for men of the same age in OECD countries.

Even in the poorest parts of the world more than 60% of young girls usually attend primary school. In sub-Saharan Africa and in the Indian Sub-Continent only 3-4% of young women receive tertiary education

Development

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.

Total official development assistance (ODA) from DAC member countries rose by 32% in 2005 to US\$ 106.8 billion - a record high. 96% of all aid now goes to the poorer range of developing countries, revealing that aid is now being allocated more closely to where the poor live.

In 2005, the DAC published a widely-quoted 'simulation' showing that if all donors respected their commitments, aid would rise from just under US\$80 billion in 2004 to US\$130 billion in constant dollars by 2010.

OECD DAC country members – the world's major donors – increased their aid to a record high of US\$106.8 billion in 2005.

Total official development assistance (ODA) from DAC members rose by 32% in real terms in 2005. This represents 0.33% of members' combined gross national income in 2005, up from 0.26% in 2004 and the highest ratio since 1992.

The average OECD DAC citizen spends US\$105 on development assistance per year. This figure is increasing each year in line with aid increases. The six most generous countries (U.S., Denmark, Luxembourg, Netherlands, Norway and Sweden) give over US\$ 240 per capita per year. Four countries (Greece, Italy, New Zealand and Spain) give below US\$ 65 per capita per year.

Total U.S. financial flows to the developing world -- official development assistance, private capital flows and private grants -- reached a record-breaking \$104.4 billion in calendar year 2005.

The latest figures show that official development assistance (ODA) from the U.S. government -- nonmilitary grants and loans -- attained a record \$27.6 billion, an increase of \$7.9 billion over 2004.

Going for Growth

Released annually, the OECD's 2007 'Going for Growth' study provides country-by-country report cards and a set of benchmark indicators of government policies on product and labor market regulation, taxation, pensions, benefits and health and education in the OECD's 30 member economies.

For much of continental Europe the main focus is on improving labor market performance to reduce unemployment and lift labor force participation.

For lower-income countries, as well as in Japan and Switzerland, raising productivity is the main challenge. Priorities focus more on liberalization of product markets, especially in network industries and in services.

English-speaking countries generally display good labor market performance but need to raise skill levels, in particular through improvements in secondary education.

Many EU countries need to strengthen higher-education systems to improve graduation rates and, in some cases, the quality of teaching and research.

Clean Water Initiative

The OECD has recently launched a Clean Water initiative. Water and sanitation are basic human development – indeed human rights – concerns. Currently, it is estimated that over 1 billion people lack access to safe water supplies and 2.6 billion are without access to basic sanitation.

The cost of achieving this goal is in the order of \$9 - \$30 billion per year, but the financial resources to do so are grossly inadequate.

OECD's new initiative is aimed at increasing and sustaining the financing and investments for clean water and sanitation, designed to improve affordable access to clean water worldwide.

Economic Outlook

Global rebalancing is under way, as foreseen in the OECD's *Economic Outlook* published late last year. The U.S. expansion has shifted into lower gear and the robustness of the recovery in Continental Europe has been confirmed. Meanwhile, growth in much of Asia is holding up well. Oil prices remain jittery but are much lower than half a year ago, contributing to easing inflationary pressures. On the whole, financial conditions are still favorable.

U.S. growth has stayed below potential since mid-2006. Household consumption has been supported by high levels of wealth and lower oil prices but shrinking residential investment has been dragging down real GDP growth by over one percentage point. Exports have far outpaced imports, making for a substantial positive contribution from the external sector.

Activity in the euro area has outpaced that in the United States in recent quarters, with growth above potential and largely driven by domestic demand. The German recovery has been particularly vigorous and the Italian economy has picked up more than expected, but growth has been fairly subdued in France.

Euro-area growth is likely to moderate somewhat in the first quarter of this year, partly on account of the value-added-tax hike in Germany, but should remain above trend. Business sentiment continues to be upbeat overall, and faster job creation should support household incomes and consumption. In the United Kingdom, growth has been stable around trend and is projected to remain so.

The OECD in the 21st Century

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. 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.

In his best selling book, Thomas Friedman writes that the ‘world is flat.’ What the OECD has found is that not only is globalization making it flat, but that there are a few bumps along the way. It will be the job of the OECD in the coming years to help iron out those bumps. Globalization is here to stay and is a positive force. The OECD stands poised to become a world catalyst for attaining the highest sustainable economic growth in this new world, representing one of the most critical imperatives of our time.

Once again, many thanks for giving me this opportunity to be here with you and I hope that I’ve been able to provide just a small window into the economic world in which we live today -- A window that constantly amazes and encourages me in my working life.