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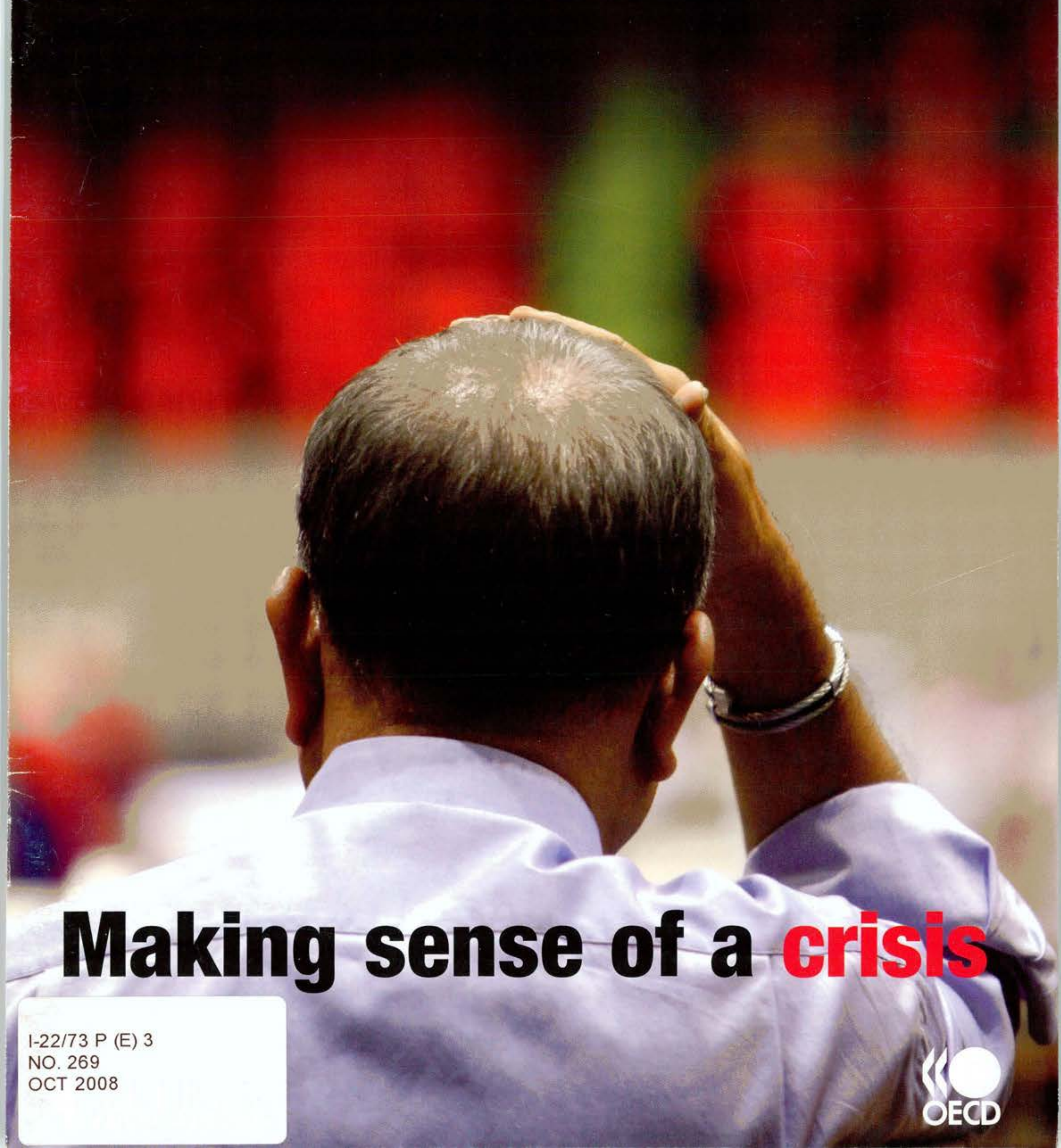

Making sense of a crisis

OECD


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No 269 October 2008

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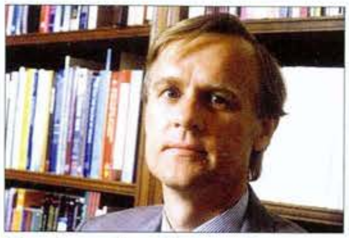

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On the cover

Making sense of a crisis

By OECD Observer
©Darren Whiteside/Reuters

The financial crisis sweeping world markets is the worst since the Great Depression. As the crisis bites into the real economy, hard lessons are being learned. Understanding causalities is a pre-condition for good policymaking, since bubbles and crises will occur again if the sources are not addressed directly. The ultimate goal of our actions is to avoid a wide, protracted global economic downturn, restore the conditions for growth and ensure this crisis cannot be repeated.

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Food crisis solution

As your commentary "Food Prices: The Grain of Truth" rightly points out, the response to the food crisis should involve both short and long-term strategies, including policies that foster growth and development and improve agricultural productivity (No 267, May-June 2008).

Increased agricultural growth is important to overall economic growth and will help to achieve the first Millennium Development Goal of halving the proportion of poor and hungry people by 2015.

A recent study by the International Food Policy Research Institute finds that the global incremental public investment required—the additional amount necessary to meet MDG1—would be US$14 billion annually for all developing countries. For Sub-Saharan Africa alone, the estimated incremental annual investments required range from $3.8 billion to $4.8 billion. The required growth and financial resources vary based on past progress in poverty reduction and the role of agriculture in the overall economy.

While the challenge of meeting MDG1 is considerable under the current circumstances, if national governments and their development partners invest wisely in agriculture, we can overcome the world food crisis and reduce chronic poverty and hunger in the long run.

Shenggen Fan and **Mark Rosegrant**
International Food Policy Research Institute
Washington, D.C.

Taxing truth

Your commentary on harmful tax practices raises a series of points about the commercial imperatives for international financial centres (No 267, May-June 2008). Although the OECD's attentions at the outset may have been unwelcome, its discipline has played a key part in stimulating the greatest period of innovation and creativity in jurisdictions. Governments, financial sector regulators and product and service providers have been obliged to work closer together to provide attractive packages which are compliant with international standards.

The brightest minds working in centres have developed new funds regimes, the zero-ten corporate tax scheme, new trust structures and simpler more effective compliance formats. The atmosphere has become more competitive. Some centres have closed because they were unable to support the cost of compliance. But new ones have emerged. The supreme example is the Dubai International Financial Centre which has rapidly emerged as a key global player.

It has benefitted also from the expansion in Islamic finance. This has helped to revitalise Labuan, Brunei and Bahrain. But we are also seeing the emergence of four centres in the Caribbean—Trinidad & Tobago, Jamaica, Barbados and the Dominican Republic.

For all of these centres, independent verification of their standards of governance plays a critical part in their reputation.

The Liechtenstein affair has highlighted the ongoing battle over banking secrecy. This will not be resolved in the short term. Few emerge from this affair with great credit. Certainly the tax authorities who paid substantial sums of money for stolen information have established a poor precedent. Equally, the two other remaining centres on the OECD's blacklist (Andorra and Monaco) need to consider where their future lies.

The commercial realities are such that a capacity for innovative and relevant regulation is a powerful weapon in securing long-term, high-quality business.

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From the financial crisis to the economic downturn
Restoring growth is a key challenge


©Eleonor Grammatikas/OECD

Angel Gurría, Secretary-General of the OECD

The financial crisis sweeping world markets is the worst since the Great Depression. While the crisis is biting into the real economy, hard lessons are being learned. How should policymakers move forward, particularly as room for manoeuvre is being squeezed?

The size and duration of the crisis remain uncertain, but the cost is immense, in subprime losses, wiped-out stocks, rescue packages and more.

The OECD has from the outset welcomed the systemic rescue plans in the US and Europe. By injecting liquidity, providing guarantees, dealing with troubled assets and recapitalising the banking system, these actions should help relaunch bank lending and get the economy going again.

We have seen boom and bust cycles before, but these are exceptional circumstances. This time the financial system–the conveyor belt through which the economy works–has been blocked. Governments had no choice but to take action.

We have welcomed the strong leadership shown by several countries which has helped restore the functioning of the markets. We must now tackle the underlying causes. Moreover, as markets remain volatile, the crisis has placed serious doubt in people's minds about the reliability of their banks and financial services and indeed, about the credibility of the market system itself. How can governments restore confidence and get the markets back on their feet?

Understanding causalities is a pre-condition for good policymaking, since bubbles and crises will occur again if the sources are not addressed directly. There is wide agreement that markets need more effective monitoring and regulation, and stronger corporate governance. After all, from Wall Street to Main Street and across world financial centres, the market's invisible hand had gone astray. Excessive lending at cheap interest rates fed an insatiable demand for high-risk financial products, backed by flawed approvals from rating agencies. An already complex market became unreadable. What eventually transpired while asset prices dropped was a market excessively loaded with so-called "toxic" debt.

The reaction was sudden, and the deleveraging brutal, but while the crisis itself was not forecast, no-one can say it came completely out of the blue. Over the past year some OECD members expressed concerns about lightly regulated, highly-leveraged financial products, and several months ago we wrote about the gaps in regulatory and accounting standards, and highlighted failures in corporate governance.

True, there may have been ignorance about the amount of debt outstanding and who was exposed, but clearly the regulatory structure was simply unable to deal with the likes of mortgage-based securities, derivatives and credit-default swaps.

Now, we must ensure that the rescue packages work, so that lending resumes and payments systems are secured. For this, markets must recover some normality, while avoiding excessive volatility.

We must also think about the long term, and OECD is working alongside governments, central banks and international institutions in advancing the reforms in regulatory and accounting standards, lending practices and corporate governance needed to address the crisis. We should also respond to the call of political leaders to rethink the global economic governance infrastructure, in order to increase its effectiveness and legitimacy.

Overall, a more holistic culture of risk management, compensation issues and responsible, ethical and accountable management must be forged, grounded in better regulatory structures and stronger implementation of agreed standards, such as the OECD Principles of Corporate Governance, as well as improved financial education and risk awareness among all users of financial markets. Other policies too must be improved, not just concerning banking, but also related to housing, for instance, so that low-income families are not unfairly exposed to risky mortgages.

After all, what really matters is the economic welfare of people, their homes, businesses and jobs. The ultimate goal of our actions is to avoid a wide, protracted global economic downturn, restore the conditions for growth and ensure this crisis cannot be repeated. Already before the crisis, OECD had forecast a slowdown in some countries, and now the outlook seems dimmer as we prepare our next *OECD Economic Outlook* for late November. It is as yet unclear to what extent government intervention will affect budget deficits and aggregate demand, but clearly sound fiscal management will be needed. Also, the degree to which lower inflation will allow for a more accommodating monetary policy remains uncertain.

Policy measures to restore economic growth are therefore essential. We should look at the underlying trends and policy levers that will allow a new era of increased productivity and growth. But to do so, we also need to deal with issues such as competition, education, and the required reforms. Social measures will also have to be reinforced to address the expected rise in unemployment. And we must not neglect other challenges either, such as meeting development aid targets and tackling climate change.

These exceptional circumstances may reshape priorities and policy frameworks in several OECD countries. The crisis casts a shadow, but there is a bright side, as lower commodity prices create precious wiggle room for policy, and robust emerging economies inject some balance to the world economy.

The market system is in crisis, and governments are in the driver's seat. Our leaders must solve the financial crisis together. As a hub for dialogue on global challenges, our new, more plural and relevant OECD is helping to chart the way forward. Times are uncertain, but our commitment will not be found wanting.■

• News brief •

UK warned on corruption laws

©OECD/Jacques Brinon

An OECD anti-corruption body has sharply criticised the UK's failure to bring its anti-bribery laws into line with its international obligations. The OECD's Working Group on Bribery, chaired by Mark Pieth (see photo), has now urged the rapid introduction of new legislation to correct this at the earliest possible date, so reiterating previous recommendations from 2003, 2005 and 2007.

Current UK legislation makes it very difficult for prosecutors to bring an effective case against a company for alleged bribery offenses, the group has found. Although the UK ratified the OECD Anti-Bribery Convention 10 years ago–the convention makes bribery of foreign officials a criminal offence in all OECD countries–it has so far failed to successfully prosecute any bribery case against a company.

The OECD group, which brings together all 37 countries that are parties to the OECD Anti-Bribery Convention, is "disappointed and seriously concerned" about the UK's continued failure to address deficiencies in its laws on bribery of foreign public officials and on corporate liability for foreign bribery, which it said has hindered investigations.

The group acknowledged positive aspects in the UK's fight against foreign bribery, including resourcing up a specialised unit of the police for foreign bribery investigations. But recent cases have highlighted the need to safeguard the independence of the Serious Fraud Office and eliminate unnecessary obstacles to prosecution. Further reforms should be dealt with as a matter of political priority, the group says, including the need for effective corporate liability for bribery and removing considerations of national economic interest from all investigative and prosecutorial decisions. ■

For more detail on the UK "phase 2bis" report on the application of the OECD Anti-Bribery Convention, please visit www.oecd.org/daf/nocorruption

Gender gap persists

Women are 20% less likely than men to have a paid job and they earn on average 17% less, according to the latest edition of *OECD Employment Outlook*. At least 30% of the gap in wages and 8% of the gap in employment rates in OECD countries result from discriminatory practices in the labour market.

Virtually all OECD countries have anti-discrimination laws in place, but governments still need to do more to ensure a level playing field. The report highlights policies to help fight discrimination, and makes recommendations, such as in education and training, reforms to incite managers to drop discriminatory practices, and enforcement of existing legislation. The report also examines youth labour markets, informal employment, mental health at work and multinational pay (see article, page 15). ■

Visit www.oecd.org/employment

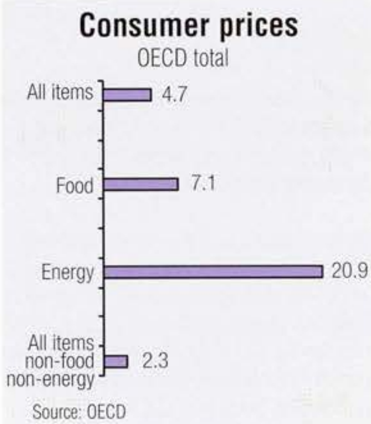
Economy

The latest **composite leading indicators** (CLI) continued to point to slower economic activity ahead in the OECD area, by falling 0.7 points in July 2008 to stand 5.2 points lower than a year earlier. The CLI, which reflects the likes of order books, building permits, sentiment surveys and long-term interest rates, indicates a weakening outlook in all the G7 OECD economies. It pointed to expansion in China, Brazil and Russia, but a more sluggish India.

Annual **inflation** in the OECD area at 4.7% in August 2008, easing from 4.8% in the year to July. On a monthly basis, the price level decreased by 0.1% in August, compared with 0.4% in July. Energy consumer prices increased by 20.9% year-on-year in August, up from a rise of 7.2% in July.

Despite a modest recovery of **quarterly trade** volume growth in the first quarter 2008 (2.5% for exports and 0.4% for imports), year-on-year import volume for the G7 countries continued to slow to only 1%, the lowest rate since the first quarter 2006. Exports were up 5.6% compared with the same period in 2007. US quarter-on-quarter export growth fell 0.2% and imports were down 0.9%.

Unemployment in the OECD area stood at 5.7% in May 2008, 0.1 percentage point higher than the previous month and 0.1 percentage point higher than a year earlier. Jobless figures in the euro area, the US and Japan were broadly stable, with some declines, including in **Germany** where it was 7.4%, 1.1 percentage point lower than a year earlier. ■



For more on these and other economic stories, go to www.oecd.org/statistics

Plus ça change...

A unified financial market is now emerging in which a wide variety of competitive forms of financing and savings instruments is available...In virtually all OECD countries, policies now favour liberalisation and the gains it can bring in resource allocation and the additional opportunities for savers and investors.

"Liberating capital movements: A new OECD commitment", No 159, August-September 1989.

• News brief •

Tax progress mixed

The Isle of Man and the UK have signed a bilateral agreement for the exchange of information for tax purposes. The new agreement announced end-September 2008 was hailed as a further step in bringing greater transparency and fairness to cross-border financial transactions. Since the start of 2007, jurisdictions committed to the OECD principles of transparency and exchange of information have signed a total of 17 bilateral agreements with OECD countries. In July, Germany and Jersey signed the 16th bilateral arrangement.

A total of 35 jurisdictions have now committed to work with OECD countries to improve transparency and establish effective information exchange for tax purposes. However, a report issued on 29 September said that despite some advances, progress on exchange of information on tax issues was more limited. "Significant restrictions" on access to bank information for tax purposes remain in three OECD countries–Austria, Luxembourg and Switzerland–and in a number of offshore financial centres, including Liechtenstein, Panama and Singapore. Further, a number of such centres had failed to follow through on commitments. *Tax Co-operation: Towards a Level Playing Field–2008 Assessment by the Global Forum on Taxation* is available at www.oecd.org/ctp/htp ■

Soundbites

Trustwordy

"Investors and lenders have moved from trusting anybody to trusting nobody."

Martin Wolf, *Financial Times*, 7 October 2008

"The west is down and the state is up. Moreover, democracy itself risks falling into disrepute if solutions are not found."

Dominique Moïsi of France's Institute for International Relations, quoted in the *Financial Times*, 6 October 2008

"The most urgent policy challenge…is to secure trust in transactions."

Korea's president, Lee Myung-bak, referring not to the financial crisis, but the Internet economy, quoted in *The Chosun Ilbo*, 18 June 2008. See also page 30.

News shorts

Health spending grew in real terms by just over 3% on average across the OECD area in 2006, the **slowest rate since 1997**. But spending remained unchanged as a share of GDP compared with 2005, at 8.9%. The online edition of *OECD Health Data 2008* includes joint OECD, Eurostat and WHO data, and shows health expenditure by type of services and goods, healthcare providers and financing sources. The data can be queried in English, French, German, Italian, Spanish, Japanese and Russian. See www.oecd.org/bookshop and www.oecd.org/health

Pollution of rivers, lakes, and aquifers **exceeds recommended limits** for drinking water in farming areas in many OECD countries, says a new report. According to *Environmental Performance of Agriculture in OECD Countries since 1990*, excess levels of nitrates, phosphorus or pesticides were found in more than one out of 10 monitoring sites in 13 OECD countries. Farm contamination of coastal waters is also a problem, the report says. Pesticide use has declined in OECD countries since 1990, but the persistence in soil and water of older, even banned, pollutants remains a concern. The report, which also examines water depletion, subsidies, organic farming and farm management, is available at www.oecd.org/agriculture, with data available at www.oecd.org/tad/env/indicators

In **education**, governments will face tough decisions on funding and quality as more secondary school students enter university, OECD warns. Entry rates to university-level education have risen by nearly half on average in OECD countries in the last 10 years, according to the 2008 edition of OECD's annual *Education at a Glance*, but funding for tertiary education in many countries is barely keeping up, and in some cases has fallen. Public money still pays most tertiary education costs in most OECD countries, though average private spending has risen sharply in recent years. Order *Education at a Glance* at www.oecd.org/bookshop or visit www.oecd.org/education

Developed countries should adapt their **labour migration policies** to demand for workers in all areas of their economies, not just the highly skilled, the OECD *International Migration Outlook 2008* argues. While OECD countries compete to attract high-skilled immigrants, many are wary of accepting less-skilled immigrants, despite strong demand. In fact, the report sees long-term, permanent demand for low-skilled labour in sectors such as home care, food processing and construction. Policies that encourage migrants to return have limited impact too, the report shows. Around 4 million people emigrated to OECD countries in 2006 on a permanent-type basis, an increase of 5% on 2005. See page 44 and www.oecd.org/migration

Hungary should invest more in research and development to boost its economy, a new report says. Despite economic progress, business spending on R&D was less than half the EU average in 2006, at 0.48% of GDP, compared to 1.1%. To remedy this, the OECD advises Hungary to improve its science and technology system and put more emphasis on innovation in small and medium-sized firms, including services. For more, see *Hungary: OECD Review of Innovation Policy 2008*, at www.oecd.org/bookshop

Peru has become the 41st adherent to the OECD **Declaration on International Investment and Multinational Enterprises**. In adhering, Peru commits to treating foreign investors in the same way as domestic investors and to promoting responsible business conduct. The country in turn benefits from such assurances for its investors abroad. See www.oecd.org/daf/investment

Financial crisis and the economy

Interview

What are the main impacts of the financial crisis on the real economy, and what lessons might we draw from the crisis for the future? The next *OECD Economic Outlook* due on 25 November will provide some answers. We asked the new OECD Chief Economist Klaus Schmidt-Hebbel for some early insights.

OECD Observer: **In its September update, the OECD painted a rather sombre outlook for the G7. What issues are you focusing on now in light of the financial crisis and can you provide some indications of your thinking ahead of the forthcoming *OECD Economic Outlook*?**

Klaus Schmidt-Hebbel: Our last assessment of the economy in September came just before the financial turmoil turned into a full-blown financial crisis. That assessment was still concerned with the effects of three factors that had developed since mid-2007, namely rising commodity prices, a housing market contraction in several OECD economies and, yes, financial turmoil. But now that turmoil has turned into a systemic crisis of world financial markets, and this looms over everything else.

Since mid-September of this year, mutual trust between financial market participants has quite simply evaporated, with a breakdown of short-term financial transactions in major OECD economies and a global meltdown in stock markets. When inter-bank lending, commercial-paper lending, and money markets come to a standstill, lending to corporations and households freezes. Spending, production, and employment could potentially collapse.

Governments and central banks are very aware of these huge risks to the world economy as proven by their quite radical policy actions over recent weeks. These measures aim at rescuing the global financial system by restoring trust and re-building financial institutions' balance sheets. They were unprecedented in their scale, their use of new policy tools, and their international co-ordination across the major OECD economies.

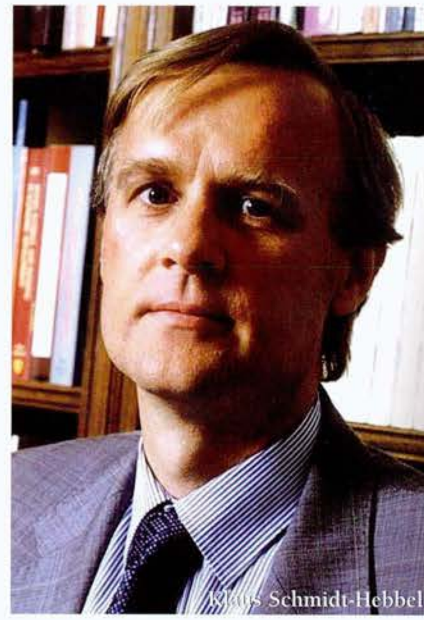
Now we have to see how fast and effective these actions turn out to be.

What are the implications for the economy?

We in the Economics Department of the OECD are in the process of preparing our 2009-2010 projections for 30 OECD and 10 non-OECD economies, which will be issued in the *Economic Outlook* on 25 November. Our view will clearly be shaped by the most recent available data and how we see the effects of the financial crisis unfolding.

Our base scenario is built on the premise that the current freeze in short-term financial markets will be resolved in a relatively short time span, but that bank deleveraging and recapitalisation, as well as re-building of trust in the markets, will take much more time. This would mean a more protracted period of restrictive financial conditions and would affect loans and the access to funding generally. At the same time demand for loans is shrinking anyway as slumps in asset prices and a general feeling of uncertainty cause households and firms to rein in their spending plans.

So, we expect a significant weakening in the world economy, with many OECD economies slipping into recession sooner or later.


Klaus Schmidt-Hebbel

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"We expect a significant weakening in the world economy, the question is for how long"

The question is for how long. It is likely that recovery will be slower than in recent economic downturns, but the actual pace of recovery will depend largely on how quickly financial markets resume transactions and lending, even if that lending remains relatively restricted, at least compared with 2002-2007.

But beyond financial market interventions, let's not forget that macroeconomic policy should also play an important role in cushioning the recessionary impact of the financial crisis. In other words, as economies quickly weaken and inflation recedes, there will be room for interest cuts in some OECD economies, not to mention timely, temporary, and targeted fiscal stimulus as well.

Which are the main risks in your scenario? There are two major, related risks to the downside. On the one hand, the current freeze in financial markets and lending could take more time to thaw out, with more severe effects on spending, output and employment. This would lead to a deeper and more persistent recession.

The other downside risk we see comes from the as yet unknown budgetary costs of governments' rescue plans. When the financial crisis and recessions are behind us, fiscal adjustment will be called for to maintain confidence in public debt and currencies, particularly in those countries that have had to foot high costs in bailing out their banks.

But there is also a favourable prospect to bear in mind, and that is the easing in oil, food and other commodity prices caused by a weaker world economy. If the downward trend proves larger than we currently envisage, this would bring still lower inflation and gains in real incomes for commodity importers, as well as providing more room for further monetary policy easing.

Are public fears of a global depression justified?

A depression is an ambiguous concept, some think of it as a very deep and drawn out recession. I think that we are certainly not there. Of course, this is the worst financial crisis in decades, but a repeat of the 1930s Great Depression is highly unlikely, thanks in large part to those massive rescue plans now in place.

Did you foresee the crisis?

Most professional economists know that business cycles are alive and kicking, and expected the particularly intense 2002-2007 credit boom and economic expansion to turn downwards at some point. Yet the precise timing and intensity of future recessions are impossible to predict. In this particular case, neither economists nor market participants, nor indeed governments foresaw a financial crisis of the type and magnitude we have now. The collapse of trust and subsequent credit freeze in the wake of the Lehman Brothers collapse was a shock not only to the system but to most economists and market participants as well.

What policy lessons can we learn?

It is still early in the game, but I nevertheless see lessons to be drawn in four areas. First, remember that it started as a subprime mortgage lending crisis in the US, but gradually spread into other markets and countries through a combination of market failures and regulatory weaknesses. Where markets failed was in poor governance and the structures of executive incentives that were inappropriate for the stability of financial firms. They failed in the opacity of financial instruments and their trading, and a lack of public information about balance sheets of financial institutions and their off-balance sheet vehicles.

At the same time, regulatory omissions and failures were rife. Many countries lacked comprehensive and unified regulation of financial conglomerates and their market instruments, while capital regulation and accounting rules exacerbated pro-cyclical bank leveraging and lending. Weak oversight of the rating agencies did not help either.

Our first task is to get past this crisis and minimise the strain and suffering of the people most hurt by it

Future regulatory reform will clearly aim to improve business models, transparency, disclosure, and oversight of financial institutions. At the same time, financial market participants must never assume bailouts are the norm, and reforms must therefore minimise the risk of "moral hazard" affecting future financial market behaviour. Also, while major regulatory changes of financial and capital markets will be required, both nationally and across countries, there is a clear and present trap to avoid, and that is the risk of a regulatory over-reaction. Excessive regulation can do damage too, by inhibiting future financial innovations, market integration and growth. We require better regulation, not just more regulation.

The second lesson is that we really have to work harder at strengthening the counter-cyclical features of fiscal, monetary, and financial policies, both to reduce the intensity of future business cycles and lower the likelihood of a global crisis like the current one happening again.

Third, much better contingency planning and crisis management will be needed. After all, this crisis was managed in a pretty haphazard way. Governments moved very late on from ad hoc and selective emergency bailouts to a comprehensive rescue operation of their financial systems. And only very late on did they shift their focus from removing toxic assets to providing comprehensive support to different components of balance sheets, by providing guarantees on deposits and inter-bank loans, acquiring bad assets of banks and non-banks, and providing new capital. The approach got better only at the very end.

Last but not least, we require rethinking of our current international financial architecture. This includes international co-operation in regulatory reform of financial and capital markets, accounting standards, and treatment of international financial transactions. The aim is to strengthen both integration and stability of world capital markets. In addition, we have to rethink the way international financial institutions provide support to countries facing capital and external-payments crises, like Iceland, Hungary, and the Ukraine are today.

These are just some key lessons, there may be others. OECD can play a major role in addressing them.

You have just joined the OECD after several years at the Central Bank of Chile, which is a candidate country for OECD membership. What added perspective do you think your background can bring to the job?

You are right, I spent the last 12 years of my career at the Central Bank of Chile, and eight years before that at the World Bank. I am a citizen of both Germany and Chile, my children were born in the US, my wife is Chilean-German-Costa Rican, I lived during some of my teenage years in Brazil, and I love France. I truly feel more like a world citizen than a national of any individual country, which provides a strong motivation for joining the OECD. My professional life combines academic experience–I am a full professor at the Catholic University of Chile, associate professor at the University of Chile, and just resigned as President of the Chilean Economic Association– research and policy advice at both the World Bank and the Central Bank of Chile. I also worked as a consultant with some 25 industrial and emerging-market economies and many international organisations.

My specialities include growth and structural reforms, macroeconomics and related policies, international economics and development, and financial markets and pension systems. I have worked both on and in developing, emerging-market, and industrial economies. So I have not only watched how the global economy has shifted, I understand the pressures countries face, whether rich or poor.

With the crisis, I certainly could not have come to the OECD at a more testing time, both for our member countries and for me, personally. But it is an intellectual challenge I am ready for.

From my perspective, the stakes are high but straightforward. Our first task is to work intensively to get past this crisis, and to minimise the strain and suffering of the people most hurt by it. Beyond that, we have to work even harder in evaluating the policy options and recommending the structural reforms that member countries require in order to achieve higher, more stable, growth and more welfare for their people. Finally, as the influence of emerging economies on the global economy will continue to increase, we will have to work on the integration of emerging economies into the world economy and their increasing engagement with our member countries. For this reason, the OECD's new global focus led by Angel Gurría must be fully supported.

Finally, let me mention that I am both happy and proud to join this exceptional organisation, with its teams of outstanding professionals both in economics and beyond. We are all committed to provide the best services to our member countries, and to help them return our economies to good health and robust long-term growth. ■

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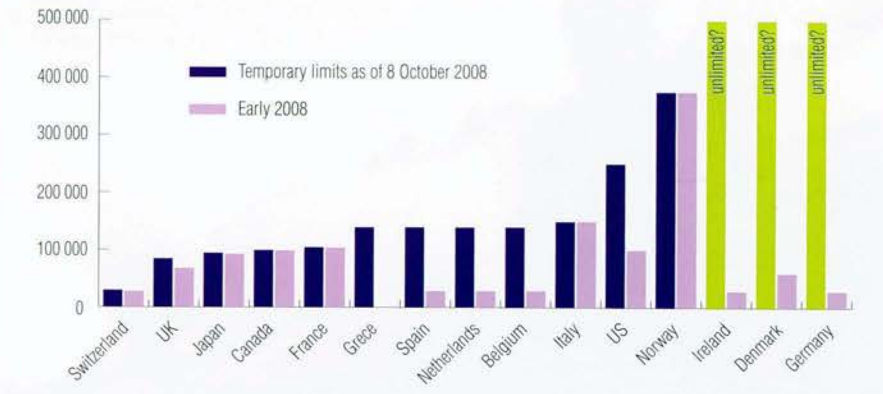
Deposit insurance

Coverage limits, US$ equivalents, 2008*



Source: *Financial Market Trends No 94 volume 2008*, other OECD data

Save our savings

Amid the worst current financial crisis since the 1930s, EU leaders have pledged to protect savers' deposits. Already most OECD countries have explicit deposit insurance schemes for savings up to certain limits. In a number of countries these have now been raised temporarily.

Until the latest statements suggesting unlimited guarantees, legal coverage was highest in Norway, France, Italy and Mexico. In the US the amount covered has been raised temporarily to US$250,000 from $100,000 per account. The graph shows coverage in early 2008 and the position as of 8 October 2008, based on government statements.

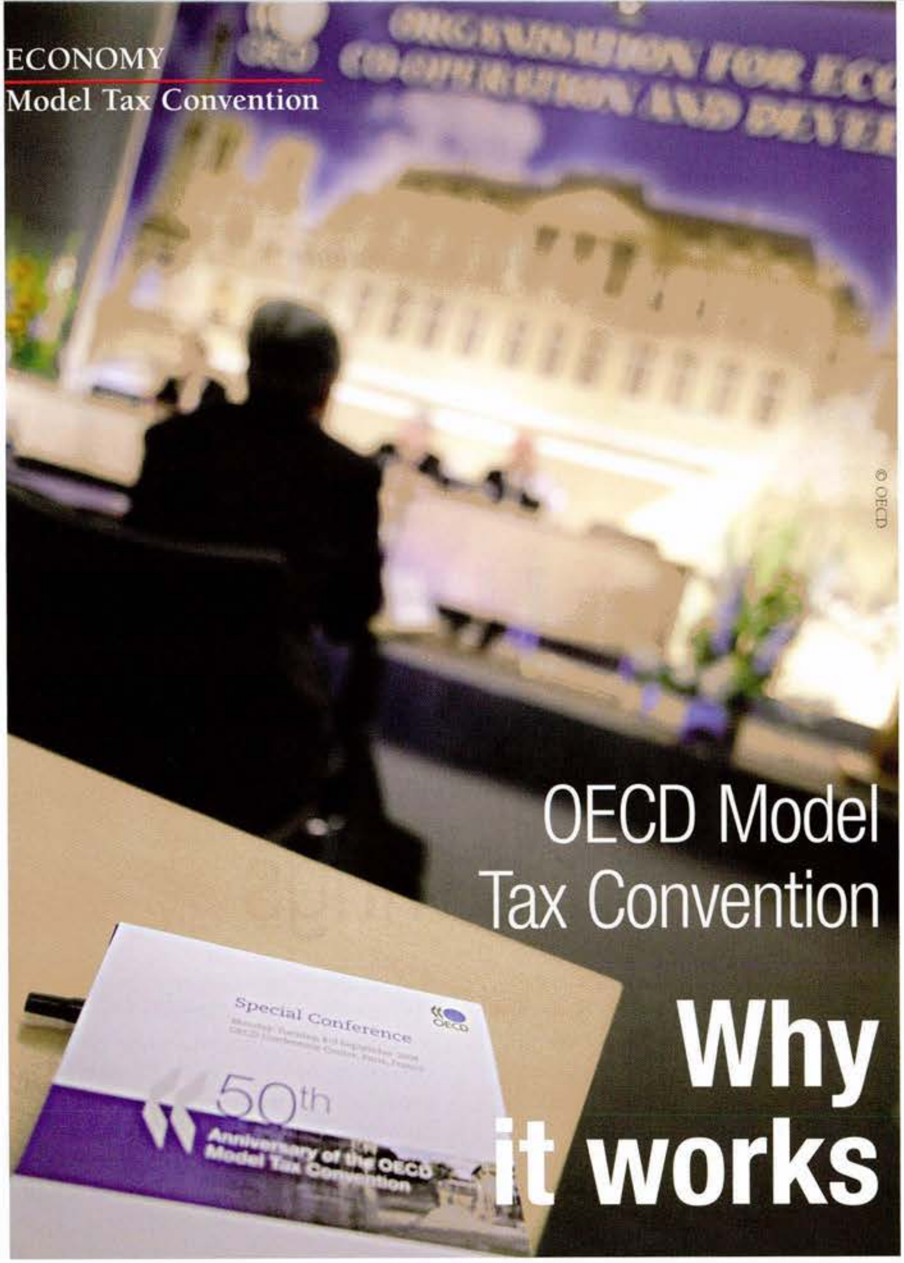
For a savings insurance system to be effective in preventing bank runs in times of crisis, coverage must be set at adequate levels. Savers need to know the limits of the coverage. But consumer surveys have shown that knowledge of existing schemes is poor. A recent OECD study compared the extent of coverage as of June 2008 in 33 countries (see references).

Such guarantees help banks and depositors feel more secure so that lending and payments may continue, proponents say, whereas critics of deposit insurance schemes suggest they encourage excessive risk-taking by banks as the institutions are protected by a public safety net if things go wrong. To minimise this "moral hazard" it is important to promote good governance by banks and ensure a sound supervisory framework.

Financial safety nets consist of three interrelated elements: prudential regulation and supervision; a lender of last resort; and deposit insurance. If a country has developed mechanisms in only one or two of these three areas, it is still likely to face difficulties in preventing or resolving serious problems in its banking system. ■ *SDB*

* "Unlimited ?" is an interpretation of the implication of recent announcements or policy statements for effective coverage limits and that the data shown may not be identical to existing legal limits. As such the data may not be strictly comparable across countries.

OECD (2008) "Financial turbulence: some lessons regarding deposit insurance", in *Financial Market Trends No 94*, Paris. Available at www.oecd.org/finance



OECD Model Tax Convention
Why it works

Jeffrey Owens and **Mary Bennett**
OECD Centre for Tax Policy and Administration (CTP)*

Can the OECD Model Tax Convention, which is 50 years old this year, continue to fulfill its role of helping to make international taxation fairer and more manageable? Probably yes, though there are challenges.

Half a century ago, the Fiscal Committee of the Organisation for European Economic Co-operation (OEEC), which later became the OECD, published a first draft installment of how a model treaty on international taxation might look. The global economy was starting to become more integrated in the 1950s and the intention was to assist businesses and governments by helping to avoid double taxation and to prevent tax evasion. The question to resolve was straightforward enough: how might governments claim their rightful taxation from growing international businesses, while not leaving corporations worried about being unfairly taxed across the different jurisdictions in which they operate?

The OECD Model Tax Convention was born. It was an interesting baby. The so-called London and Mexico models of the League of Nations are clearly in the family tree, but the direct parents were those senior tax officials from European countries who, in 1956, began a collective project aimed at the development of uniform tax treaty provisions under the umbrella of the OEEC. Like all parents, they did not know what their baby would grow up to be.

Back in those days the pace of life was more sedate. Delegates would come to Paris a few times a year for week-long drafting sessions. By mid-week exhaustion would set in, so each Wednesday a trip to the countryside was arranged. Refreshed, the delegates would then return to their labours.

By 1963 a full draft was ready though it was not until 1977 that the model Double Taxation Convention was published. The 1963 draft was essentially the consolidation of four earlier drafts, the first one of which was published in 1958. This is why we consider that the birth of the OECD model was 1 July 1958.

At the outset, there were fewer than 15 countries involved in drafting the first text; by 1963 the OECD had expanded to 20 countries. It was primarily OECD member countries that contributed to the model, but since 1996 we have opened up the process to non-OECD countries and to business and each year in September, the OECD hosts a global forum of government officials from around the world who work on tax treaties. We have also put in place a global network of tax centres for officials from non-OECD countries to learn the skills of negotiating treaties and applying them: over 1,000 tax officials from across the globe have completed these courses.

Today there are more than 3,000 tax treaties in force around the world based on the OECD model. Some 30 non-OECD countries have set out their positions on the model. We do not always agree with each other, but at least we know where we disagree.

Quite simply, the OECD model has established itself as the means of settling the most common problems that arise in the field of international taxation. By enabling a certain harmonisation of double tax treaties, it guides bilateral negotiations and helps settle disputes on a uniform basis.

Consider the issue of double taxation. If a US company sells its products in the US and derives income from this activity, it will pay taxes in the US. If the same company sells its products also in France, it may well have to pay tax on the same income both in France and in the US. But how much tax should the company pay and to which tax authority? The detrimental effects of getting this double taxation wrong on international trade, investment and confidence are self-evident. Clearly, neither business nor government wants to be out of pocket or feel discouraged or discriminated against. Double tax treaties help resolve these conundrums by providing agreed rules for allocating taxing rights on cross-border income between the two countries, so that the US company is free from double taxation on its income.

Today there are more than 3,000 tax treaties in force around the world based on the OECD Model Tax Convention

The OECD Model Tax Convention helps resolve such problems, though it is not binding by law. Rather, the OECD issues a Recommendation based on the common position of its members, who in turn commit to follow the model and its commentaries, while taking on board its reservations, when concluding or revising bilateral tax treaties. The extensive and regularly updated commentaries that accompany the model provide guidance on the accepted interpretations of the main text and have come to serve as a very useful reference to taxpayers, tax administrations and the courts, whether in OECD member countries or elsewhere around the world.

For this "soft law" approach to work, adaptability and transparency are needed. Changes to the model are always published in draft form in advance, and member countries have time to discuss and decide whether or not further changes are required. On-going dialogue with business and non-members is key in setting proper international tax rules and the model has always drawn strength from the input by tax authorities and the changing experience of business over the years.

Since 1991, the Committee on Fiscal Affairs has provided periodic and more timely updates and amendments, without waiting for a complete revision. To date, there have been updates in 1992, 1994, 1995, 1997, 2000, 2003, 2005 and 2008.

Take the 2008 update, which has just been approved with a number of interesting changes based on reports issued by the OECD over the past couple of years. For instance, it introduces a mandatory, binding arbitration provision to resolve difficult unsolved issues through what we call the mutual agreement procedure, with expanded and clarified commentaries on how the mutual agreement procedure itself should operate.

We have clarified the methodology for determining the profits attributable to a permanent establishment (e.g. a branch) through which a resident of one country carries on business in the other country–an issue of particularly keen interest to businesses operating in the financial sector.

And we have also made clarifications with respect to the thorny concept of "place of effective management", which is the tie-breaker test to solve cases where corporations have dual residency for tax purposes, and have provided an alternative provision that moves away from the "place of effective management" test and refers the case to the "mutual agreement procedure".

So what of the next 50?

The OECD Model Tax Convention has a conundrum of its own to resolve: how to remain firm while adapting to new circumstances with ever greater speed. True, we have met new challenges before–we answered how e-commerce should be taxed across borders, for instance–but new challenges continue to emerge, such as sovereign wealth funds, amid heightened expectations on the part of governments, international business and the public.

Can the OECD Model Tax Convention continue to meet such challenges? We believe it can, but here is a wish list of ten items which could really make a positive difference for the next 50 years.

1. Make arbitration provisions the norm in treaties. It would probably be rarely used, which would indicate that the procedure was working as intended because the parties had reached agreement without the need for binding arbitration.
2. Ensure a more consistent application of tax treaties.
3. Start work on a multilateral instrument on value-added tax (VAT). It is remarkable that 141 countries around the world have a VAT, but there is no agreement on many important issues, such as the place of consumption.
4. Find a way to speed up the process of updating treaties based on the model.
5. Give greater recognition to the fact that treaties are also about eliminating tax evasion and not just about eliminating double taxation.
6. Encourage a greater involvement of senior policymakers in treaties. Treaties are too important to be left to (more junior) negotiators.
7. Provide a greater co-ordination among OECD member countries vis-à-vis the new countries that are entering the treaty work for the first time (e.g. Hong Kong, China).
8. Review the nature of the reservations and observations in the model, and how these relate to setting out minority views in the commentaries.
9. Increase the involvement of non-OECD member countries and work harder at giving them a seat at the table.
10. Finally, none of this will happen unless governments put more resources into national departments responsible for international tax issues. ■

* Raffaele Russo from the CTP also contributed to this article.

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- For more on tax treaties, see www.oecd.org/ctp/tt
- See also www.oecd.org/ctp

Special note on transfer pricing

A draft on the Transfer Pricing Aspects of Business Restructurings is now online for discussion at www.oecd.org/ctp/tp/br. Please submit comments by 19 February 2009.

A model to celebrate

Peter A. Barnes
Tax Counsel-International, General Electric

In half a century the OECD Model Tax Convention has established itself as a model for international business. Here is how.

From the vantage point of a tax practitioner in 2008, it is easy to forget that period just a decade ago when e-commerce was going to revolutionise the business world–and the tax world.

Source countries; residence countries; permanent establishment concepts; income attribution; we were worried that all of our existing tax concepts would be undermined by e-commerce, so that we would need to invent a whole new way of taxing international business.

What happened? E-commerce grew and grew and grew. But after hundreds of articles in the tax press, reports by tax authorities in the US and other countries, and an extensive review by the OECD's five Technical Advisory Groups on e-commerce, a startling consensus emerged: our existing tax concepts, and the framework for international tax embodied in the OECD's Model Income Tax Convention, worked just fine, thank you. There was no need for a radical realignment of tax principles.

And therein lies the reason we celebrate the 50th anniversary of the OECD Model Tax Convention: while the world of international business has changed and grown and changed again, the OECD Model Tax Convention has proven its value over five decades as a framework for how we think about international tax, and the treaty shows every prospect of serving that same role for five decades more.

The OECD's model tax treaty was not the first such treaty (that honour belongs to the model tax conventions developed by the League of Nations in the 1920s), nor is it the only such model of importance today (because the United Nations model, first issued in 1980, still has persuasive authority for some countries.) But the OECD model has achieved a consensus position as the benchmark against which essentially all tax treaty negotiations take place.

I recently talked with a former tax treaty negotiator for China, who described one of the key negotiations in which she participated with a major developing country. What was the template agreement from which the two countries began their discussions? The OECD Model Tax Convention, of course, even though neither country is an OECD member.

It is easy to be cynical about the OECD Model Tax Convention. Yes, the OECD represents the developed world and the needs of its economies. Yes, the voices of the developing economies are sometimes heard only faintly, despite a vigorous outreach effort by the OECD's Committee on Fiscal Affairs during the past ten years. Yes, reaching consensus on reports and model language can be painfully slow.

But make no mistake: the OECD is a vitally important organisation and the OECD Model Tax Convention is a tremendously important tool for smoothing the way of international business and global trade.

Examples abound; I will offer only two. First, the writing and analysis of the OECD on principles of international taxation are the most extensive source of guidance in the field. Indeed, there is no other authoritative voice that even ranks in the same tier as the OECD.

If a practitioner–or, say, a government official in an emerging country–has only two books on international tax in their library, it is fairly easy to guess what those books would be: the OECD Model Tax Convention and its commentaries, plus the 1995 OECD Transfer Pricing Guidelines. Why is this important? Because the principles articulated in these documents, such as the distinction between a non-taxable representative office and a taxable branch or business, the concept of income attribution, and the broad principles of arm's-length transfer pricing, are foundations in assuring a sense of fair play in international tax.

There is no other authoritative voice that even ranks in the same tier as the OECD

One of the great privileges of my early tax career was to sit beside Marcia Field and Mordy Feinberg, the lead US tax treaty negotiators for 20 years from the 1970s to the 1990s, and learn as they unwrapped the subtleties of various treaty articles; these sessions were often with treaty negotiators of another country, who, like me, were less knowledgeable about the implications of particular language. The OECD model treaty has captured a hundred years of experience in international tax and distilled the core principles. Many of us learned international tax by studying the model and its commentaries.

Multinational companies are rapidly establishing their own offices in emerging markets in Africa, the Middle East, South America and Asia, where previously these companies relied on locally owned distributors. These new offices are feasible only because the basic principles of taxation articulated and demonstrated by the OECD and its Model Tax Convention are generally applicable. When a multinational company first enters Kenya, or Sri Lanka, or Uruguay, there is a common language to facilitate the discussion with the local officials on taxation.

Without the OECD, we still would have "permanent establishments" and "taxation at source" and many of the other building blocks of international tax. But there would be much greater variation in how those tax concepts would be defined and applied.

Here is an analogy: imagine giving athletes in different countries a net, a ball and a field and telling them to "go play". Everyone may enjoy the experience, but we can be sure that no two games would be alike. Similarly, imagine giving tax officials a few concepts–"jurisdiction to tax", "royalties", "withholding taxes"–and telling the officials to build a system to tax non-residents. The result would be chaos.

There is much more to be done. As the e-commerce experience demonstrated in the past, and as the globalisation of financial services is demonstrating today, important work is needed to apply the principles of the OECD Model Tax Convention to specific business methods. And, educating both experienced tax practitioners and new tax officials is always a challenge, because the principles of international tax are not easy to understand. But the OECD's continued focus on new areas of interest, such as the taxation of deferred compensation and retirement income for cross-border workers, and on hearing new voices, especially from developing countries, keeps the entire international tax community moving forward to meet the new challenges.

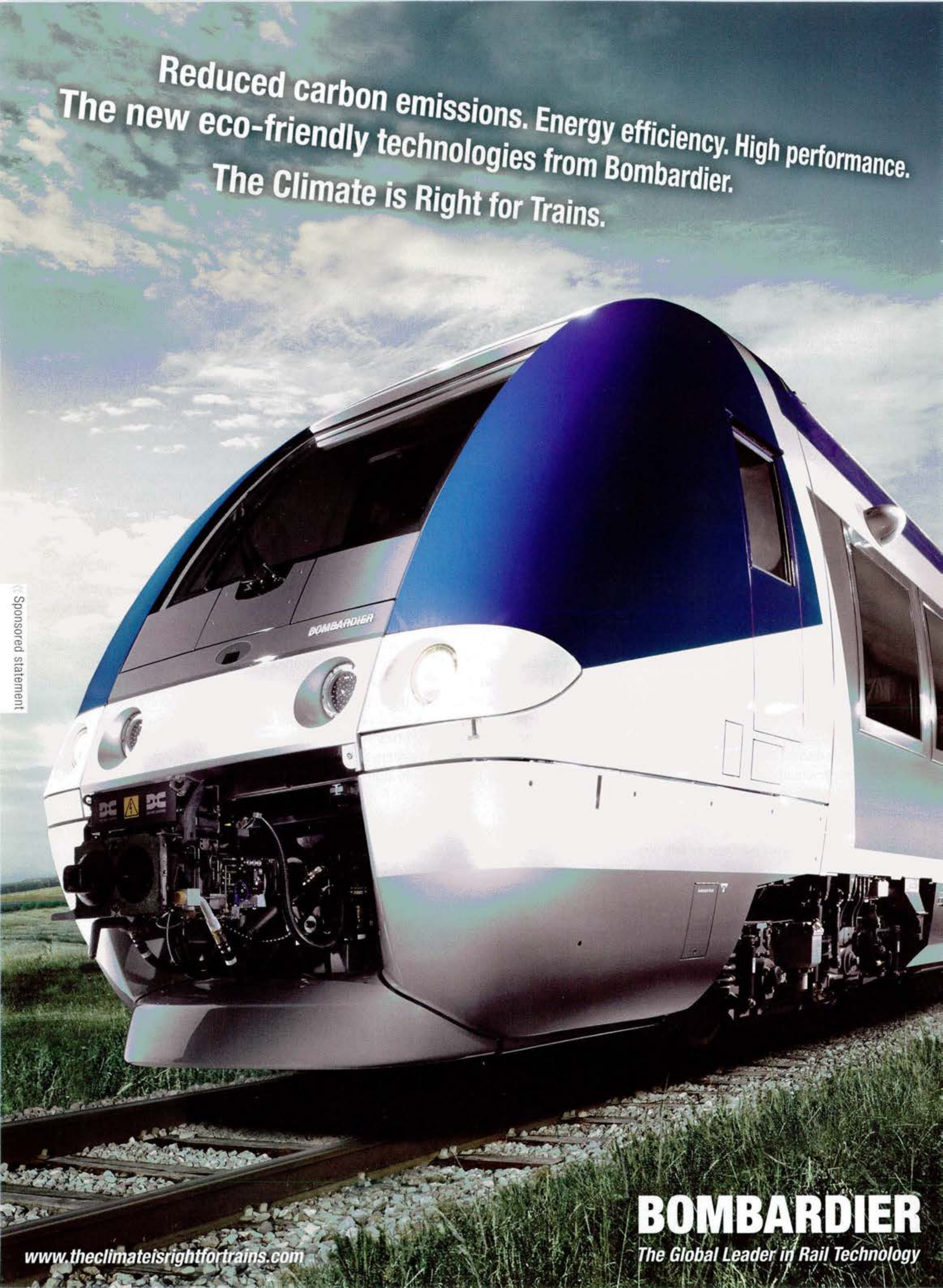
A second example to show the importance of the OECD model is the role it serves in weighing competing positions and then reaching a decision. It may not always be the right decision ("right", at least, in each of our own minds!), and it certainly is not the only possible decision. But it is a decision with finality. Therefore, a construction project constitutes a permanent establishment if it lasts more than 12 months–not three months, or six months or nine months. Profits from operating aircraft in international traffic will be taxed on a residence basis, not a source basis.

The League of Nations was never able to summon the courage or authority to issue a single model. So, the League eventually developed four models. The OECD is at its best when it weighs the competing positions with respect to an issue and then offers a single consensus proposal. Once the OECD position is articulated, the burden of persuasion shifts to anyone who seeks to advance a different position. As the OECD membership expands and the number of countries with substantial international business increases, arriving at that single solution in every case will be more difficult–but also ever more critical.

The challenges to expanded international trade in the 21st century are many, as the recent failure of the Doha round of negotiations for a new world trade agreement demonstrated. But international business would be substantially more difficult if tax authorities operated singly–we could even say blindly–in determining the tax rules that apply to international transactions.

As international tax practitioners, we all share in the achievements and challenges of the OECD and its work on tax treaties. We celebrate our significant progress during the past 50 years–and, armed with the Model Tax Convention and a willingness to work co-operatively, we will meet the challenges of the next 50 years as well. ■

This is adapted from an article originally published by Tax Analysts. See www.taxanalysts.com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Do multinationals promote better pay and working conditions?

Alexander Hijzen and **Paul Swaim**, OECD Directorate for Employment, Labour and Social Affairs

The effect multinationals have on wages and working conditions can be positive, but there are conditions to bear in mind, not least for policymakers wishing to attract foreign direct investment.

If ever there was a question to provoke impassioned debate between supporters and opponents of globalisation, the title of this article may be it. A harbinger of progress and higher standards of living, will say the yeas, a cause of underdevelopment and Western-style exploitation, will roar the nays. The protagonists rarely agree.

Who is right? Before attempting an answer, let's start by looking at what the term "multinational" actually means.

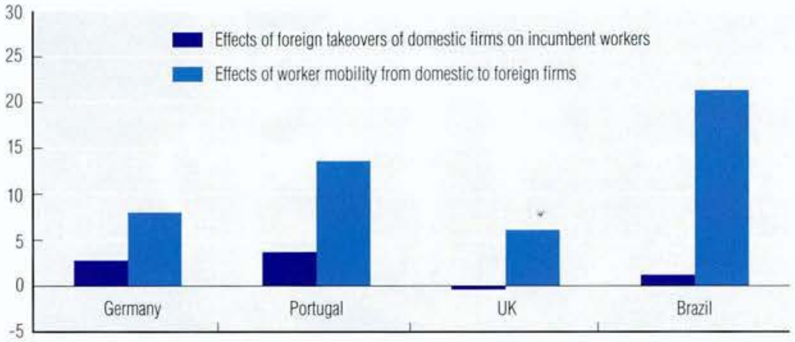
Crudely speaking, multinational enterprises (MNEs) are corporations with headquarters in one country and affiliates, subsidiaries or merged operations in one or several others. These firms expand abroad to gain market share, or to tap into local resources like raw materials and cheaper labour. Think major US brands, such as Coca-Cola, Nike and Microsoft, or the French energy company, EDF, the British-Australian mining firm, Rio Tinto, and Japan's Toyota.

Multinational enterprises have been a force on the world stage for a century or more–some say they have their roots in the British East India Company of the 18th century, though others point to the 17th century Dutch *Verenigde Oost Indische Compagnie* (VOC).

Today there are thousands of MNEs and not all are a symbol of Western economic dominance; just look at the FT's top firms ranked by market value for 2008 which

Hire pay

Effects on wages of foreign ownership, % differences*



* Average effects over the first three years after the takeover

Source: *OECD Employment Outlook 2008*, Paris

now includes firms from China, Russia, India and Brazil.

Regardless of impassioned opinions, the role of MNEs in the world economy will likely continue to grow, as governments everywhere compete hard to attract foreign investment to their country. Already in 2006, foreign direct investment, which is a good measure of the growing internationalisation of production, was worth about a quarter of world GDP, compared with less than 10% in 1990. Foreign affiliates of MNEs account for about a third of world exports.

But are these MNEs really likely to bring in more jobs, better pay, better conditions and better practices to host destinations or do they hold developing countries in their grip, with little hope for progress? Arguments can be found to support both points of view. Optimists emphasise how MNEs' superior technical know-how and modern management practices provide them with the wherewithal to pay high wages, whereas pessimists doubt they actually will do so since they are typically in a strong bargaining position vis-à-vis local workers.

The only robust way to answer this question is to compare labour practices between local and foreign firms, and a recent report, "Do multinationals promote better pay and working conditions" attempts to do just that (see references). The authors compare and examine differences between foreign firms and local firms by looking at wages and conditions like working hours and training.

On the whole, the OECD report shows that MNEs do tend to pay more than local firms, though the difference lessens with local firms that compete in the same markets. In general, foreign multinationals pay 40% higher in average wages than local firms, and the differential is higher in low-income countries of Asia and Latin America. They may offer higher pay than their local counterparts because this helps to minimise worker turnover and reduce monitoring costs.

Foreign investment might not have much effect on working conditions

Besides paying higher wages, multinationals differ from local firms in many other ways, such as being much larger and more productive. This raises the possibility that MNEs pay higher wages only because they prefer to invest in capital-intensive sectors and rely on highly skilled employees. But the pattern would not imply that they offer better rewards to equally qualified workers performing similar work in other firms.

The authors argue that more precise comparisons are required to detect whether MNEs pay higher wages and offer better working conditions. For this purpose, they examine how conditions change if a local firm is taken over by a foreign one, as well as the experiences of workers that move from a local to a foreign firm.

When like is compared with like, it still seems that MNEs pay better, but the difference is quite muted. The OECD report focuses on three OECD countries (Germany, Portugal and the UK) and two emerging economies (Brazil and Indonesia) for these more exacting comparisons. Foreign takeovers lead to higher *average* wages within firms, with the effect being very small in Germany, 5% in the UK, 8% in Portugal, 11% in Brazil and 19% in Indonesia. Since MNEs tend to have a greater technological edge over local competitors in developing countries, it makes sense that wage gains from FDI would be larger there, than in more developed economies.

What is more, the pay gains following foreign acquisitions are likely to increase over time as modern production techniques are transferred from parent to affiliate and employees accumulate new skills. This kind of foreign direct investment raised average wages by 18% at first in Indonesia, and by some four points extra two years after the takeover. Similar patterns were seen in Brazil, Portugal and to a lesser extent the UK.

In short, these results suggest that the conventional wisdom about FDI's wealth creating potential is probably not wrong, particularly in developing countries. However, this applies to average pay in firms affected by a takeover.

A closer look at *individual* rather than average wages enriches the picture. Comparing workers who stay on in firms that are taken over with their counterparts in domestic firms, shows that foreign takeovers had only a very slight or no effect at all on individual wages. This indicates that average wage gains due to foreign takeovers partly reflect changes in the skill composition of the workforce that tend to accompany such takeovers.

But what about workers who move from a domestic to a foreign-owned firm? The *OECD Employment Outlook* shows quite large wage gains for newly hired workers, with a rise of 6% in wages in the UK, 8% in Germany, 14% in Portugal and up to 21% in Brazil. In contrast, there were small losses or no effect on wages for those moving from foreign to domestic firms.

Certainly in the first few years after a foreign acquisition, the wage premia of working in foreign multinationals apply to workers who move to those firms, rather than to those who stayed on after a takeover. It is via this route that FDI initially enhances wages in host countries, the report concludes. Over time, wage gains are likely to benefit a growing share of the workforce.

But wages are only one side of the coin: what about working conditions? One argument used by proponents of FDI is that multinationals promote socially responsible investment, and some of the literature backs this view. However, the analysis of foreign takeovers in the report suggests that FDI might not have much effect on working conditions.

Several earlier studies have also concluded that multinationals tend to adapt to local practices rather than impose their own. In Europe, US firms were found to export management practices, but kept to local norms on matters concerning work-life balance of employees. This partly reflects social rules and agreements that firms are compelled to accept, though may also reflect a US business style, and may not be representative of multinationals from other countries.

There are of course other spill-over costs and benefits of FDI and multinationals, which the report examines, and these show up in productivity and pay improvements among suppliers of foreign-owned firms. The authors also show that local firms that recruit managers with experience in multinationals enjoy higher productivity. Firms lacking direct links to MNEs are less likely to benefit from positive spillovers. Indeed, FDI can crowd out labour supply for local firms. Still, the wages of skilled workers in the same sector as a multinational will likely rise over time.

If working conditions among suppliers are slow to improve, it is not always for want of trying on the part of the multinationals. Take Nike, the sportswear producer which was much derided by the anti-globalisation movement with accusations of sweatshops and exploitation. Nike formulated its first code of conduct in 1992. By 2004, it employed 80 corporate social responsibility (CSR) and compliance managers. Footwear factories were inspected daily and apparel and equipment factories weekly. In addition, Nike employed about 1,000 production managers to work in close collaboration with its suppliers around the world. Despite these efforts, Nike reports that working conditions in almost 80% of its suppliers have failed to improve (and may have even worsened). A closer look shows that compliance programmes based on long-term production partnerships are more likely to bear fruit than those based on policing of working conditions alone.

Any deliberate lowering of labour standards to attract investment would be ineffective

But firms are not the only ones to make such efforts. Governments and international organisations can promote more responsible behaviour of MNEs, including in their role as employers. They can work with consumer groups and other stakeholders to improve practices. One example is the *OECD Guidelines for Multinational Enterprises* which provides a useful way for governments to encourage responsible business conduct, including in the area of employment relations. Though voluntary, adhering governments are required to provide mediation services when multinationals are alleged to have violated one or more of these guidelines. Most of the cases treated by such mediation have, in fact, dealt with MNEs behaviour as employers.

Governments in developing countries should also be encouraged to recognise and enforce internationally accepted labour standards. Indeed, to lift standards, local regulations and norms count as much as the activity of the multinational corporation itself.

The authors believe the way forward for policy also involves reducing the barriers to FDI, as recommended in the *OECD Policy Framework for Investment*, and promoting the overall investment climate. Economic and political stability, legal enforcement of contracts, anti-corruption measures and infrastructure, should all be priorities, but the report is clear on one thing: employment legislation may need to be made more flexible, but any deliberate lowering of labour standards to attract FDI would be ineffective. On the contrary, weakening workers' core protection can discourage investment, instead of attracting it.

In the end, whether multinationals help development depends on the firms in question, but also on public policy. ■

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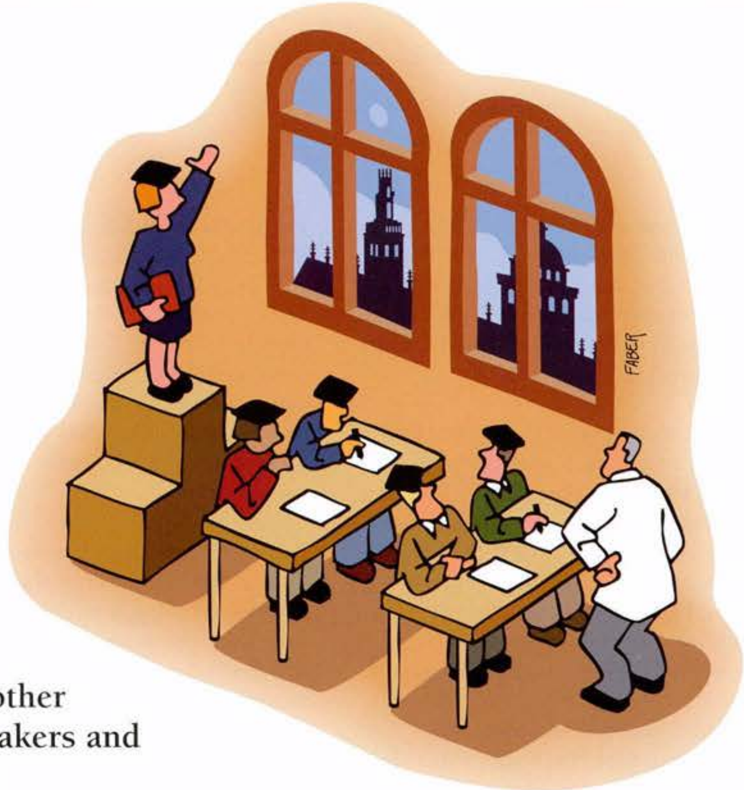
Breaking ranks



University league tables are fashionable, but should not be taken as accurate measures of the quality of education. The OECD is investigating other tools to measure performance, policymakers and educators heard at a recent conference.

Rumour has it that the two biggest fans of university league tables are vice-chancellors and mothers in China. Do league tables accurately measure what they claim to measure? Or are they, as their critics claim, simplistic and damaging?

Excellence is the quarry. The trouble is, excellence only seems to appear in the top ranks. Surely no university can be "world class" in every aspect. Franz Van Vught of the European Centre for Strategic Management of Universities put the problem succinctly at a recent conference called "Higher education: quality, relevance and impact" held at the OECD in Paris (see references). He said that if only 3% of universities out of 17,000 worldwide can be considered "world class", it cannot mean that the rest are failures.

Exhortations to become world class have tucked universities into a Procrustean bed of indicators. Presidents anxiously cut back programmes, reorient their university's mission, swell application numbers to tighten student selectivity,
and seek mergers with higher-ranking institutions–conversely, those higher up jealously guard their hard-won reputations and shy away from collaborating with anyone but their peers. Deep excisions may be made into the social sciences and humanities to leave more room for the natural sciences and research. Speaking at the biennial conference of the OECD's Programme on Institutional Management in Higher Education (IMHE) in September, Ellen Hazelkorn of the Dublin Institute of Technology, cited a respondent to an international survey which said that "the easiest way to boost rankings is to kill the Humanities". Clearly not a realistic proposition, though another survey told her that "reputation, unfortunately, is always based on research, and research attracts the best talent".

Research is considered the most salient example of a nation's intellectual resources, economic strength and global competitiveness. It is no surprise then that real research rather than just teaching and studying for exams figures highly in two of the world's most influential league tables. The Shanghai Jiao Tong University (SJT) gives research a thumping 40% weighting, and includes the number of faculty publications and citations in journals. The Times Higher Education rank gives research 20%. But the Shanghai rank also attributes another 40% to faculty who have won Field Medals and Nobel Prizes. This is a bit distorting, since not every university or college focuses on maths or science, and even if they do, there is no clear evidence that having a Nobel Prize winner on campus now, still less having had one fifty or more years ago, helps students learn. The Shanghai survey cautions against using its tables as an overall assessment of a university's performance. But that, of course, is exactly what people and the headline-hungry media do.

Short of hiring a Nobel Prize winner, what can a university do to improve its standing in these rankings, assuming they should try? Alas, the best way to gain prestige is to already have it.

The old schools like Harvard and Oxford are consistently in the top ten. Their mythic status draws the highest-calibre students and faculty, and guarantees generous endowments. Does reputation give them an unfair advantage and make them hard to dislodge?

Not necessarily. Other established universities as old or older than Oxford, such as Freiburg in Germany, figure much lower in the Shanghai top 100, while Italy's Bologna, one of the oldest of all, does not even figure.

Reputations may be based partly on assumption. In its peer review weighting, the Times Higher Education queries some 200,000 academics worldwide via email, asking them to name what they feel are the top thirty institutions. With no clear indicators as to what they should evaluate, compounded by the fact that the Times Higher Education is published in English-speaking countries and that the average response rate is 1%, it is hardly a surprise when British institutions come out on top. Also, it depends on what is being measured: while neither Shanghai nor Times rate French universities that highly, in the FT 2007 European Business Schools rankings six of the top 10 are French. Incidentally, the *Financial Times* offers quite a range of rankings of business schools, MBAs and the like, as much to earn revenue from the "infotainment" business as anything else.

There seems to be a whimsical element in the rankings. A university high in the ranks one year may suddenly plummet forty or more places in the next. Is this possible? If so, what is to prevent it from rising fifty places the following year? Nothing, one may say. Also, there may be very little difference between institutions placed many tens of places apart, while small changes in the underlying factors have dramatic impacts. So why pay attention to rankings at all? To underline the point, the 2008 Times Higher Education survey just published as we write, reduced Britain's rankings quite markedly across the board, leading to more gloomy headlines about the state of the country.

There is no clear evidence that having a Nobel Prize winner on campus helps students learn

To squeeze out of such indicators, some universities are turning the tables upside down, using their lower position as a marketing strategy. Student mobility is higher than ever before in history. In most OECD countries, the international student body is about 6.7% of the total; in Australian universities it is 19.3%, and in some as high as 50%.

One of the biggest problems with rankings is not the accuracy of the data, but how that data is used, and to whom it is applied. Another is that a good deal of data has never been collected, how students are progressing in the classroom for instance, or levels of students who leave compared to when they joined. This makes it hard to build a full picture of university performance. The most serious omission is that certain data leaves out what for many people is the very reason universities exist: actual coursework.

Indicators such as "teacher/student ratio" are too feeble to tell us much about learning outcomes, nor anything about a teacher's ability to teach. The Centre for Higher Education in Germany (CHE) publishes a variety of data from which students can construct their own rankings, according to their needs. The CHE does not stamp them with a number but places them in categories of "good", "medium" or "bad", and lists them alphabetically. Universities in one category are of comparable quality, whereas those in different categories show a marked contrast in performance. Unlike rankings, this method prevents trivial differences from creating the false impression that one university is clearly better than another.

Rankings also overlook the "value added" component of degree programmes. As might be expected, top universities draw A+ students and turn out A+ graduates. But what of universities that accept B students and produce A-level graduates? The added value of the B-student's degree programme would be considerably higher.

The OECD Assessment of Higher Education Learning Outcomes (AHELO) study aims at determining whether it is possible to make meaningful statements about the education provided in universities in different countries, taking into account different "strands" of competence: skill in a chosen discipline, and generic skills such as critical thinking or the ability to apply knowledge practically. If successful, AHELO will provide institutions with analysis to help them improve their own performance, and will provide data that will help students assess the suitability of the institution for their own needs.

Relevance is important. Is a degree programme relevant if it fails to prepare a student for the job market or demonstrates no obvious social impact? In a world increasingly nervous about shrinking job opportunities and faced with other challenges, the relevance of a degree is paramount, and the OECD conference discussed this point at some length. But while some may argue say, that natural sciences are more relevant than social history, as Robert Berdahl, President of the Association of American Universities, pointed out, the problems of contemporary society–migration, ageing, climate change, the legacy of colonialism and religious extremism–cannot be solved by the natural sciences alone. Nor is judging what is relevant just a matter for any one generation to decide. Look at the nuclear industry, which is back in favour as a source of energy, yet is faced with skill shortages because of years of unpopularity when students chose other subjects. Or what about today's stock market crash, which appears to be rewriting the rules of economic orthodoxy by the day?

But rankings are not going to go away. After all, they can provoke useful questions, such as "why exactly are we not in the top group?", or indeed, "how can we maintain this lead?". Governments and universities will still use them, as fierce competition between universities induces copycat behaviour unless policy encourages diversity. Whether they serve as an accurate guide to higher education is therefore strictly academic.

Even people that do not like rankings cannot always resist them. Take this story, related by a woman from Germany at the IMHE conference. When she asked the vice-chancellor of a university in Bavaria whether he would like his university to be included in a league table, his response was a firm "no". But then, when the woman succeeded in reassuring him that the university would not be included, he asked–just out of curiosity–where it would have been ranked compared to the others. ■ *LT*

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- For information on AHELO see www.oecd.org/edu/ahelo

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Make aid work

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International aid conferences are famous for their promises and commitments, but at Accra, donors and aid recipients may finally have started to "walk the talk".

When the news broke last spring that development aid fell in 2007 for the first time in a decade, it sent alarm bells throughout the development community. True, some of the fall was expected from a tailing-off of debt relief to some countries. Nonetheless, the trend caused concern, because even if underlying bilateral aid rose, it was now clear that donors would struggle to meet all manner of targets, from the G8 promise to double aid to Africa by 2010 to the universally agreed Millennium Development Goals.

The news promptly led to calls, including from our organisation, to get aid back on track. But while these pleas for increased quantity are justifiable, there is another challenge, namely: how to improve aid's quality and make it more effective.

Without a doubt, the UN recommendation of 0.7% of national income is a goal that donor countries should (and often try to) benchmark. But it is also true that while there are success stories in development, after 40 years of aid, the situation of some countries appears to have worsened. Although aid levels have generally risen since the mid-1990s, so has the incidence of poverty. So clearly, it is just as important to make each dollar of aid work harder to make a real dent in poverty and boost development. Governments started to do just that when they endorsed the Paris Declaration on Aid Effectiveness in 2005. What they signed up to was a set of commitments to make development aid give more bang for the buck. The Paris Declaration set targets for 2010 for issues such as providing predictable aid, using countries' own financial systems—versus donor-driven programmes and projects—and working together in a harmonised, cost-effective fashion. But what made the Paris agreement unique is the fact that the world's governments agreed to track progress on meeting their commitments. Did they deliver?

A survey of 54 countries in 2008 shows there has, indeed, been progress—but not nearly enough to meet the 2010 targets. There was no overall increase in the use of country public financial management systems: since 2005—when the first baseline survey was conducted—the amount of funds that flow through country systems has increased only marginally. And this figure masks significant variations in practice among donors and within countries. In Honduras for example, US$283 million out of $331 million flows through the country's budget execution systems, but only $88 million uses the country's auditing systems. This means that countries like Honduras are not really in control of the funds they are supposedly given—in other words, they are not calling the shots on their own development.

In Ghana this September, the Paris principles were given new wings when an unprecedented alliance of development partners agreed to take bold steps to make aid work better for the 1.4 billion people who still live in extreme poverty. After months of negotiation, ministers at the Third High Level Forum on Aid Effectiveness (or HLF3 for short), hosted by the government of Ghana, the OECD, and the World Bank, endorsed the Accra Agenda for Action (AAA). This roadmap to better aid signals a profound behaviour change for both donors and developing countries. Its purpose is to forge the new aid business model set out in the 2005 Paris Declaration and produce real, and immediate, results where they are most needed.

The AAA calls for making aid transactions more transparent and predictable. It holds donors to task on reducing the conditions they attach to aid and "untying" aid from obligations to purchase goods and services in the donor country. It challenges developing countries to engage their parliaments and citizens, while committing donors to using recipients' national public financial management systems as the first option to deliver aid. And the AAA multiplies the value of every aid dollar by mandating donors to work together effectively, divide labour and to ensure that they are not overcrowding some sectors while ignoring others.

It is important to make each dollar of aid work harder

Another key feature of the AAA is that it allows countries to manage their own development by increasing the predictability of aid, with donors promising to pledge medium-term funding so that recipients can effectively design, budget and implement their programmes over time. Our 2008 survey shows that in 2007, only some 66% of aid actually arrived on schedule. Take Benin, one of Africa's poorest countries; it was due to receive $477m, but ended up with just $151m. This shortfall badly affects sectors such as health, where it is not only a matter of building hospitals, but of being able to count on reliable funding to deliver drugs and staff clinics.

The AAA aims to address other shortfalls that emerged in the survey, such as the fact that donors choices concerning whether or not to use a country's systems do not—despite expectations—seem to depend on the quality of those systems. In other words, all the effort in institutional reform, to build strength and reliability into local systems, will not work if donors do not follow suit and use them.

It will not be easy to achieve the profound changes prescribed by the Paris Declaration and reinforced at Accra. Clearly, much will depend on letting go so that countries can get on with their own business. The survey shows that donors are reticent to lose control: in 2007, 49 developing country governments received 14,054 donor "missions"—almost one a day per country. Some countries explicitly asked for "quiet periods" to get on with their real work, but even these were not spared.

Meanwhile partner countries—in exchange for being given the reins—must become more active, exercising their leadership, strengthening their capacity, and being more accountable to their citizens on their development policies. The OECD survey shows that, so far, only one developing country out of five has operational development strategies that meet World Bank standards and less than 10% run results-oriented programmes.

Sure enough, a growing number of developing countries are implementing comprehensive and credible reform strategies. And at least some donors are making special efforts to build up the country systems by actually using them. In Zambia, for instance, there has been a 25% increase in the use of country systems since 2006. Donors are also starting to realise that using country systems can help strengthen governments in fragile states.

There has been progress in untying more aid too; today, more recipient countries can use their aid to purchase goods and services on local or regional markets, and no longer necessarily from the donor countries. OECD data show that 60% of contracts now go to companies not in the donor territory, with more than 40% of these going to companies from developing countries.

At Accra, donors made solid commitments to untie aid further—more types of aid, and to more countries. In 2001, the donors of the OECD Development Assistance Committee (DAC)—the providers of Official Development Assistance (ODA)–agreed to untie most of their aid to the least developed countries. Now, in response to the AAA, they will untie their aid to the heavily indebted poor countries. This means that aid to the 60 poorest countries is now mostly untied.

Eight DAC countries have fully untied their bilateral aid—Australia, Belgium, Ireland, Luxembourg, Netherlands, Norway, Sweden and the UK. Four others—Denmark, France, Germany and Switzerland—have untied most of their aid. The US Millennium Challenge Corporation provides its aid untied (though this is just a portion of total US aid), while the European Community opens its aid procurement to other donors on a reciprocal basis.

As a result, the share of aid recorded as untied has increased from 43% in 2002 to 53% in 2006. The proportion reported as tied has fallen from 7% to 3%. Armed with this evidence, the AAA calls on other donors to untie more aid too, notably Austria, Canada, Greece, Italy, Japan, Portugal, Spain and the US.

OECD will be tracking progress, calling members to account if the numbers don't add up.

So what next? With the AAA, the pressure is on to deliver results. There are serious challenges ahead and rising food and oil prices and the global economic turmoil are not helping.

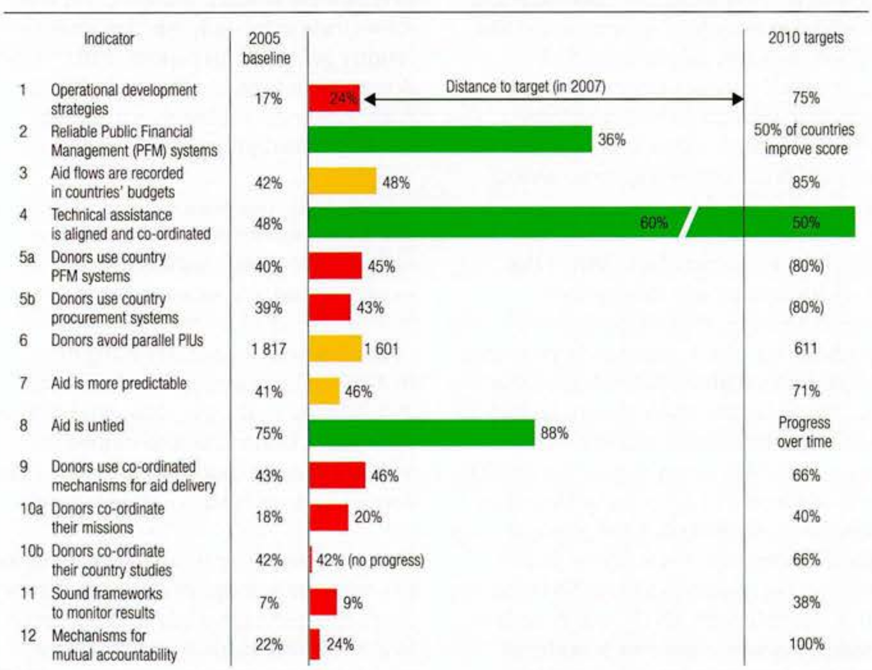
Yet just as there is an important link between better aid and better trade, so better development results will lead to better financing. Many donors have made commitments to significantly increase their aid in the years immediately ahead, but they must be clearer about when. Predictable assistance is needed to produce better results.

The Paris Declaration and its commitments are political undertakings. In the difficult process of implementation, real issues of power and political economy will come into play, which is why the full involvement of all stakeholders is so essential. As the AAA moves from words to action, civil society will be calling ministers to task on their progress, practices and plans.

The last paragraph of the Accra Agenda for Action sends out a powerful message: "Today, more than ever, we resolve to work together to help countries across the world build the successful future all of us want to see—a future based on a shared commitment to overcome poverty, a future in which no countries will depend on aid". For now, we are still "talking the talk." If the 1.4 billion people who still live in extreme poverty are to be given a real opportunity to improve their lives, then the real breakthrough will come when the governments and other participants at Accra show they have really started to "walk the talk".

The OECD has started. The AAA is a step that will help change the way assistance is delivered so that developing countries may become strong and work their way out of assistance. That is what effective aid is all about. ■ *CG*

Development progress?



Source: OECD, *Survey on Monitoring the Paris Declaration: Effective Aid by 2010: What it will take: Vol.1 Overview*, Paris 2008.

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- For more information, contact Brenda.Killen@oecd.org or Christine.Graves@oecd.org
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Rebalancing the wealth of nations


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Javier Santiso, Director and Chief Economist of the OECD Development Centre

Emerging markets such as China, India and Brazil are increasingly regarded as central rather than peripheral players in the global markets. Can this "rebalancing" continue through the current crisis?

Ten years ago, faced with a US slowdown, the economies of Latin America would have toppled like dominoes. Lately, however, they are holding together relatively well in the midst of the ongoing global financial crisis, as the US and other OECD economies struggle. Many economists even said in recent months that Latin America had supposedly "decoupled", breaking free of the economic dominance of its northern neighbour.

There is certainly no decoupling, as the latest *Latin American Economic Outlook* shows. Latin America will face a slowdown in 2009, whose severity will depend on the severity of slowdowns in OECD countries. But we are witnessing a more profound phenomenon than that. In fact, a tectonic shift has taken place, which far from a mere decoupling between old neighbours, has led to a much more fundamental rebalancing in the wealth of nations. As capital has spread around the globe, so too has wealth, trade and power. So while the present global financial crisis is striking financial markets everywhere, including in Latin America, there is every reason to believe that what were once dependent developing countries might not only withstand the crisis, but emerge from it feeling stronger than ever in relative terms compared to their OECD peers.

The OECD share in global output has eased in recent years, while the US stock market (before the crisis) accounted for a little over 30% of world market capitalisation, compared to 50% just 10 years ago. In 2007, the share of foreign direct investment from OECD countries decreased to 85%, while it represented nearly 100% in 1970. A sign of these new realities is that Mexico, Korea and Turkey, three leading emerging markets, are already OECD members, while others such as Chile, Israel or Russia are on accession track.

The same underlying trends apply to corporations. Just to name a few Latin examples, a company like ImBev, born from the merger of Belgian and Brazilian brewers, is already an exotic bird hatched from these new global relationships: difficult to classify in either emerging market or OECD asset classes, it recently bought the icon of North American beer companies, Anheuser-Busch. Cemex, the Mexican cement giant, is still headquartered in Monterrey but its strategic, financial and economic research centres are located in Spain. Brazil, in particular, is growing into a global trader, reaching into distant markets such as the Middle East, Africa or South East Asia. Companies like Vale, Petrobras or Odebrecht are active in African markets while Embraer and Marcopolo are becoming big players in China. These global *multilatinas,* with headquarters in Latin America, are following a trend instigated by companies based in India, China, Russia, South Africa and beyond. Indeed, it is somewhat ironic to see a company like India's Tata now owning crown jewels of the old Empire, such as Corus (formerly British Steel), Jaguar and Rolls-Royce. Far from decoupling, the periphery is becoming part of a new, wider centre, or to put it differently, what we are witnessing is the emergence of a much more multipolar world.

All this does not mean that Latin America is immune from a downturn in external markets and in the US in particular. Mexico is clearly exposed: nearly 85% of its exports go to the US, compared to the 40% average for Latin America. Mexican exports to the US accounted for 27% of its GDP in 2007 compared to less than 3% of GDP for Brazil. Another channel for the transmission of shocks is the banking sector: 85% of banking assets are held by foreigners (some struggling banks among them), compared to less than 30% for example for Brazil.

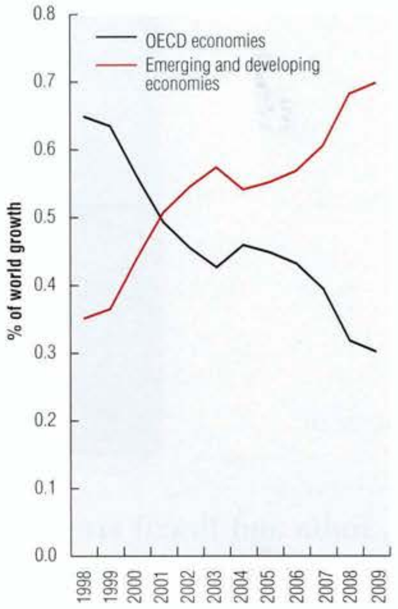
The impact of the current crisis will not be limited to Mexico or Central American countries. Like the Mexican peso, the recent depreciation of the Brazilian real reflects the degree of exposure of many Latin American firms with debt denominated in US dollars and exposures to credit derivatives markets. Deleveraging among all portfolio investors is already affecting liquidity throughout emerging economies, including Latin America. Remittances will also suffer and are expected to decrease in real terms for the first year in recent history: adjusted for inflation and exchange rate variations, the IADB estimates that they will contribute 1.7% less to the household incomes in Latin America and the Caribbean than in 2007.

Nevertheless, Mexico, Brazil and most Latin American countries remain in much better shape economically than a decade ago and may yet weather the storm. Fiscal and current accounts are sounder, public foreign debt is low, inflation contained and high oil and mineral revenues have boosted investment by an astonishing 50% in 2007, though this will undoubtedly ease along with crude oil prices in the final quarter of 2008 and beyond. Moreover, for the first time Latin America is benefitting not from one or two exogenous growth drivers (the US and Europe), but also from a third exogenous pillar of growth: Asia.

The real question for 2009 and beyond is therefore not only about the US but also about China. If China's demand holds up, exports of commodities might be resilient enough to prevent Latin American countries from being dragged into a recession. Barely a decade ago, any suggestion that Latin America could ever escape the pulling force of the US would have been dismissed. However, a sharp downturn in the Far East could now be just as great a concern for Latin America as a recession in the US. If

Emerging strength

Contribution to global growth by emerging and developing countries, since 1998



Source: OECD Development Centre, based on International Monetary Fund, World Economic Outlook Database, April 2008

China's growth is contaminated by the current financial and economic crisis in OECD countries–and the possibility is far from just theoretical– the impact will be larger, above all through the commodity markets.

One fundamental component of the re-balancing of wealth between nations is the growth of south-south linkages as the new centre of world economy evolves. The figures bear this out: in 2007, for the first time ever, emerging markets exports towards China surpassed those to the US and is bound to rise further with flatter US demand in 2009. In turn, in 2006, for the first time, China became more exposed to emerging economies than to the rich G7 countries: in the early 2000s, Chinese exports to G7 countries accounted for nearly 50% of the total; since then, the share going to the G7 countries has fallen to about 40%, while exports towards emerging markets have been rising. Half of Chinese exports are now going to emerging countries, including Latin America. And the opposite is true, too. Chile, for instance, is already exporting 36% of its total products to Asia, more than to any other region of the world, with nearly half of those going to China alone.

So, how will this new Latin America weather an impending global recession? Like other emerging markets, it will likely not avoid the storm clouds from the North, but its shift towards Asian markets should prevent that storm from becoming a deluge. What seems likely is that countries like China, India and Brazil will feel the global crisis, but are now more robust than in the past to ensure that the re-centering of the world economy continues. We are just entering a brave new world order, a *mundo féliz*, in which the old OECD countries will remain key players, but with Asia and Latin America sitting firmly at the table too. ■

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Outreach, reform and the economics of climate change

OECD Council at Ministerial Level, Paris, 4-5 June 2008

Concerns for the world economy were already building when OECD governments met for the annual Ministerial Council Meeting (MCM) last June.

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France's finance minister, **Christine Lagarde** (our photo), chaired this year's annual ministerial council–the highpoint in the OECD calendar–and her summary issued after the meeting carried a hint of premonition about the **economy** when ministers called for "continued close policy co-ordination". The consensus view at the time was still relatively optimistic though, for despite the "shocks" which had hit the global economy, the OECD was showing "resilience to the headwinds" thanks to "structural reforms and sound macroeconomic policies" of recent years. But a watchful eye had to be kept on financial markets, where "current credit conditions are restraining investment".

The 2008 meeting built on "the landmark decision of the MCM 2007" to begin **expanding its membership** by welcoming for the first time the five candidate countries–Chile, Estonia, Israel, Russian Federation, Slovenia–and the five so-called "enhanced engagement" countries–Brazil, India, Indonesia, China and South Africa–as participants in the event.

Ministers congratulated Secretary-General Angel Gurría on his strong leadership, which they said was reflected in a report examining new strategic orientations for the OECD entitled "The Pursuit of Relevance for a Better World Economy", which would enable the OECD to adapt and respond to new challenges. "The economics of climate change, pressure on resources, inequality and global poverty remain high priorities for the OECD", ministers agreed.

Ministers encouraged the OECD to pursue its vision in the global governance architecture. They adopted the Declaration on Policy Coherence for Development. Estonia and Slovenia adhered to it. This pledges for more dialogue between partner countries and calls for better international co-ordination to spread globalisation's benefits, covering trade, agriculture, migration, environment and science and technology, as well as energy and security. The declaration invites OECD to present cases of the common benefits or trade-offs for policy coherence for development.

Climate change is one of the greatest challenges, and while each country had to devise its own mix of policies, many ministers observed that market instruments, including taxes and carbon-trading schemes, financial and tax incentives, removal of subsidies, loan guarantees, and elimination of tariffs on environmental goods and services are key, and must be backed by the likes of clean technologies and regulatory standards.

Ministers emphasised the importance of international co-operation, with many stressing the principle of "common but differentiated responsibility and respective capability [...] for achieving an ambitious and affordable international agreement". An "effective post-2012 international framework on climate change and the related national policies will need to stimulate innovation" and diffusion of technologies to developing countries accelerated. Ministers called on the OECD to continue appropriate work on climate change, "in collaboration with the IEA and other international organisations".

On **multilateral trade**, ministers "underlined the need for more open markets for agricultural and industrial goods and services", as well as the need to improve people's understanding of open markets and to build "a solid case for further trade liberalisation", which the OECD would help communicate, as well as providing analysis and advice.

On **sovereign wealth funds** (SWFs), ministers welcomed the benefits that these can bring and they adopted an OECD Declaration on SWFs and Recipient Country Policies. Ministers from Chile, Estonia and Slovenia adhered to the Declaration.

Ministers then discussed how to manage and win support for **reform** in their countries, and looked to the OECD for support on the question. Ministers also agreed on a major reform of **financing** to secure a long-term foundation for the organisation in meeting its priorities and "preserve the OECD's influence, relevance and excellence". ■ *RJC*

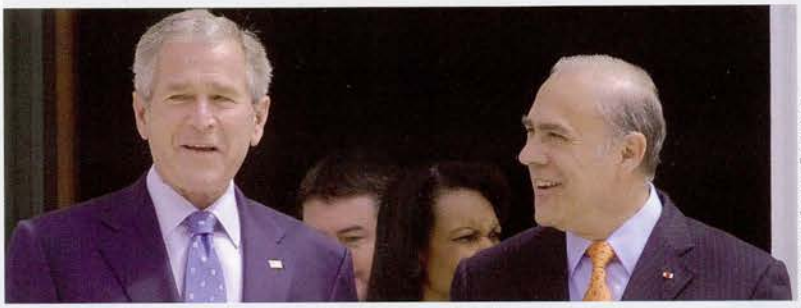
Read the full 2,300-word Chair's summary at www.oecd.org/mcm2008

For more on climate change see www.oecd.org/env/cc
For more on trade, see www.oecd.org/tad/trade
For more on sovereign wealth funds, see www.oecd.org/daf/investment
For more on the Declaration on Policy Coherence for Development, see www.oecd.org/mcm2008

G8 summit

Climate change dominated the agenda at the G8 summit at Toyako, Hokkaido, Japan on 7-9 July. OECD Secretary-General Angel Gurría attended the meeting, which brings together seven OECD countries–the US, Japan, Germany, the UK, France, Italy and Canada–and Russia, a candidate for OECD accession. The summit approved a communiqué which said they would work with nearly 200 states in UN climate change talks to adopt a goal of at least halving greenhouse gas emissions by 2050. For more on the communiqué, see www.g8summit.go.jp, and on G8/OECD relations, see www.oecd.org/G8

US president's visit



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US President George W. Bush is greeted by OECD Secretary-General Angel Gurría during a visit to the OECD headquarters on 13 June 2008. Mr Bush delivered a speech in commemoration of the 60th anniversary of the Marshall Plan, whose spirit the OECD "carries [...] into a new century". President Bush's speech touched on the Franco-US friendship–"France was America's first friend"–US-European relations, and wider global issues, including international security. A video and transcript of the speech is available at www.oecd.org

Don't forget the planet!

Financial market turbulence and climate change also featured as headline issues at this year's **OECD Forum** (www.oecd.org/forum2008). The Forum is civil society's chance to influence "OECD Week", and is held in conjunction with the annual ministerial meeting.

The rough financial weather was not a complete surprise, and European Central Bank president, Jean-Claude Trichet, recalled the first rumbles in early 2007. He stressed the need for transparency and prompt disclosure, and said that new methodology was needed to anticipate future turbulences. Robert Kuttner, co-editor of *The American Prospect*, argued that what he already saw as a "crisis" called into question the notion that financial markets are efficient, while Susan George, board chair of the Transnational Institute, argued that mergers between private financial institutions had created very large firms that felt obliged to "bottom fish" and take on ever-riskier investments. The rating agencies did not flag these risks, and nor did the regulators.

Most Forum participants agreed that the financial situation should not be a pretext for delaying action on climate change. Strong partnerships and political will are more vital than ever for taking action. This view was reported to ministers by Switzerland's minister of economic affairs, Doris Leuthard, who highlighted the determination of different interests in business, labour and civil society to fight climate change together. But while there was optimism about the potential of technology, there was frustration about the difficulty world leaders appeared to have in reaching agreements for action.

Yet political leadership is the space where real action starts, said OECD Secretary-General Gurría in a keynote session that included Prince Albert II of Monaco, New Zealand minister of trade, Phil Goff, and UNFCCC chief, Yvo de Boer. The panel warned that climate change is not someone else's problem, and urged politicians to do more to harness widespread public eagerness to tackle climate change. As the Forum showed, public dialogue and co-operation is the only real way to keep everyone's eye on the planet. ■ *John West*

Critical Internet

OECD Ministerial Meeting on the Future of the Internet Economy, Seoul, Korea, on 17-18 June 2008

The first ever full OECD ministerial meeting held in Asia closed in June with a declaration to build confidence and secure the future of the Internet economy. The declaration sets out a roadmap to upgrade the communication policies that have helped the Internet become the economic driver that it is today and safeguard its future development. OECD will lead work with developed and developing countries and international organisations to improve policies and to step up co-operation in the fight against cybercrime and to improve security.

Reflecting today's more global OECD, member countries and the European Community were joined by ministers from Chile, Egypt, Estonia, India, Indonesia, Israel, Latvia, Senegal and Slovenia in affirming their commitment to working together to stimulate innovation, competition and investment in information and communications technology. They agreed on the need to work closely with business, civil society and technical experts on policies that empower and protect consumers, and expand Internet access and use worldwide.

"Given that this infrastructure has become critical to our economies and societies, we should all engage in developing better, more broad-based, governance arrangements and policies", OECD Secretary-General Angel Gurría said in the closing session.

The meeting was hosted by the Korean government and took place 10 years after the first OECD Ministerial Meeting on E-Commerce held in Ottawa, Canada when breakthroughs on such questions as taxation were made. As Mr Gurría pointed out, "ten years...is an eternity in Internet time", and he pledged to review progress on the OECD declaration within three years.

For full 10-page Chair's summary and speeches, see www.oecd.org/futureinternet
See also www.oecdobserver.org/internetseoul2008

Thomas Bata, owner of the global shoe corporation that bears his name, died in Toronto on 1 September, aged 93. A founding father of the Business and Industry Advisory Committee to the OECD (BIAC) in 1962, Mr Bata served as BIAC chairman from 1968-1970, and remained active in the organisation, chairing BIAC's non-member committee at the time of his death. Mr Bata, who lived in Canada, was born in Prague on 17 September 1914. He was a tenth generation cobbler, and ran the giant Bata Shoe Organisation from the 1940s to the 1980s. The company returned to the Czech Republic in 1989 after the fall of the Soviet bloc, nearly 100 years after the company was founded in 1894. Mr Bata's passing drew tributes from business and government leaders around the world. See www.biac.org

New ambassadors

11 July 2008 - Ulrik Vestergaard Knudsen takes up his post as the new ambassador for Denmark. He replaces Steffen Smidt.

23 July 2008 - Dominic Martin replaces David Lyscom as the new ambassador for the UK.

1 August 2008 - Antonio Armellini takes up his post as the new ambassador for Italy. He replaces Bruno Cabras.

26 September 2008 - Choongsoo Kim succeeds Tae-shin Kwon as the new ambassador for Korea.

Recent speeches by Angel Gurría

For a complete list of speeches and statements, including those in French and other languages, go to www.oecd.org/speeches

The global economy and OECD: Distilling lessons from a financial crisis
1 October 2008
Speech to the Parliamentary Assembly of the Council of Europe, Strasbourg, France

The art of making reform happen: Learning from each other
25 September 2008
Opening remarks delivered during the annual meeting of Senior Officials from Centres of Government on "The Political Economy of Reform: Ensuring Stakeholder Support", Mexico City, Mexico

Energy, environment, climate change: Unlocking the potential for innovation
16 September 2008
Keynote speech during the World Energy Council: Energy Leaders Summit, London, UK

Water prices for agriculture
12 September 2008
Remarks at the International Advisory Committee of Expo Zaragoza 2008, Zaragoza, Spain

Quality education for all: Much more than a financial challenge
9 September 2009
Remarks at the presentation of *Education at a Glance 2008*, OECD Conference Centre, Paris

50th Anniversary of the OECD Model Tax Convention
8 September 2008
Remarks at the conference on the 50th Anniversary of the OECD Model Tax Convention,
OECD Conference Centre, Paris

Aid effectiveness
4 September 2008
Opening remarks at the Accra high level forum on aid effectiveness - ministerial day, Accra, Ghana

Water for all
1 September 2008
Remarks at the International Water Resources Association during the 13th World Water Congress, Montpellier, France

Globalisation: A learning curve
8 August 2008
Reflections from the OECD's experience delivered at the University of Sydney, Sydney, Australia

The political economy of reform: Implementing policies for change
3 August 2008
Remarks delivered at the APEC Structural Reform Ministerial Meeting, Session 1: Political challenges of structural reform, Melbourne, Australia

The global financial crisis: Where to next, and what does it mean for OECD countries?
30 July 2008
Address to Victoria University and the New Zealand Institute of International Affairs, Wellington, New Zealand

Lifting productivity: Lessons from the OECD
29 July 2008
Address to the Chamber of Commerce of New Zealand, Wellington, New Zealand

Indonesia outlook
24 July 2008
Remarks at the launch of the *OECD Economic Assessment of Indonesia*, Jakarta, Indonesia

South Africa outlook
15 July 2008
Remarks at the launch of the *OECD Economic Assessment of South Africa*, Pretoria, South Africa

Challenges in an urban age: Rethinking metropolitan regions in the OECD and beyond
12 July 2008
Remarks at the conference on Urban Challenges, hosted by La Conférence Olivaint, Paris, France

Calendar of forthcoming events

Please note that many of the OECD meetings mentioned are not open to the public or the media and are listed as a guide only. All meetings are in Paris unless otherwise stated. For a more comprehensive list, see the OECD website at www.oecd.org/media/upcoming, which is updated weekly.

SEPTEMBER - highlights

2-4 **High-level forum on Aid Effectiveness**, organised by the Development Co-operation Directorate. Accra, Ghana.

8-9 **OECD Model Tax Convention**, 50th anniversary conference.

8-10 **Outcomes of Higher Education: Quality, Relevance and Impact**, conference organised by the Directorate for Education. Publication of ***Education at a Glance***.

9 **International Migration Outlook 2008** published.

17 **Improving Health System Efficiency: Achieving Better Value for Money**, conference organised by the Directorate for Employment, Labour and Social Affairs, and the European Commission. Brussels, Belgium.

23 **Food and Fuel Prices**, workshop organised by the OECD, the IMF and the World Bank. Washington, D.C., US.

29-30 **Latin American Anti-Corruption Conference**: Renewed Commitment and Enhanced Co-operation in the Fight against Transnational Bribery, organised by the government of Mexico and the Directorate for Financial and Enterprise Affairs. Mexico City, Mexico.

29/9-1/10 **Schooling for Tomorrow**, final conference of the CERI project, organised by the Directorate for Education. Helsinki, Finland.

OCTOBER

1 Annual Enlarged Debate of the Parliamentary Assembly of the Council of Europe on the OECD and the World Economy. Strasbourg, France.

2 High-level parliamentary seminar on **Climate Change**, organised by the OECD Division for Public Affairs.

2 **Financial Awareness**, high-level conference organised by the Central Bank of Hungary. Publication of the ***Environmental Performance Review of Hungary***. Budapest, Hungary.

9-10 **Tourism Economy and Globalisation**: An Engine for Innovation, Growth and Employment, organised by the Centre for Entrepreneurship, SMEs and Local Development. Riva del Garda, Italy.

11-13 **Annual meeting of the IMF and the World Bank**. Washington, D.C., US.

16 50th anniversary of the **Nuclear Energy Agency**.

20-21 Ministerial Euro-African conference on **Migration and Development**, in Paris.

21 ***OECD Science, Technology and Industry Outlook 2008***, publication launched.

21-22 **Financial Education**, conference organised by the Directorate for Financial and Enterprise Affairs and Bank Indonesia. Jakarta, Indonesia.

27-28 **Pharmaceutical Pricing Policy**, high-level symposium organised by the Directorate for Employment, Labour and Social Affairs.

28-31 ***Latin American Economic Outlook 2009*** launched at the **Ibero-American Summit** of Heads of State and Government. San Salvador, El Salvador.

30-31 **Global Forum on Private Pensions**, organised by the Directorate for Financial and Enterprise Affairs and the International Organisation of Pension Supervisors (IOPS). Mombasa, Kenya.

NOVEMBER

3-4 **OECD Policy Dialogue on Aid for Trade**, meeting organised by Directorate for Trade and Agriculture and the Development Co-operation Directorate.

3-4 **The Measurement of Human Capital**, technical workshop organised by the OECD Statistics Directorate and the Fondazione Giovanni Agnelli. Torino, Italy.

18-19 **Innovation and Sustainable Growth in a Globalised World**, joint OECD-World Bank conference.

24-26 Latin American Round Table on **Corporate Governance**. Mexico City, Mexico.

DECEMBER

1-2 **Financing and Pricing Water**: the roles of government policies, the private sector and civil society, meeting organised in the framework of the OECD Global Forum on Sustainable Development.

1-2 **Careers and Mobility of Doctorate Holders**, conference organised by the Directorate for Science, Technology and Industry. Brussels, Belgium.

15-16 Official visit of the Secretary-General to Ankara, Turkey. Publication of the ***Environmental Performance Review of Turkey***.

JANUARY 2009

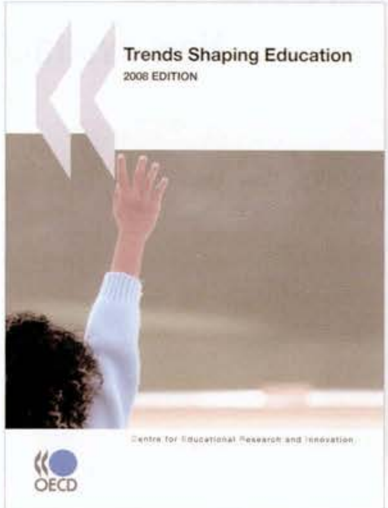
28-1/2 **World Economic Forum**, annual meeting. Davos, Switzerland.

Frankie.org by StiK

Learning the future

Trends Shaping Education

Education is a long-term investment, though at the same time it is faced with pressures from constant social and economic change. This makes it harder for educators and policymakers to plan for the future. Looking at present-day trends can give some idea as to how education might evolve, and this is what *Trends Shaping Education* sets out to do. It selects 26 major trends covering such dynamics as population change, economic, political and social developments, and the impact of technological innovation and climate change. Each trend is explained and assessed, and questions are asked about the potential impact on future education.



Take information technology. Since the 1990s and the advent of the Internet, IT has become an integral part of learning, from multimedia and open source to the likes of Wikipedia and blogs. Are schools doing enough to help children develop their IT skills and make full use of all these new technologies?

The report looks at social impacts too, at ageing for instance, which is having a profound effect on schools in terms of teaching and investment. Fewer children are being born in developed countries, and so school rolls will decline, the report argues, while overall teacher shortages will also persevere. This will affect local communities and the wider economy. One question raised in the report is how schools might meet the needs of older people.

Not that examining past trends is a reliable guide to the future. Also, forecasting the number of children who will enter primary education in 10 years' time is probably easier to do than predicting, say, the next major technological breakthrough. But *Trends Shaping Education* is not a crystal ball, but a set of tools to help people think more deeply and openly about the changing world in which education must grow. ■

ISBN 978-92-64-04661-0

Ethical recruitment

The Looming Crisis in the Health Workforce: How Can OECD Countries Respond?

The developing world needs millions of trained health workers immediately just to provide the most basic healthcare, yet doctors are leaving poor countries to go to richer ones. So how come even the wealthy countries are suffering a drastic shortage of doctors and nurses, says OECD's report *The Looming Crisis in the Health Workforce*? The US alone reports that it will need over 250,000 additional public health workers within the next decade.

Published in collaboration with the World Health Organization, *The Looming Crisis in the Health Workforce* reports on a two-year project that examined the interplay between a decreasing health workforce and growing international migration. It addresses the demand for health workers around the world, which has countries recruiting internationally in a sort of cross-border tug of war. Yet, the shortage is still expected to get worse.

How can OECD countries meet future demand? While the most effective approach is to simply train more staff, the rate of training will not meet the shortfall, since despite an increase in enrollment in the last decade, the number of medical graduates in developed countries in 2005 still lies below the 1985 level.

Another option is to hang on to current medical staff by addressing wage and workplace issues, delaying retirement and creating incentives to raise productivity, such as by linking pay rises to performance or investing in IT.

Then, there is that thornier option of recruiting personnel from other countries. But already, nearly three quarters of foreign-born doctors and two thirds of foreign-born nurses originate from non-OECD countries, says the report. As the WHO warns, the shortage of medically trained staff in poor countries threatens the Millennium Development Goals on reducing HIV and malaria, and improving maternal and reproductive health. In the poorest countries of the world, there is one doctor for every 100,000 people, says Oxfam, compared to an OECD average of 3 per 1,000.

The Looming Crisis in the Health Workforce emphasises that individuals have a right to seek opportunities internationally, but calls for enforcing international codes of conduct in recruitment, welcoming foreign medical students under mutually beneficial conditions, and strengthening the health systems of developing countries. ■

ISBN: 978-92-64-05043-3

New OECD publications

Now available on www.sourceoecd.org

OECD Factbook 2008 is OECD's comprehensive statistical annual. More than 100 indicators cover a wide range of areas with this year's focus chapter concentrating on productivity. Each indicator's two-page spread includes a definition of the indicator, an assessment of long-term trends, a list of references and tables/graphs showing the key messages of the data. A *StatLink* is provided for each table directing the user to an Excel® table.

With a number of new countries lining up to join the OECD, the OECD Economics Department is conducting economic assessments for those with Enhanced Engagement status. Two of these assessments, one for Indonesia and one for South Africa have just been published.

Environmental Performance of Agriculture at a Glance provides comprehensive data and analysis on the environmental performance of agriculture in OECD countries since 1990, covering soil, water, air and biodiversity and looking at recent policy developments in all 30 countries.

Publications listed on these pages are available at subscribing institutions via our online library, **SourceOECD**, at the URLs indicated. If your institution is not a subscriber, ask your librarian to subscribe today! These publications are also available through the **OECD Online Bookshop** at www.oecd.org/bookshop

ECONOMICS

OECD Factbook 2008: Economic, Environmental and Social Statistics
10-Apr-2008, 285 pages, €35 $50 £25 ¥4 800
SourceOECD:
www.SourceOECD.org/9789264040540
Online Bookshop:
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OECD Economic Surveys: Canada
2-Jul-2008, 162 pages, €52 $72 £37 ¥7 800
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Online Bookshop:
www.oecd.org/bookshop?9789264043930

OECD Economic Surveys: Germany
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SourceOECD:
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Online Bookshop:
www.oecd.org/bookshop?9789264043480

OECD Economic Surveys: Indonesia Economic Assessment
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OECD Economic Surveys: Japan
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OECD Economic Surveys: South Africa Economic Assessment
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www.SourceOECD.org/9789264046924
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OECD Economic Surveys: Turkey
25-Jul-2008, 163 pages, €52 $72 £37 ¥7 800
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www.SourceOECD.org/9789264045552
Online Bookshop:
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HEALTH

The Looming Crisis in the Health Workforce: How Can OECD Countries Respond?
13-Oct-2008, 85 pages, €24 $29 £17 ¥3 300
SourceOECD:
www.SourceOECD.org/9264050434
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AGRICULTURE

Environmental Performance of OECD Agriculture since 1990
16-Jun-2008, 579 pages,
€90 $126 £64 ¥12 500
SourceOECD:
www.SourceOECD.org/9789264040922
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OECD/FAO Agricultural Outlook 2008-2017
25-Jul-2008, 233 pages, €80 $124 £57 ¥11 100
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www.oecd.org/bookshop?9789264045903

Agricultural Policies in OECD Countries at a Glance 2008
25-Jul-2008, 147 pages, €24 $32 £17 ¥3 300
SourceOECD:
www.SourceOECD.org/9789264032132
Online Bookshop:
www.oecd.org/bookshop?9789264032132

DEVELOPMENT

African Economic Outlook 2007/2008
21-May-2008, 689 pages, €80 $124 £57 ¥11 100
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Online Bookshop:
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EMPLOYMENT

OECD Employment Outlook 2008
20-Aug-2008, 371 pages, €80 $124 £57 ¥11 100
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Jobs for Youth: Canada
20-Jun-2008, 191 pages, €29 $44 £20 ¥4 000
SourceOECD:
www.SourceOECD.org/9789264046702
Online Bookshop:
www.oecd.org/bookshop?9789264046702

Jobs for Youth: United Kingdom
18-Jul-2008, 169 pages, €29 $44 £20 ¥4 000
SourceOECD:
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ENERGY

Energy Technology Perspectives 2008
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Online Bookshop:
www.oecd.org/bookshop?9789264041431

Energy Policies of IEA Countries: Japan
19-Jun-2008, 220 pages, €75 $105 £54 ¥10 400
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www.SourceOECD.org/9789264043350
Online Bookshop:
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CO_2 Capture and Storage: A Key Carbon Abatement Option
Oct-6-2008, 400 pages, €100 $140 £72 ¥13 900
SourceOECD:
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ENVIRONMENT

Economic Aspects of Adaptation to Climate Change
6-Jun-2008, 138 pages, €30 $46 £21 ¥4 100
SourceOECD:
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Measuring Sustainable Production
10-Apr-2008, 130 pages, €35 $49 £25 ¥4 800
SourceOECD:
www.SourceOECD.org/9789264044128
Online Bookshop:
www.oecd.org/bookshop/9789264044128

FINANCE AND INVESTMENT / INSURANCE AND PENSIONS

OECD Journal: Financial Market Trends No. 94, May 2008
2-Jul-2008, 238 pages,
subscription: €270 $361 £183 ¥44 800
SourceOECD:
www.SourceOECD.org/19952864
Online Bookshop:
www.oecd.org/bookshop?19952805
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International Investment Law: Understanding Concepts and Tracking Innovations
4-Apr-2008, 344 pages, €95 $133 £68 ¥13 200
SourceOECD:
www.SourceOECD.org/9789264042025
Online Bookshop:
www.oecd.org/bookshop?9789264042025

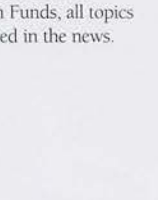
Corruption: A Glossary of International Standards in Criminal Law
26-Mar-2008, 98 pages, €24 $29 £17 ¥3 300
SourceOECD:
www.SourceOECD.org/9789264027404
Online Bookshop:
www.oecd.org/bookshop/9789264027404

GOVERNANCE

OECD Public Management Reviews: Ireland
6-Jun-2008, 377 pages, €60 $84 £43 ¥8 300
SourceOECD:
www.SourceOECD.org/9789264043251
Online Bookshop:
www.oecd.org/bookshop?9789264043251

According to the ***OECD Employment Outlook 2008***, labour market discrimination is still a big problem in OECD countries. Women are still 20% less likely than men to have a paid job in OECD countries and they earn on average 17% less than men. At least 30% of the gap in wages and 8% of the gap in employment rates result from discriminatory practices in the labour market. This publication shows what can be done.

Young people who leave school without qualifications find it hard to get jobs and a start in the job market, which can have a lasting impact over their entire lives. This series of reports on ***Jobs for Youth*** in OECD countries recommends practical policy solutions to this widespread problem.



This issue of OECD's twice-yearly ***Financial Market Trends*** is particularly topical as it features an overview of the current financial crisis as well as articles on the Subprime Crisis, Deposit Insurance and Federal Guaranty Insurance as well as Sovereign Wealth Funds, all topics currently discussed in the news.

Sign up for our free e-mail alerting service and for various e-newsletters, including our monthly What's New at OECD at www.oecd.org/oecddirect

Part of the OECD Reviews of Regulatory Reform series, this review analyses the challenges of strengthening regulatory governance in Brazil to improve economic growth, with appropriate regulatory frameworks for core infrastructure sectors. The debate on a marketbased economy has now entered a new phase in Brazil, addressing the broader context of quality regulation and the reduction of regulatory risk. The improved macroeconomic situation and the progress made by the sectoral regulatory agencies have paid off, and there is also wider social participation in the improvement of the regulatory framework with a stronger consumer engagement. But Brazil still needs to further improve its capacities for regulatory quality and increase transparency and accountability in the system to reinforce regulatory performance.

Responding to concerns in governments and the business community, the OECD launched a project in 2005 to assess the magnitude and impact of counterfeiting and piracy. ***The Economic Impact of Counterfeiting and Privacy*** presents the result of that project, focusing on six sectors: the audio-visual sector, the automotive sector, the electrical components sector, the food and drink sectors, pharmaceuticals, and tobacco.

This report examines the role tax intermediaries play in the operation of tax systems and specifically to understand their role in "unacceptable tax minimisation arrangements". In addition, the report identifies strategies for strengthening the relationship between tax intermediaries and revenue bodies and corporate taxpayers.

Brazil: Strengthening Governance for Growth
6-Jun-2008, 333 pages, €45 $63 £32 ¥6 200
SourceOECD:
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Online Bookshop:
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Removing Barriers to SME Access to International Markets
10-Apr-2008, 217 pages, €45 $58 £32 ¥6 200
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www.SourceOECD.org/9789264040243
Online Bookshop:
www.oecd.org/bookshop/9789264040243

INDUSTRY

Staying Competitive in the Global Economy: Compendium of Studies on Global Value Chains
19-Jun-2008, 252 pages, €50 $77 £36 ¥6 900
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Online Bookshop:
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NUCLEAR ENERGY

Uranium 2007: Resources Production and Demand
17-Jun-2008, 424 pages, €120 $186 £86 ¥16 600
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www.SourceOECD.org/9789264047662
Online Bookshop:
www.oecd.org/bookshop?9789264047662

Nuclear Energy Data 2008
25-Jul-2008, 120 pages, €35 $53 £27 ¥5 600
SourceOECD:
www.SourceOECD.org/9789264047969
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SCIENCE AND TECHNOLOGY

Remaking the Movies: Digital Content and Evolution of the Film and Video Industries
15-May-2008, 135 pages, €30 $46 £21 ¥4 100
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Online Bookshop:
www.oecd.org/bookshop?9789264043299

The Economic Impact of Counterfeiting and Privacy
8-Jul-2008, 396 pages, €80 $124 £57 ¥11 100
SourceOECD:
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Online Bookshop:
www.oecd.org/bookshop?9789264045514
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TRANSPORT

Oil Dependence: Is Transport Running Out of Affordable Fuel?
13-Jun-2008, 213 pages, €75 $116 £54 ¥10 400
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Online Bookshop:
www.oecd.org/bookshop?9789282101216

Trends in the Transport Sector, 1970-2006
17-Jun-2008, 76 pages, €24 $37 £17 ¥3 300
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www.SourceOECD.org/9789282112632
Online Bookshop:
www.oecd.org/bookshop?9789282112632

FORTHCOMING

OECD Economic Surveys 2008: Luxembourg, Norway

People and Biodiversity Policies: Impacts, Issues and Strategies for Policy Action

Business for Development 2008: Promoting Commercial Agriculture in Africa

Multifunctionality in Agriculture: Evaluating the degree of jointness, policy implications

Public-Private Partnerships: In Pursuit of Risk Sharing and Value for Money

Nuclear Development: Timing of High-level Waste Disposal

Deploying Renewables: Principles for Effective Policies

OECD Rural Policy Reviews: Netherlands

RECENTLY UPDATED DATABASES

Main Economic Indicators:
SourceOECD: www.SourceOECD.org/16081234

Monthly Statistics of International Trade
SourceOECD: www.SourceOECD.org/16081226

National Accounts
SourceOECD: www.SourceOECD.org/16081188

International Trade by Commodity Statistics
SourceOECD: www.SourceOECD.org/16081218

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Free online at : www.oecd.org/publications

OECD Economic Surveys: Canada, Czech Republic, Finland, Germany, Ireland, Luxembourg, Norway, Poland, Portugal, South Africa, Turkey; Economic Assessment of Indonesia

Agriculture: Improving Policy Coherence for Development

The Future of the Internet Economy

Ending Job Discrimination

The Social Impact of Foreign Direct Investment

Competition Law and Policy in Ukraine

Measuring Regulatory Quality

Performance Budgeting: A Users Guide

Making Trade Work for Developing Countries

Measuring Regulatory Quality

Focus on taxation

TAX CONVENTIONS / GUIDELINES

OECD Model Tax Convention on Income and Capital, Condensed Version, July 2008
2-Sep-2008, 415 pages, €60 $92 £46 ¥9 600
SourceOECD:
www.SourceOECD.org/9789264048188
Online Bookshop:
www.oecd.org/bookshop?9789264048188
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The Convention on Mutual Administrative Assistance in Tax Matters: 20th Anniversary Edition
26-Mar-2008, 133 pages, €24 $29 £17 ¥3 300
SourceOECD:
www.SourceOECD.org/9789264041035
Online Bookshop:
www.oecd.org/bookshop/9789264041035

Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations: Travel Version
18-Jun-2001, 262 pages, €52 $68 £32 ¥4 900
SourceOECD:
www.SourceOECD.org/9789264186286
Online Bookshop:
www.oecd.org/bookshop?9789264186286

TAX ANALYSIS

Study into the Role of Tax Intermediaries
18-Mar-2008, 92 pages, €24 $29 £17 ¥3 300
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Online Bookshop:
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Tax Effects on Foreign Direct Investment: Recent Evidence and Policy Analysis
22-Jan-2008, 191 pages, €50 $70 £36 ¥6 900
SourceOECD:
www.SourceOECD.org/9789264038370
Online Bookshop:
www.oecd.org/bookshop?9789264038370

Fundamental Reform of Corporate Income Tax
27-Nov-2007, 174 pages, €45 $63 £32 ¥6 200
SourceOECD:
www.SourceOECD.org/9789264038110
Online Bookshop:
www.oecd.org/bookshop/9789264038110

Tax Co-operation 2007: Towards a Level Playing Field, Assessment by the Global Forum on Taxation
7-Nov-2007, 222 pages, €60 $78 £43 ¥8 300
SourceOECD:
www.SourceOECD.org/9789264039025
Online Bookshop:
www.oecd.org/bookshop/9789264039025

Encouraging Savings through Tax-Preferred Accounts
7-Mar-2007, 130 pages, €30 $40 £21 ¥4 100
SourceOECD:
www.SourceOECD.org/9789264031357
Online Bookshop:
www.oecd.org/bookshop?9789264031357

Taxation of Capital Gains of Individuals: Policy Considerations and Approaches
6-Dec-2006, 172 pages, €40 $54 £28 ¥5 500
SourceOECD:
www.SourceOECD.org/9789264029491
Online Bookshop:
www.oecd.org/bookshop/9789264029491

TAX STATISTICS

Taxing Wages 2006-2007
Special feature: Tax Reforms and Tax Burdens 2000-2006
26-Mar-2008, 486 pages, €120 $168 £86 ¥16 600
SourceOECD:
www.SourceOECD.org/9789264042100
Online Bookshop:
www.oecd.org/bookshop?9789264042100

Revenue Statistics 1965-2006
24-Oct-2007, 345 pages, €120 $156 £86 ¥16 600
SourceOECD:
www.SourceOECD.org/9789264038349
Online Bookshop:
www.oecd.org/bookshop?9789264038349

Consumption Tax Trends: VAT/GST and Excise Rates, Trends and Administration Issues
16-Jun-2006, 121 pages, €40 $50 £27 ¥5 500
SourceOECD:
www.SourceOECD.org/9789264014176
Online Bookshop:
www.oecd.org/bookshop?9789264014176

HIGHLIGHTS

The OECD's work in taxation has always been an important part of the OECD overall activities. Through its work, it contributes to setting standards in the international tax world. The OECD's **Model Tax Convention** has, for example, long been recognised as the basis for the global network of tax treaties, and the OECD's 1995 Transfer Pricing Guidelines are used as the basis for legislation in OECD countries and an increasing number of non-OECD economies. The OECD's Centre for Tax Policy and Administration is the focal point for the Organisation's work on taxation. The Centre examines all aspects of taxation other than macro-fiscal policy. Its work covers international and domestic tax issues, direct and indirect taxes, tax policy and tax administration. The Centre's statistical publications provide annual comparisons of tax levels and tax structures in member countries.

The **OECD Model Tax Convention** is just celebrating its 50th year! And with this celebration comes a new condensed version with updates approved in July 2008. The updated electronic and loose-leaf versions will be announced shortly.

Fishy terms

The Multilingual Dictionary of Fish and Fish Products

Anyone ordering salmon in a European restaurant will easily recognise the similarity between salmone (Italian), salmão (Portuguese), saumon (French) or solomós (Greek), and may make the leap from the Yiddish lox to lachs (German), laks (Norwegian) or lax (Swedish). But identifying the same fish as yeoneo (Korean), som balığı (Turkish), sake masu-rui (Japanese) or losos (Croatian) calls for a fish glossary.

At over 360 pages, the recently published 5th edition of the OECD's *Multilingual Dictionary of Fish and Fish Products* is not intended as a pocket guide. It is rather an essential tool for international markets, designed to promote and facilitate global trade in fish and fish products, by providing a comprehensive list of products that are in commercial use around the world.

The bilingual glossary opens with aalpricken, a "gutted small eel, fried and packed in fine edible oil", produced in Germany, and ends with the European freshwater fish zanthe, also known as vimpa in Finland, strandslabbi in Iceland and certa in Poland. One learns that yakiboshi is the Japanese name given to fish that are "dried after boiling or toasting…processed as round, usually gutted and skewered with bamboo pins...Yakiboshi is usually subjoined by the name of the fish. For example, yakiboshi ayu is from ayu sweetfish, and yakiboshi iwashi is from sardine or anchovy."


©REUTERS/Peter Andrews

Sorry, we didn't catch your name!

While it is commonly known that fish names employed for certain species are not always the same in different countries or regions, this is true even where the same language is spoken. There are a number of differences between European and North American terms such as pomfret/butterfish or pickerel/pike, or perch/sea bream/porgy. The humble catfish, or loup in French, for instance, is also known in the UK as rock turbot, rock salmon, sea cat, sea wolf, sand scar or swine, although the recommended trade name for these species is rockfish.

Korean has been added to this edition, which provides separate indexes for the 21 languages covered, as well as an index of scientific names. ■

ISBN 978-92-64-03989-6

OECD Factbook 2008

Have you got the facts? Take the *OECD Factbook 2008* quiz and find out

OECD Factbook 2008

Economic, Enviromental
and Social Statistics

April 2008

ISBN: 978-92-64-04054-0

€35.00 $50.00 £25.00 ¥4 800

OECD Factbook 2008 is the fourth edition of a comprehensive statistical annual from the OECD. Over 100 indicators cover a wide range of areas: economy; agriculture; education; energy; environment; foreign aid; health and quality of life; industry; prices; economic globalisation; science and technology; information and communications; population; labour; trade and investment; taxation; public finance and expenditure; and R&D. Data are provided for all OECD member countries with area totals, and for selected non-member economies. The 2008 edition includes a special focus on productivity.

Population and migration

1. *Positive net migration means a country has more immigrants than emigrants. Which OECD country had the highest rate of positive net migration between 2000 and 2006?*

A. ☐ Spain B. ☐ Ireland
C. ☐ Australia D. ☐ Canada

Macroeconomic trends

2. *In 2004, what proportion of the population of OECD countries resided in regions with a level of GDP per capita below the national average?*

A. ☐ 59% B. ☐ 53% C. ☐ 42% D. ☐ 37%

Economic globalisation

3. *Which OECD country received the largest inflows of Foreign Direct Investment (FDI) in 2006?*

A. ☐ Germany B. ☐ Luxembourg
C. ☐ United Kingdom D. ☐ United States

Prices

4. *Which of these countries experienced the greatest growth in consumer inflation between 1993 and 2006?*

A. ☐ Brazil B. ☐ Poland
C. ☐ Turkey D. ☐ United Kingdom

Energy

5. *In which of these countries does nuclear electricity production make up the largest proportion of total electricity production?*

A. ☐ France B. ☐ United States
C. ☐ Sweden D. ☐ Belgium

Labour market

6. *In OECD countries, what percentage of the unemployed population has been out of work for 12 months or longer?*

A. ☐ 73% B. ☐ 44% C. ☐ 32% D. ☐ 22%

Science and technology

7. *Which of these countries has the highest proportion of households with access to a home computer?*

A. ☐ Denmark B. ☐ Iceland
C. ☐ Japan D. ☐ Korea

Environment

8. *By what percentage have global carbon dioxide emissions increased since 1971?*

A. ☐ 54% B. ☐ 63% C. ☐ 84% D. ☐ 92%

Education

9. *In percentage terms, which of these countries has the highest number of university graduates?*

A. ☐ Finland B. ☐ Japan
C. ☐ Canada D. ☐ Russian Federation

Public finance

10. *Luxembourg is the OECD country which spends the least on law, order and defence expenditure at 1.2% of GDP; as the highest spender, how much does the United States spend?*

A. ☐ 6.4% of GDP B. ☐ 5.1% of GDP
C. ☐ 4.1% of GDP D. ☐ 3.3% of GDP

Quality of life

11. *Eight out of ten of the world's most visited tourist destinations are OECD countries; which of these is not in the top five?*

A. ☐ United States B. ☐ United Kingdom
C. ☐ France D. ☐ Germany

Productivity

12. *Which OECD country had the largest increase in GDP per hour worked during the period 2001-2006?*

A. ☐ Poland B. ☐ Korea
C. ☐ Hungary D. ☐ Slovak Republic

OECD

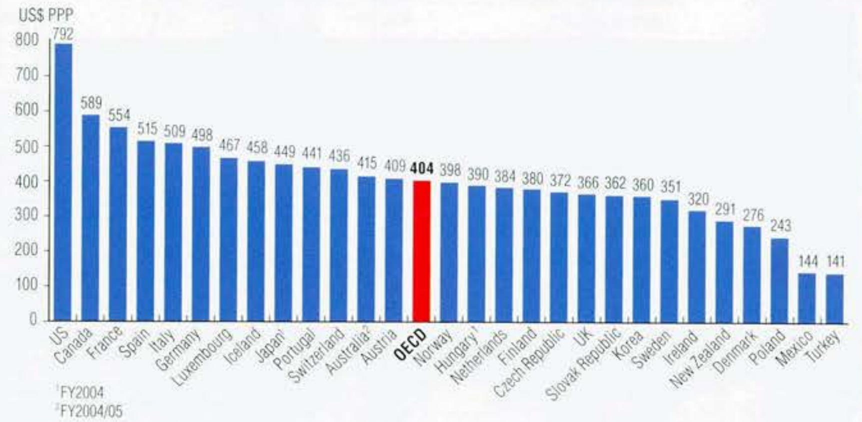
Find the answers on our website: **www.oecd.org/publications/factbook**

Healthy economy?

The pharmaceutical industry's important role in the OECD economy is reflected in expenditure, with a total of US$569 billion on pharmaceuticals (excluding pharmaceuticals for in-patients) in 2005. While France and Spain consumed the highest number of pharmaceuticals per person, the US had the highest expenditure at $235 billion, accounting for more than 40% of the OECD total; Japan in second spent $71 billion, while France spent just $39 billion and Spain $21 billion.

Pharmaceutical spending

Per capita spending on pharmaceuticals, 2005, in US$ purchasing power parities



Source: *OECD Health Data 2007* and estimates

Since the 1990s the growth in pharmaceutical spending was 5.6% per year, significantly higher than the 4.2% annual growth for total health expenditure during the same period while at the same time GDP grew at an annual rate of 3%.

If calculated on a per person basis, the US was in the lead at $792, but otherwise expenditure variations between many OECD countries is not very great, with several countries in the $400-600 per head range. On the other hand, in Mexico per capita spending was only $144, just 18% of the US spending level, and about $100 less than in Poland. Turkey's expenditure of $141 was calculated based on manufacturer prices, which may underestimate final spending.

These figures are from a new OECD report which compares price levels to assess how pharmaceutical pricing and reimbursement policies have contributed to the achievement of certain health policy objectives, including availability, accessibility and innovation.

Pharmaceutical Pricing Policies in a Global Market is available at www.oecd.org/bookshop, ISBN 978-92-64-04414-2

Higher prices

Consumer price inflation has been rising in many countries for the first time in several years. Indeed, the consumer price index for energy tracked alongside prices for non-energy and non-food for most of the last two decades, but jumped to a far steeper trend from 2003, the latest *OECD in Figures 2008* reports. The energy price index for fuel, electricity and petrol jumped by 68% from mid-2003 to mid-2008, compared with 32% in the five years to end-1992 and 24% in 1998-2002. (Commodity prices have eased since August 2008, however.)

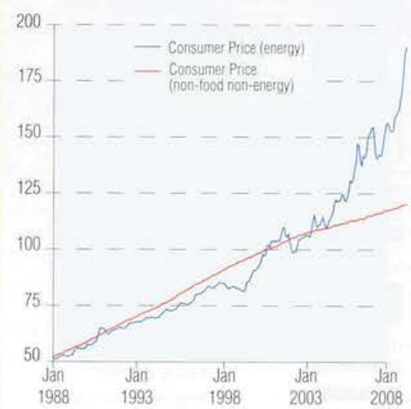
Overall consumer price inflation has been modest in the OECD area as a whole. Average monthly price rises eased down from their high of about 0.5% per month in 1987-92 to 0.3% in 1998-2003 and to 0.2% in the period to 2006. Indeed, as *OECD in Figures* points out, since 2000 there have been 20 months when prices did not rise at all! But overall price rises accelerated to 0.6% in spring 2008.

Average OECD inflation stood at 4.4% in mid-2008, with Japan at the low end, recording a 2% annual rise in its consumer price index, but Iceland's reaching over 12% in the same month.

OECD in Figures 2008, 20th anniversary edition, is free to *OECD Observer* subscribers. It can be ordered separately at www.oecd.org/bookshop, ISBN 978-92-64-05563-6

Inflation

Consumer price indices
July 2008, 2000 = 100



Source: *OECD in Figures 2008*
StatLink http://dx.doi.org/10.1787/466835403855

Indicators

			% change from:				level:	
			previous period	previous year			current period	same period last year
Australia	Gross domestic product	Q2 08	0.3	2.7	Current balance	Q2 08	-12.05	-13.61
	Leading indicator	Aug. 08	0.0	-3.4	Unemployment rate	Aug. 08	4.10	4.30
	Consumer price index	Q2 08	1.5	4.5	Interest rate	Aug. 08	7.31	6.75
Austria	Gross domestic product	Q2 08	0.4	2.2	Current balance	Q2 08	3.02	2.95
	Leading indicator	Aug. 08	-0.9	-6.6	Unemployment rate	Aug. 08	3.30	4.70
	Consumer price index	Aug. 08	-0.2	3.7	Interest rate		*	*
Belgium	Gross domestic product	Q2 08	0.2	1.9	Current balance	Q2 08	-10.85	1.41
	Leading indicator	Aug. 08	-1.3	-5.3	Unemployment rate	Aug. 08	6.60	7.30
	Consumer price index	Sept. 08	0.2	5.5	Interest rate		*	*
Canada	Gross domestic product	Q2 08	0.1	0.7	Current balance	Q2 08	6.69	6.49
	Leading indicator	Aug. 08	-1.5	-4.7	Unemployment rate	Aug. 08	6.10	6.00
	Consumer price index	Aug. 08	-0.2	3.5	Interest rate	Sept. 08	3.29	5.11
Czech Republic	Gross domestic product	Q2 08	0.9	4.6	Current balance	Q2 08	-2.67	-0.83
	Leading indicator	Aug. 08	-0.8	-3.0	Unemployment rate	Aug. 08	4.30	5.10
	Consumer price index	Aug. 08	-0.1	6.4	Interest rate	Sept. 08	3.81	3.46
Denmark	Gross domestic product	Q2 08	0.4	1.0	Current balance	Q2 08	1.57	1.40
	Leading indicator	Aug. 08	-1.9	-10.1	Unemployment rate	Aug. 08	2.90	3.80
	Consumer price index	Aug. 08	0.2	4.3	Interest rate	Sept. 08	5.03	4.60
Finland	Gross domestic product	Q2 08	0.8	2.4	Current balance	Jun. 08	1.79	0.92
	Leading indicator	Aug. 08	-0.5	-4.1	Unemployment rate	Aug. 08	6.30	6.80
	Consumer price index	Aug. 08	0.4	4.7	Interest rate		*	*
France	Gross domestic product	Q2 08	-0.3	1.1	Current balance	Jul. 08	-6.03	-2.60
	Leading indicator	Aug. 08	-0.8	-5.6	Unemployment rate	Aug. 08	8.00	8.20
	Consumer price index	Aug. 08	0.0	3.2	Interest rate		*	*
Germany	Gross domestic product	Q2 08	-0.5	1.7	Current balance	Q2 08	71.01	62.30
	Leading indicator	Aug. 08	-2.0	-7.6	Unemployment rate	Aug. 08	7.20	8.30
	Consumer price index	Aug. 08	-0.3	3.1	Interest rate		*	*
Greece	Gross domestic product	Q2 08	0.8	3.5	Current balance	Jul. 08	-4.70	-4.12
	Leading indicator	Aug. 08	-0.5	-4.4	Unemployment rate	Jun. 08	7.50	8.40
	Consumer price index	Sept. 08	2.0	4.6	Interest rate		*	*
Hungary	Gross domestic product	Q2 08	0.6	1.7	Current balance	Q2 08	-2.64	-1.83
	Leading indicator	Aug. 08	-1.0	-1.6	Unemployment rate	Aug. 08	7.90	7.40
	Consumer price index	Aug. 08	-0.3	6.5	Interest rate	Sept. 08	8.62	7.44
Iceland	Gross domestic product	Q2 08	4.9	4.9	Current balance	Q2 08	-1.79	-0.87
	Leading indicator		..	..	Unemployment rate	Aug. 08	1.30	0.90
	Consumer price index	Aug. 08	1.2	14.5	Interest rate	Feb. 08	19.00	16.52
Ireland	Gross domestic product	Q2 08	-0.5	-0.7	Current balance	Q2 08	-3.43	-2.36
	Leading indicator	Apr. 08	-1.2	-13.1	Unemployment rate	Aug. 08	6.20	4.50
	Consumer price index	Aug. 08	0.5	4.3	Interest rate		*	*
Italy	Gross domestic product	Q2 08	-0.3	-0.1	Current balance	Apr. 08	-4.31	-4.84
	Leading indicator	Aug. 08	-0.8	-5.9	Unemployment rate	Jun. 08	6.80	6.00
	Consumer price index	Sept. 08	-0.3	3.8	Interest rate		*	*
Japan	Gross domestic product	Q2 08	-0.7	0.8	Current balance	Jul. 08	14.56	15.40
	Leading indicator	Aug. 08	-0.9	-2.8	Unemployment rate	Aug. 08	4.10	3.80
	Consumer price index	Aug. 08	0.3	2.1	Interest rate	Aug. 08	0.75	0.74
Korea	Gross domestic product	Q2 08	0.8	4.8	Current balance	Aug. 08	-4.82	1.75
	Leading indicator	Aug. 08	0.8	1.0	Unemployment rate	Aug. 08	3.20	3.20
	Consumer price index	Sept. 08	0.1	5.1	Interest rate	Sept. 08	5.79	5.34
Luxembourg	Gross domestic product	Q1 08	1.3	2.5	Current balance	Q2 08	1.07	0.96
	Leading indicator	Aug. 08	-3.2	-12.6	Unemployment rate	Aug. 08	4.20	4.10
	Consumer price index	Sept. 08	0.1	4.0	Interest rate		*	*
Mexico	Gross domestic product	Q2 08	0.2	2.1	Current balance	Q2 08	-3.24	-2.63
	Leading indicator	Jul. 08	2.3	3.1	Unemployment rate	Aug. 08	3.80	3.60
	Consumer price index	Aug. 08	0.6	5.6	Interest rate	Sept. 08	8.32	7.36
Netherlands	Gross domestic product	Q2 08	0.1	3.0	Current balance	Q2 08	15.88	13.26
	Leading indicator	Aug. 08	-0.9	-4.1	Unemployment rate	Aug. 08	2.60	3.10
	Consumer price index	Sept. 08	0.4	3.1	Interest rate		*	*
New Zealand	Gross domestic product	Q2 08	-0.5	-0.3	Current balance	Q2 08	-3.59	-2.73
	Leading indicator	Aug. 08	1.5	-2.7	Unemployment rate	Q2 08	3.90	3.60
	Consumer price index	Q2 08	1.6	4.0	Interest rate	Sept. 08	7.95	8.81

			% change from: previous period	% change from: previous year			level: current period	level: same period last year
Norway	Gross domestic product	Q2 08	0.6	3.3	Current balance	Q2 08	24.69	13.41
	Leading indicator	Aug. 08	-0.1	-5.2	Unemployment rate	Jul. 08	2.40	2.50
	Consumer price index	Aug. 08	0.1	4.5	Interest rate	Sept. 08	6.82	5.51
Poland	Gross domestic product	Q2 08	1.5	6.1	Current balance	Jul. 08	-1.82	-1.61
	Leading indicator	Aug. 08	-1.2	-10.6	Unemployment rate	Aug. 08	6.70	9.20
	Consumer price index	Aug. 08	-0.4	4.8	Interest rate	Sept. 08	6.63	5.01
Portugal	Gross domestic product	Q2 08	0.3	0.7	Current balance	Jun. 08	-2.59	-1.60
	Leading indicator	Aug. 08	-0.3	-5.3	Unemployment rate	Aug. 08	7.50	8.10
	Consumer price index	Aug. 08	-0.5	3.0	Interest rate		*	*
Slovak Republic	Gross domestic product	Q2 08	1.9	8.0	Current balance	Q2 08	-2.34	-1.04
	Leading indicator	Aug. 08	0.5	-1.7	Unemployment rate	Aug. 08	9.90	11.20
	Consumer price index	Aug. 08	0.2	5.0	Interest rate	Aug. 08	4.03	4.07
Spain	Gross domestic product	Q2 08	0.1	1.8	Current balance	Jul. 08	-10.13	-12.67
	Leading indicator	Aug. 08	0.2	-7.0	Unemployment rate	Aug. 08	11.30	8.30
	Consumer price index	Aug. 08	-0.2	4.9	Interest rate		*	*
Sweden	Gross domestic product	Q2 08	0.0	0.9	Current balance	Q2 08	7.66	8.39
	Leading indicator	Aug. 08	0.4	-7.3	Unemployment rate	Aug. 08	5.80	5.90
	Consumer price index	Sept. 08	1.0	4.4	Interest rate	Sept. 08	4.49	3.62
Switzerland	Gross domestic product	Q2 08	0.4	2.4	Current balance	Q2 08	11.25	17.97
	Leading indicator	Aug. 08	-1.2	-6.1	Unemployment rate	Q2 08	3.50	3.70
	Consumer price index	Sept. 08	0.1	2.9	Interest rate	Sept. 08	2.96	2.79
Turkey	Gross domestic product	Q2 08	-2.4	2.1	Current balance	Q2 08	-12.91	-8.22
	Leading indicator	Aug. 08	-0.9	-5.8	Unemployment rate	Jun. 08	9.00	8.80
	Consumer price index	Sept. 08	0.5	11.1	Interest rate	Apr. 08	16.65	17.86
United Kingdom	Gross domestic product	Q2 08	0.0	1.5	Current balance	Q2 08	-21.59	-24.65
	Leading indicator	Aug. 08	-1.1	-6.1	Unemployment rate	Jun. 08	5.40	5.30
	Consumer price index	Aug. 08	0.6	4.7	Interest rate	Sept. 08	5.87	6.58
United States	Gross domestic product	Q2 08	0.7	2.1	Current balance	Q2 08	-183.15	-194.09
	Leading indicator	Aug. 08	-0.5	-5.3	Unemployment rate	Sept. 08	6.10	4.70
	Consumer price index	Aug. 08	-0.4	5.4	Interest rate	Aug. 08	2.79	5.49
Euro area	Gross domestic product	Q4 07	0.4	2.2	Current balance	Jul. 08	-2.68	6.50
	Leading indicator	Aug. 08	-1.0	-6.4	Unemployment rate	Aug. 08	7.50	7.40
	Consumer price index	Aug. 08	-0.1	3.8	Interest rate	Sept. 08	5.02	4.74
Russia[1]	Gross domestic product	Q1 08	1.0	8.7	Current balance	Q1 08	34.63	19.33
	Leading indicator	Aug. 08	-2.3	-0.4	Unemployment rate		..	..
	Consumer price index	Aug. 08	0.3	15.0	Interest rate	Jul. 08	7.73	6.26
Brazil[2]	Gross domestic product	Q2 08	1.6	6.2	Current balance	Q1 08	-8.88	1.97
	Leading indicator	Aug. 08	1.0	3.4	Unemployment rate		..	..
	Consumer price index	Aug. 08	0.3	6.2	Interest rate		..	..
China[2]	Gross domestic product		..	..	Current balance		..	..
	Leading indicator	Aug. 08	-0.7	-3.1	Unemployment rate		..	..
	Consumer price index		..	..	Interest rate	Jul. 08	4.47	3.14
India[2]	Gross domestic product	Q2 08	0.5	8.1	Current balance	Q1 08	-7.16	-1.68
	Leading indicator	Jul. 08	-1.2	-7.1	Unemployment rate		..	..
	Consumer price index	Aug. 08	1.4	9.0	Interest rate		..	..
Indonesia[2]	Gross domestic product	Q1 08	1.4	6.3	Current balance	Q1 08	2.65	2.48
	Leading indicator	Aug. 08	-1.5	3.8	Unemployment rate		..	..
	Consumer price index	Sept. 08	1.0	11.9	Interest rate	Aug. 08	8.40	7.51
South Africa[2]	Gross domestic product	Q2 08	1.2	4.2	Current balance	Q1 08	-5.99	-4.30
	Leading indicator	Aug. 08	-1.7	-11.6	Unemployment rate		..	..
	Consumer price index	Aug. 08	0.7	13.7	Interest rate	Aug. 08	11.37	9.13

Definitions and notes

Gross Domestic Product: Volume series; seasonally adjusted. **Leading Indicators:** A composite indicator based on other indicators of economic activity, which signals cyclical movements in industrial production from six to nine months in advance. **Consumer Price Index:** Measures changes in average retail prices of a fixed basket of goods and services. **Current Balance:** Billion US$; seasonally adjusted. **Unemployment Rate:** % of civilian labour force, standardised unemployment rate; national definitions for Iceland, Mexico and Turkey; seasonally adjusted apart from Turkey. **Interest Rate:** Three months; *refer to Euro area.

..=not available

[1]Accession candidate to OECD

[2]Enhanced engagement programme

Source: Main Economic Indicators, October 2008

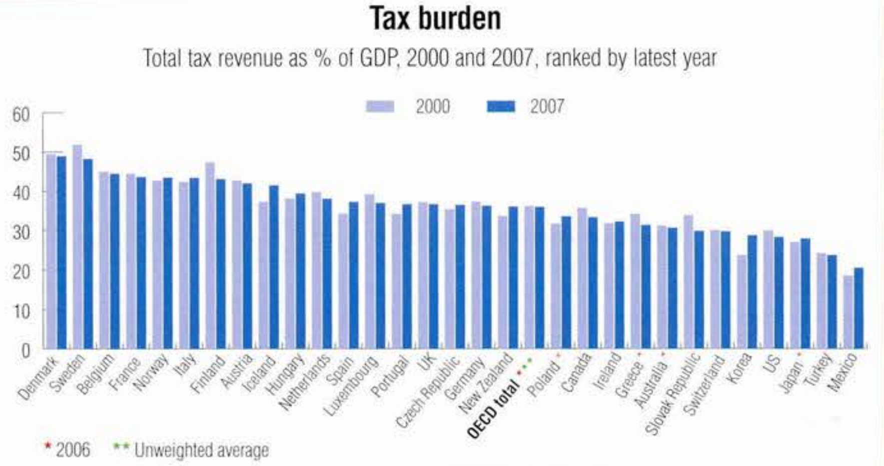
Tax burden nears peak

Denmark is confirmed as the OECD's highest-tax country, followed by Sweden, while Mexico and Turkey remain the lowest-taxing countries, the latest 2008 edition of *Revenue Statistics* says. Denmark's tax-to-GDP ratio stood at 48.9% in 2007, while Turkey's was at 23.7% of GDP.

Overall, the average tax burden in the 30 OECD countries–that is, tax revenue as a percentage of GDP ratio–is close to its historic peak of 36.1% in 2000. In 2006, the latest year for complete OECD figures, the tax-to-GDP ratio had edged up a percentage point to 35.9%, compared with 2005.

The latest figures show a continued rise in revenues from corporate income taxes to an average 3.9% of GDP in 2006, compared with 3.7% in 2005 and 3.6% in 2000. That upward trend is unlikely to continue in the current economic slowdown, the OECD has warned, and some countries are already downgrading their revenue forecasts from the financial sector.

In 2007, tax burdens rose in 11 of the 26 countries for which provisional figures are available and fell in 13 others. The biggest year-to-year increases were in Hungary, from 37.1% in 2006 to 39.3% in 2007, and the biggest drop was in the Netherlands, from an estimated 39.3% to an estimated 38%.



Source: *Revenue Statistics, 1965-2007, 2008 Edition*, available at www.oecd.org/bookshop

Importing low skills

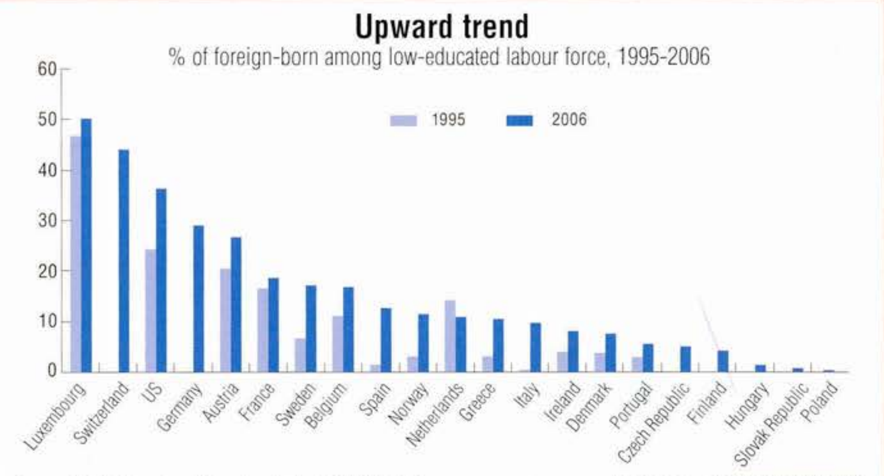
While OECD countries compete to attract high-skilled immigrants, the 2008 *International Migration Outlook* finds that employers increasingly rely on immigrants for low-skilled work. Just a fifth on average of the low-educated workforce in 21 OECD countries in the report is foreign-born, whereas the EU25 average is 14.1%.

The highest share of foreign-born workers is in Luxembourg, where more than half (52%) of the low-educated workforce is foreign-born. Switzerland and the US follow with 43% and 38.7%. Immigrants form over a quarter of the low-educated workforce in Germany and Austria.

In almost all of the countries studied, the proportion of immigrants among the low-educated workforce has increased since 1995, even in countries that have limited the entry of low-educated migrants. In Spain, their proportion has increased six-fold since 1995, reaching 12.4% in 2006. Greece and Norway have also seen large increases and now over 10% of the low-educated workforce is foreign-born in both these countries.

Sectors such as food preparation and services, agriculture and fishery, personal and home care as well as construction and transportation are especially reliant on low-educated immigrants, according to the authors of the report. Low-skilled occupations are expected to grow over the next decade, in part due to an ageing labour force, the report says.

Order *International Migration Outlook 2008* at www.oecd.org/bookshop,
ISBN 978-92-64-04565-1



Source: OECD *International Migration Outlook, SOPEMI 2008* StatLink http://dx.doi.org/10.1787/428017555223