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### OECD Global Dialogue

The OECD is reaching out to large nations that will shape future economic growth. For example, the organization maintains special programs with Brazil, China, and Russia, working to ensure good governance, trade cooperation, and fiscal responsibility.

The OECD Global Dialogue (on energy) was launched with these three nations in December, following the OECD Special Session meeting.



(OECD Photo)

US Assistant Secretary Tony Wayne, Chair of OECD's Executive Committee in Special Session, in conversation with delegates.

### The OECD and Counter-Terrorism

The OECD responded to calls from member nations to analyze policies and initiatives dealing with counter-terrorism. Senior policy-makers from OECD capitals were briefed in December 2004 on wide ranging OECD efforts to counter and cope with the financial implications of terrorism. US Assistant Secretary of State for Economic and Business Affairs, Anthony Wayne, chaired this briefing session.

Insurance coverage, information systems security, and terrorism's impact on overall economic activity were among the many issues highlighted. In 2002, the

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Dear Friends,

January was named for Janus, the Roman god of passage. He had two faces: one for endings and one for beginnings. So we at USOECD reflect on 2004 as a successful year in advancing US goals, and we look to our future objectives.

We were pleased that the second OECD 2-year budget increased by only 1.9% while maintaining funding for US priorities such as statistics, Doha (multilateral tariff and trade talks), travel security, health/biotech, export credits, and spam. We continue to work to streamline committees to reduce those no longer critical and allow room for new initiatives.

Biosecurity is one of the new initiatives. Advances in the life sciences which are being used for harmful purposes pose a real threat. This risk must be reduced while not hampering scientific research. An OECD-sponsored conference in Frascati, Italy, with strong US participation, made advances in recognizing and addressing this concern. The US has committed to continue this initiative.

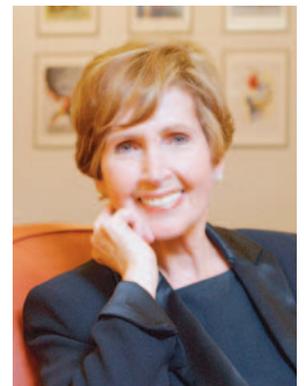
In line with President Bush's STOP! Initiative (Strategy Targeting Organized Piracy), OECD, supported by international business, industry and trade groups as well as NGOs, has launched an Anti-Counterfeiting project. The impact of product counterfeiting is estimated at upwards of \$1 trillion per year. Not only are the information technology and entertainment industries affected, but so are auto parts, baby formula, foods, pharmaceutical and other products. Health and public safety can be in jeopardy. Remember the counterfeit milk powder in China in 2004 that caused the death of babies, with nearly 200 infants suffering consequences of the counterfeit product.

OECD is, of course, known for compilation of the world's best, most reliable statistics. Such work was put into context through the "OECD World Forum on Key Indicators" held in Palermo, Sicily in November 2004. Entitled "Statistics, Knowledge and Policy", the Forum included over 500 representatives of 43 countries representing civil society, government, business, statistics, academia and the media. In addition, over 6,000 people from all over the world logged on to watch the live web-cast of the event.

The interrelationship of statistics and facts, knowledge and understanding, interpretation and policy were explored. GAO Director David Walker keynoted the Forum citing US use of indicators. I presented the summation. It was the informal consensus of the participants that continuation of this work will be highly valuable.

I continue to Chair the Committee on Public Affairs and Communications with French Ambassador Dominique Perreau as my Vice Chair. Particularly impressive is the expanded and extensive use of the enhanced OECD website, especially by non-member countries. Visitor traffic has doubled during the past year. The Council approved the Communications Strategy with proposals for future action at its last meeting of 2004.

We continue to value the work and commitment of the over 1,000 Delegates from Washington who participate in OECD meetings. Their leadership helps us advance and achieve our US goals. We invite you to visit our website at [www.usoecd.org](http://www.usoecd.org).



US OECD AMBASSADOR CONNIE MORELLA

*Connie Morella*



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OECD Task Force on Terrorism Insurance was launched to discuss terrorism risk coverage and assess the respective roles of insurance companies, governments, and financial markets.

The OECD Council approved its recommendation of a checklist of criteria to define terrorism for compensation purposes. The checklist is neither binding nor exhaustive and does not produce a general definition of terrorism.

However, this list analyzes seven factors that insurance companies and governments might consider when they need to define terrorism to design a private contract or a public policy to compensate terrorism-related losses.

One of the factors looks at financial mechanisms other than insurance, such as bonds placed in financial markets.

Experts consulted by the OECD said global financial markets, with an estimated capacity of \$30 trillion, could possibly supplement coverage from the reinsurance market, with an estimated capacity of only \$75 billion.

Kamal I. Latham



(OECD Photo)

“The OECD is the only international organization where US business and governments can work together on international tax issues. We are the only game in town, and we want you to be an important player.”

Ambassador Morella speaking to the OECD Tax Forum.

With her is Amb. Thomas Niles, President of the US Council for International Business.

## UNTIED AID: GIVING DEVELOPING COUNTRIES A BETTER CHANCE

The United States was pleased to be able to work together with its OECD partners on achieving a program which both the Departments of Treasury and State made a major policy goal. Untied aid credits are development assistance loans that can be used to pay for purchases of goods and services from any country, not just the country providing the loan.

On 5 November, the twenty-five members of the OECD that are Participants\* to the Export Credit Arrangement agreed to implement a two-year pilot notification system to provide transparency for untied aid credits to developing countries.

The US Congress had sought OECD rules governing these aid loan programs. Along with US Treasury Secretary John Snow and Treasury Undersecretary John Taylor, State Undersecretary Alan Larson and State Assistant Secretary E. Anthony Wayne all were also actively involved in achieving this success.

Ambassador Morella welcomed the agreement, emphasizing that it will help US exporters to identify and bid on projects financed with untied aid. She noted that this program will also bolster the effectiveness of untied aid credits, an increasingly favored mode of development assistance, and thereby further promote their use. By allowing developing countries themselves to choose the goods and services they need at the most advantageous price, untied aid fosters competition and increases aid efficiency.

As of January 2005, OECD governments are required to report publicly on the details of their untied aid-financed projects 30 days before the bidding period. To further facilitate international competition for these projects, the agreement provides for a minimum bidding period of 45 days.

In addition, countries participating in the agreement will each year provide information on the outcome of the bids. Finally, Participants agreed to special transparency modalities for technical assistance provided for design and engineering work related to these projects or to administer the projects' bidding process.

Helen Recinos

\* The Participants to the Arrangement include the United States, Australia, Canada, the European Community, Japan, Korea, New Zealand, Norway, and Switzerland.

## OECD HOSTS FORUM ON INTERNATIONAL TAXATION

Ambassador Morella gave opening remarks at an OECD conference on international tax issues in Washington DC in January, noting the unique role played by the OECD in conducting research and dialogue in this important area. She welcomed the involvement of US business in these efforts. “This meeting provides a unique opportunity to strengthen this relationship,” she added.

The OECD’s Committee on Fiscal Affairs, working with business, has for many years helped to develop consensus-based understanding on international tax issues. These include problems related to double taxation, uncertainty in the application of international tax rules, and the need for more effective tax dispute settlement mechanisms.

This conference was sponsored by a number of business organizations and the OECD, and brought together senior tax executives from companies, and representatives from the Treasury and Congress.

Participants discussed recent and proposed modifications to the “permanent establishment” concept as defined in the OECD Model Convention. They also talked of ways to improve the effectiveness of “mutual agreement procedures,” the traditional mechanism to resolve tax disputes. Unresolved tax disputes can result in double taxation and thereby impede the free flow of goods and services.

## OECD EXAMINES SECURITY GAP IN LIFE SCIENCES

Ambassador Morella joined delegates from the White House Office of Science and Technology Policy, and the Departments of State, Homeland Security, and Defense, as well as eighteen OECD countries and international organizations, at a recent workshop on biosecurity in Frascati, Italy.

Entitled "Promoting Responsible Stewardship in the Biosciences: Avoiding Potential Abuse of Research and Resources," the meeting dealt with dual-use technologies in the life sciences. Dual-use technologies are those technologies that have legitimate and beneficial purposes, but could be misused to threaten public health, the economy, or national security.

Workshop participants explored ways in which the academic, government, and industrial scientific communities could engage with security experts to balance the benefits and risks associated with life science research. Scientists in OECD countries are coming to terms with the fact that certain research findings can pose significant risks, if abused. Technological advances such as the internet facilitate access to life science research.

"What would once have earned a Nobel Prize is now just a high school science project," cautioned Department of Homeland Security Assistant Secretary Penrose Albright at the workshop. Ambassador Morella added, "We live in a world where unprovoked attacks are an unfortunate reality, and where the methods used to carry out those attacks are becoming frighteningly sophisticated." Ambassador Morella was serving in the US Congress during the October 2001 anthrax attacks.

Two prospects for specific action by OECD emerged from the meeting. The first provides a framework for developing oversight responses to biosecurity concerns – including codes of conduct or of ethics – among the academic, government and industrial scientific communities. The second devises criteria and operational proposals based on those criteria at the national and international levels. In 2005 OECD Ambassadors will further refine the new biosecurity initiative, which complements ongoing OECD work on biotechnology.

John G. Robinson

## INVESTMENT POLICY IN THE BRICS

The BRICS are not the stuff of which houses are built. Rather they are countries: Brazil, Russia, India, China, and South Africa. Although not OECD members, they are major players in the world economy and have partially opened their markets to foreign investment.

The OECD Investment Committee uses Global Forums on International Investment and Investment Policy Reviews to assist the BRICS. The goal is to assist them in their efforts to attract more foreign investment through further liberalization.

Investment, both foreign and domestic, increases economic growth and raises living standards when appropriate policies are pursued. Foreign investment is especially important for its potential to transfer knowledge and technology, create jobs, boost overall productivity, enhance competitiveness and entrepreneurship, and reduce poverty through economic growth and development.

Global Forums offer an opportunity for the host country to discuss investment policy reform issues with select OECD member countries, business groups and nongovernmental organizations. These forums were held in Shanghai, China (2002), Johannesburg, South Africa (2003) and New Delhi, India (2004). Brazil, an observer in the OECD Investment Committee, will host it in 2005.

Kamal I. Latham

## PISA EDUCATION RESULTS RELEASED

Do a Google search on "PISA" and the top result is not the leaning tower. Rather, a click on the number one link takes you to OECD's Program for International Student Assessment, often called the "gold standard of international educational comparison." With substantial support from the US Department of Education, PISA measures 15-year-olds' performance in reading, mathematics and science literacy in OECD member and several non-member countries every three years. The results of the second PISA cycle in 2003 were released as 2004 came to a close.

Unfortunately, American 15-year-olds scored below the OECD average in mathematics literacy, trailing students from 23 other countries. US students did slightly better in reading literacy,

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## We've Moved

Work-in August-in Paris? While most people in France think of August as a time to slow down or take their vacation, the US Mission to the OECD (USOED) staff was actively moving into its new facility conveniently located adjacent to the OECD headquarters and conference centers.

This past summer, USOED Ambassador Morella, USUNESCO Ambassador Oliver, and Overseas Buildings Operations Director Williams, inaugurated the new facility which houses both the US Missions to the OECD and UNESCO, providing significant cost savings to the US government.

The new Mission facility will offer US delegates modern, well-equipped, and flexible facilities that will enhance their experience at the OECD.

Richard G. Daher



(Photo Elise Battaglia)

From left to right: Director Williams (OBO); USOED Ambassador Morella; USUNESCO Ambassador Oliver; Richard G. Daher (USOED); Madame Bouygues and Patrick Bourrut-Lacouture.



(OECD Photo)

Ambassador Morella hosted a reception for former USOED Ambassador Jeanne Phillips.

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## Washington DC OECD Center

(one of four OECD centers worldwide)

[www.oecdwash.org](http://www.oecdwash.org)

The thoughts and prayers of the US Mission to the OECD are with the victims and families of those lost during the cataclysmic tsunamis which struck South Asia in December. We stand in common cause to bring them aid and comfort.

=> PISA Education, continued from page 3

scoring at the OECD average, but were below average in science literacy. Finnish students scored near the top in mathematics, reading and science literacy. Other lofty achievers include Hong Kong, Japan, Korea, Liechtenstein and the Netherlands. The United States does excel in one category: we spend more per student than any other country in the survey. President Bush's No Child Left Behind initiative seeks to address many of the shortcomings in our educational system highlighted by PISA. We hope that as a result our students will fare better in PISA 2006. For more information on PISA, visit <http://pisa.oecd.org> or <http://nces.ed.gov/surveys/pisa>. Or just Google "PISA."

## OIL EMERGENCY RESPONSES TESTED

What would happen if the world lost 3.5 million barrels a day of oil supply? Would governments of oil importing nations sound the red alert? Would their energy watchdog, the International Energy Agency (IEA), call for a release of strategic reserves? Or would cutting back on filling gas tanks compensate for the shortfall? If so, for how long?

The IEA confronted its 26 member governments with just such a simulated scenario in a mock newscast at its biannual Emergency Response Exercise this October in Paris. Complete with staff playing correspondents on assignment, the scenario imagined simultaneous crises around the world that summed up to a loss of 3.5 million barrels a day of oil on the market.

Members asked themselves whether the simulated disruption would be long-term, whether their own diplomatic efforts could help open the spigots, whether the producing countries would be able to keep promises to fill the gap, and, perhaps most urgently, what to say to the press.

They would also have other policy levers at their disposal in such a crisis. They could seek to restrain demand, switch fuels, and, for those with capacity, increase domestic production.

This year's simulation affirmed that the IEA needs a swift policy response and that members need to incorporate a media strategy into their emergency action plans.

With demand growth rates high in non-member countries, this year's Emergency Response Exercise Member response included a full-day training session for ten non-member governments, including India, China, and countries of the Association of Southeast Asian Nations.

Since its establishment in 1974, the IEA has tested member country governments' responses to scenario-based oil supply disruptions.

Also since then, IEA members have maintained emergency oil reserves equivalent to at least 90 days of oil imports as a means to protect their own energy security in the event of severe supply disruptions.

Melissa P. Horwitz

## Prime Minister of Turkey Visits OECD



(OECD Photo)

Left to right: German Ambassador, Hans-Stefan Kruse; Polish Ambassador, Jan Bielawski; Ambassador Morella; Turkish Prime Minister, Recep Tayyip Erdogan and OECD Secretary General, Donald Johnston, on the occasion of the release by the OECD of an economic survey detailing Turkey's impressive reforms and growth.

## Finnish President and Council Discuss Globalization



(OECD Photo)

Dr. Tarja Halonen, President of Finland and Co-chair of the World Commission on the Social Dimension of Globalisation, addressed the OECD Council. President Halonen (Left) with Secretary General of the OECD, Donald Johnston (Right).

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