



Luncheon hosted by BIAC Japan

“A New Challenge for the OECD”

Remarks by Angel Gurría,
Secretary-General
OECD

Tokyo, Japan

Tuesday, 4 December 2007

It is a great pleasure to be with you again and discuss some of the key issues arising from the expansion of globalisation and their implications for the OECD, as well as for multilateral cooperation more generally. This is a very timely moment to have this discussion, as we look ahead to the Hokkaido-Touyako G8 Summit Meeting next year, and the United Nations' Intergovernmental Panel on Climate Change(IPCC) in Bali next week.

Enlargement and Enhanced Engagement

As you may be aware, in June 2007, after a long period of debate and preparation, the OECD initiated a two-tier process of enlargement and enhanced engagement with 10 new countries that account for nearly half the world population, 15% of global exports and a combined GDP of 5.8 trillion dollars. Just a few days ago, Members adopted the roadmaps that will guide accession talks with Chile, Estonia, Israel, the Russian Federation and Slovenia. The process has now been officially launched. In parallel, we will strengthen our cooperation with Brazil, China, India and South Africa through enhanced engagement programs with a view to possible membership.

At the same time, the OECD's relations with nearly 60 other non-member countries are broadening and deepening. The increasingly active participation of developing countries in the work of our Committees and Working Groups has become a two-way avenue of communication and learning. Our capacity-building activities in these countries have also expanded significantly. The OECD is gradually turning into a genuine engine of convergence between developed and developing economies.

G8 and the Heiligendamm Process

This new OECD was endorsed by the G8 leaders at their Summit in Heiligendamm, when the OECD was asked to act as a platform for a dialogue between G8 countries and the major emerging economies, namely Brazil, China, India, Mexico and South Africa, on four key

global topics: investment, innovation, development and energy efficiency. We call this “Heiligendamm Dialogue Process” or the HDP. The first meeting of the HDP was held at the Under-Secretary level to kick off the dialogue in October. This is a two-year process, and we expect to produce the final report for the G8 Summit in Italy in 2009. The G8 Summit 2008 in Japan will mark the midpoint towards Italy 2009 and will provide an important opportunity to review progress and reinforce momentum for the Dialogue.

Partnership for Democratic Governance

Other initiatives like the recently launched Partnership for Democratic Governance, created to help the international community to work with developing countries to improve their governance, reflect the new role of the OECD as an international interlocutor. Our work on the political economy of reform is yet another dimension of this role, and it reflects a new concept of what the OECD can do for a more balanced and inclusive world economy.

Subprime Crisis

Globalisation is a double-edged sword, bringing benefits but making the world more complex. The current credit crisis is a prime example of this new global complexity. The global credit crunch caused by the subprime crisis raises issues of moral hazard, transparency, market integrity, regulation, supervision and financial education. We are witnessing a culture shift as the search for yield leads market participants to move into alternative, less regulated instruments and products. Regulators need to be more forward-looking in order to prevent crises, rather than simply react to them. But caution is in order: the risk of regulatory over-reaction is real. The OECD is intensifying consultations to address these policy issues, both in our own committees and via the Financial Stability Forum.

Sustainable Development and Climate Change

Sustainable development and climate change are also testing our capacity for cooperation and the creativity of businesses and policymakers. With oil prices hovering close to \$100 a barrel, energy supply is a prominent issue. According to the IEA projections, the world's use of primary energy will more than double by 2050. Fossil fuels will continue to dominate the global energy mix while nuclear power and renewable energies will remain limited. OECD importers will increasingly depend on supplies from politically unstable parts of the world. The earth's energy resources are sufficient to meet demand by 2030, but it is less clear for how long or at what cost. This prompts questions on the investment in energy infrastructure and in less energy-intensive technologies, the need for predictable regulatory frameworks and energy pricing.

At the same time, China and other emerging countries' quest for resources have led to sharp increases in commodity prices. This has attracted political attention and raised the importance of productivity and sustainable use of these resources. Japan has been the lead promoter of resource use efficiency. At Japan's initiative, the G8 leaders have called for international work on resource efficiency, which includes "Reduce, Reuse and Recycle (3R)" Initiative. Government and private sector cooperation is another challenge in this regard. I take close note of the Chairman of Nippon Keidanren, Mr. Fujio Mitarai's, view that the Japan-China dialogue should be based on government-industry cooperation on the environment, energy conservation, and resource conservation.

CO₂ emission control is a heavy task for us. Countries have a range of financial and economic instruments at hand to limit emissions. Ambitious policies to tackle climate change will also demand a shift in the structure of economy, away from carbon-intensive activities. A major challenge will be to design co-operative global solutions that all countries are ready to implement. The best response is to provide incentives for companies to move to innovation

of cleaner technologies, while simultaneously taking transitional measures to help affected individuals or sectors.

At the OECD, we have been working on environmental issues for close to two decades now. We have accumulated a wealth of expertise and best practices based on our member countries' experiences. We are well placed to offer options for putting the post-Kyoto architecture onto a solid economic and financial footing, and to keep the costs of action low and therefore acceptable. With the IEA and other international partners, we are working to identify least-cost and equitable approaches to addressing global climate change. Several recent environment reports have highlighted the urgency to act. The OECD is now in the final stages of preparation of "The OECD Environmental Outlook to 2030". And at the IPCC Meeting in Bali next week, I will present the key results of recent work by the OECD, and explain the work we have planned for the coming months on developing policy packages to address climate change.

Education

Last but not the least, later today I will launch the results from OECD Program for International Student Assessment (PISA2006) here in Tokyo. Some bustling international press hastily reported "Finland takes number one post on science!". But PISA is much more than just ranking. It is about how well individual education systems are equipping their young people for the world of tomorrow. First and foremost, it tells countries where their strengths and weaknesses lie. Quality education has become the most valuable asset for societies. In a highly competitive globalised economy, skills are key factors for productivity, growth and better living standards.

The Japanese students did extremely well in science, scoring high in knowledge of the subject, but do much less well when they extrapolate from what they know and apply their knowledge in novel situations. This is an important finding, because the reports provides

evidence that if students learn merely to memorise and reproduce scientific knowledge and skills, they risk being confined jobs that are disappearing from labour markets in many countries. This is merely a snippet from the 700-page study, but I hope all the participating countries including Japan will carefully review the results and address effectively the challenges.

So you can see that we have a very full and ambitious agenda ahead of us. I look forward to continuing to cooperate with you on these important issues, and to working with the Japanese government during its G8 presidency, which is well-placed to make important contributions to the better functioning of the global economy and to a sustainable and prosperous future.

Thank you very much for your attention.