oecd Observer

No 286 Q3 2011 www.oecdobserver.org

New York water

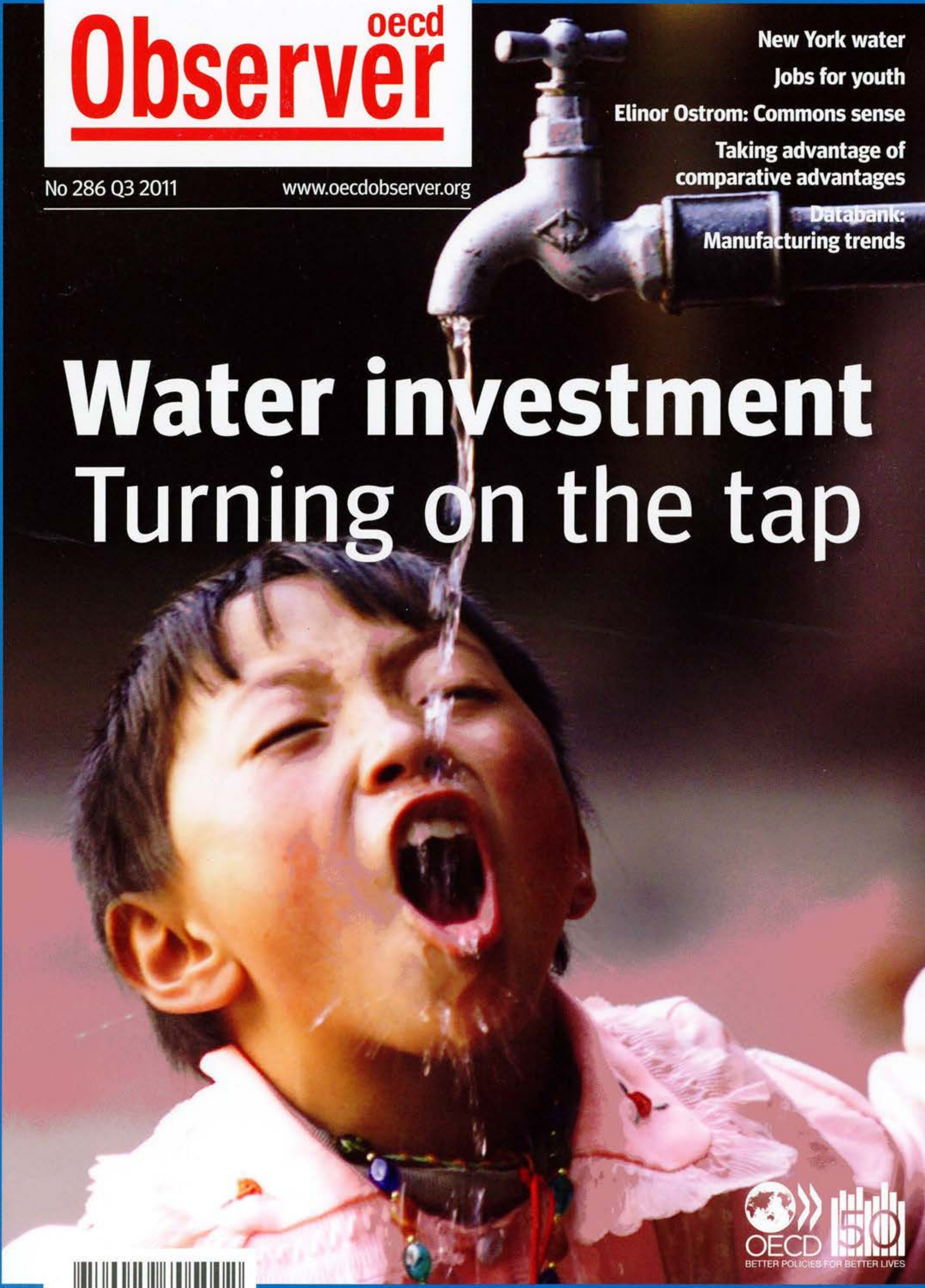
Jobs for youth

Elinor Ostrom: Commons sense

Taking advantage of comparative advantages

Databank: Manufacturing trends

Water investment
Turning on the tap



OECD 50 BETTER POLICIES FOR BETTER LIVES

9 770029 705002

Employment, page 7

New York, page 28

Cover Image
© Reuters/Claro Cortes

Gender: Geena Davis at the OECD, page 34

Observer oecd

www.oecdobserver.org

ISSN 0029-7054
Tel.: +33 (0) 1 45 24 80 66
Fax: +33 (0) 1 45 24 82 10
sales@oecd.org

Founded in 1962 The magazine of the Organisation for Economic Co-operation and Development

OECD Publications 2 rue André Pascal
75775 Paris cedex 16, France
observer@oecd.org
www.oecd.org

Published in English and French by the OECD
EDITOR-IN-CHIEF: Rory J. Clarke
SENIOR EDITOR: Ricardo Tejada
WRITERS: Sue Kendall, Lyndon Thompson
EDITORIAL ASSISTANTS: Alison Benney, Dounia Boutamdja, Ronald Cullens, Marie Francolin, Loïc Verdier

LAYOUT: Design Factory, Ireland
ILLUSTRATIONS: André Faber, David Rooney, Stik
PHOTO RESEARCH: Rory Clarke
LOGISTICS: Jochen Picht
ADVERTISING MANAGER: François Barnaud

Readers' views

Green technology

One issue that is very relevant to this whole topic is the re-use of material ("The OECD Green Growth Strategy", see www.oecdobserver.org). For a lot of equipment, most of the energy use and CO_2 emissions take place during the productions phase. The active use phase of the product creates very little CO_2 emissions and therefore it is vital that the active use phase of a product is prolonged for as long as possible. This can be done by refurbishing equipment. In the IT industry this is being done already - mostly not out of environmental concerns, but purely because of the fact that it saves company money. So, companies can be green and save costs! A case in point is network equipment. By re-using network equipment, CO_2 emissions can be reduced by up to 80%! Of course, most manufacturers do not support re-use of their products because they see it as cannibalising their "new" products. A change of mentality is needed here.

Samuel Korfmacher

Elusive vacations

There are a number of issues that are not addressed ("Retiring later makes sense", see www.oecdobserver.org). With the offshoring/outsourcing models, more and more non-manual jobs are being redirected, leaving no jobs for those who truly want to work. And in later years, flexible work schedules and more vacations are important for life enjoyment. Companies in the West, especially Canada and US, make vacation policies on length of service without taking account of age. But the sheer volume of job changes means that most older workers never see the length of service requirements to have those longer vacation time periods.

Afulldeck

Renewable rebates

California has "The State Energy Efficient Appliance Rebate Program" where consumers received rebates to purchase new energy-efficient appliances when they replace used ones ("Renewable electricity bills", see www.oecdobserver.org). Programs like these should be introduced not only here but in all industrialised countries.

Florence Carole

Permaculture

Why is permaculture never mentioned as a solution? Permaculture (editor's note: human settlements approach linking ecology and modern agriculture) would solve so many problems in relation to pesticides, fertilizers, lack of water, lack of biodiversity, poverty, pollution etc. Once established, permaculture forest garden farming with perennial plants gives twice as high a crop outcome as conventional monoculture farming. ("Agricultural Policy Monitoring and Evaluation 2011: OECD Countries and Emerging Economies", see www.oecd.org)

Christel White

How's life?

The OECD is doing its best to provide to us some macroeconomic tools enabling us to analyse the welfare state of a given country ("How's life?", see www.oecdobserver.org). Maybe social and psychological approaches need to deepen! That's why this topic needs a real multi-disciplinary approach in order to deepen the micro approach of the welfare analysis.

Nicolas Serge

Tweets

Tax
Tax evasion crackdown will raise £62bn for G20 nations, says OECD via @guardiannews #G20

butalidnl
@OECD A wealth tax should be an amendment to income tax laws, replacing dividend, capital gains and interest taxes.

jane_sds
@butalidnl - the thing is, they can easily transfer their assets into corporate accounts. Still prone to tax evasion @OECD

butalidnl
@jane_sds @OECD shares of stocks in corporations will still be part of taxable wealth. Only way out is to physically hide cash

In response to a Youtube.com/OECD video on the challenges of tackling high and persistent joblessness.

In a world of dinosaurs there's no room for youth

Miriam Eitana Macmull

Comments may be edited for publishing. Replies to these comments can be made at the respective websites, or on Twitter @OECDObserver

G20 and the crisis: Progress towards Mexico 2012

Political leaders must show vision and lay the groundwork for a fairer, more inclusive, world

Angel Gurría,
Secretary-General of the OECD

The worst economic crisis in half a century still holds us in its grip. In fact, with a bleak short-term outlook, global public opinion could be forgiven for questioning the ability of political leaders and policymakers to find a way out.

Did the G20 make a difference in Cannes? To be sure, the unfolding debt crisis in the euro area stole much of the limelight. But looking beyond the glare of headlines, unequivocal progress was made to address short-term challenges and consolidate the role of the G20 as a coordinating and convergence mechanism for the world economy.

The economy is one area where tangible results were achieved in Cannes, particularly the adoption of the G20 Action Plan on Growth and Jobs. The commitments made by each country in the action plan are important steps towards more ambitious targets in the months ahead. On jobs specifically, the G20's decision to set up a Task Force on Employment focusing on youths is a significant development. Creating jobs is necessary not just for the economy, but for reducing inequality and fulfilling the G20's shared aim spelt out at Cannes to "strengthen the social dimension of globalisation".

Also, consider taxation, where good news emerged in the form of a vital new convention aimed at strengthening international tax co-operation and combating global tax evasion. All G20 countries signed up in Cannes to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which helps ensure that no country is deprived of its rightful revenues due to evasion and "aggressive" tax planning. President Nicolas Sarkozy must be applauded for his lead on this agenda.

The OECD is proud to have played a lead role in preparing this new convention. We estimate that almost €14 billion in tax revenues have been collected in some 20 countries from wealthy taxpayers who now see the futility of keeping undeclared assets offshore. We expect more to follow as information exchange agreements come into force. The era of bank secrecy is over, and we look forward to working with as many countries as possible to maximise the benefits from this powerful new convention.

For many people, confidence will not return until financial markets are thoroughly reformed. Here again, G20 leaders showed their determination to ensure that no financial institution becomes "too big to fail" and to implement the standards and recommendations issued by the Financial Stability Board, by strengthening supervisory powers and better managing failing institutions without exposing taxpayers. They also committed to pursuing the full application of FSB and OECD principles on financial consumer protection, designed to help ordinary people benefit from financial markets, and not be hurt by them.

The G20 also issued further calls to reduce fossil-fuel subsidies and mobilise finance to help mitigate climate change, bolster food security, resist protectionism and intensify the international fight against corruption. These are policy areas whose potential impacts can be realised if action is taken collectively, rather than by individual countries.

We know that much more needs to be done to put the world economy back on its feet, by fixing financial markets, improving public governance and restoring confidence and welfare. But we also know that the G20 process will not succeed by trying to resurrect failed models. We have said it before and it bears repeating: progress will not be made unless a more sustainable balance between governments, markets, citizens and the environment has been struck. Political leaders must show that the seeds of that new balance have been sown in the crisis. They must demonstrate vision and use the G20 process to break the grip of the crisis and lay the groundwork for a fairer, more inclusive, world. Implementing and building on the achievements of Cannes 2011 can help them succeed.

Creating jobs is necessary not just for the economy, but for reducing inequality and fulfilling the G20's shared aim spelt out at Cannes to "strengthen the social dimension of globalisation"

The OECD has worked with the G20 on several initiatives, not least through the Mutual Assessment Process. We look forward to continue supporting the G20 to build on this year's achievements and to making further progress under Mexico's presidency in 2012. By continuing to work alongside other major international organisations, notably the FSB, ILO, IMF, UN, World Bank and WTO, we will do our utmost to ensure the G20 draws maximum benefit from our collective expertise and policy insights as it contemplates the tasks ahead.

www.oecd.org/secretarygeneral
www.oecdobserver.org/angelgurria

News brief

G20 agrees on tax

Participants at the G20 summit in Cannes agreed to a new international convention to tackle tax evasion more effectively. The Multilateral Convention on Mutual Administrative Assistance in Tax Matters offers a wide range of tools for cross-border tax co-operation. It includes automatic exchange of information, multilateral simultaneous tax examinations and international assistance in the collection of tax due. The agreement comes after the delivery of the OECD-based Global Forum's Progress Report to the G20 Summit, which includes some 370 recommendations for improved international tax co-operation.

It also comes after another report by the OECD on the dangers of corporate tax avoidance. Global corporate losses have increased significantly because of the financial and economic crisis, with loss carry-forwards as high as 25% of GDP in some countries. Though most of these claims are justified, some corporations find loop-holes and use "aggressive tax planning" to avoid taxes in ways that bend , if not break, the law, according to *Corporate Loss Utilisation through Aggressive Tax Planning*. To address this concern many countries have developed various strategies. Working together, countries can deter, detect and respond to aggressive tax planning while at the same time ensuring certainty and predictability for compliant taxpayers.

See book review on page 37 and www.oecd.org/tax/transparency

Rethink fossil fuel subsidies

©Shannon Stapleton/REUTERS

In Cannes, G20 leaders reaffirmed their commitment to phasing out inefficient fossil fuel subsidies in the medium term. Around half a trillion dollars of public money was spent last year subsidising the use of fossil fuels, a sum of money which effectively props up harmful greenhouse gas emissions. Moreover, it is a sum that could be spent on areas such as R&D. The OECD and IEA, following up a 2009 commitment by the G20 to phase out wasteful and harmful energy subsidies, note that fossil fuel support often fails to meet its intended objectives: alleviating energy poverty or promoting economic development, and instead encourages inefficiency and creates energy price volatility by blurring market signals. Furthermore, reforming these subsidies will encourage investment in renewable energies and improve their competitiveness.

See www.oecd.org/iea-oecd-ffss

Soundbites

Under control...not.

"Frankly, banks have done a very poor job of explaining how we contribute to society."

Bob Diamond, chief of Barclays PLC, quoted in *The Times*, 4 November 2011

"The world isn't up to global coordination".

Defiant headline, *Wall Street Journal*, 13 September 2011

"It [the financial market] does know what to do, it knows to go up for three days and go down for three days....we're probably due a bit of bearishness by about Friday of this week."

Alpesh Patel, founder of Praefinium Partners, on BBC Today Business news, 28 September 2011

"What we need is a really strong steer from policymakers that they have got a strategy. But there is a feeling that none of our policymakers seem to have control of the situation."

Karen Ward, Senior Global Economist, HSBC, 11 August 2011, BBC news.

Economy

The OECD's latest **leading indicators** continue to point to a slowdown in economic activity in most OECD countries and major non-member economies. The indicators, which include order books, building permits and long term interest rates, fell by 0.5 points in August, the fifth consecutive monthly decline.

Meanwhile, **GDP** in the OECD area slowed to 0.2% in the second quarter of 2011, from 0.3% in the previous quarter. This is the fourth consecutive quarter of slower growth, and was particularly marked in the euro area and the EU, where growth came to 0.2% down from 0.8% in the previous quarter. Gross fixed investment added 0.2 percentage points to overall growth, while the contribution from private consumption continued to slow. In fact, in France, Germany and the UK, the slowdown in consumer spending removed 0.4% from overall GDP growth.

Consumer price inflation in the OECD area rose by 3.3% in the year to September 2011, compared with 3.2% in the year to August, the highest rate since October 2008. Energy prices increased by 14.2% while food prices rose by 4.2%, down from 4.6% in the year to August. Excluding food and energy, the annual inflation rate stood at 1.9%, compared with 1.8% in August. In the UK, inflation surged to 5.2%, up from 4.5% the previous month.

The OECD area **unemployment** rate was steady at 8.2% in July 2011, unchanged for the fifth consecutive month. The euro area unemployment rate was also unchanged at 10% for the second consecutive month and has hovered around this level since December 2010. Around 44.5 million people were

Country roundup

Argentina has joined the OECD system for the Mutual Acceptance of Data (MAD) in the Assessment of Chemicals. Through MAD, Argentina's non-clinical safety data related to the protection of human health and the environment must be accepted by OECD and other adhering countries. Other non-OECD countries which take part in MAD include Brazil, India and South Africa, while Malaysia and Thailand are provisional adherents. See www.oecd.org/ehs

©Ueslei Marcelino/REUTERS

President Dilma Rousseff of Brazil

The **Brazilian economy** has weathered the global economic crisis, but needs to introduce further reforms to boost its long-term growth, spur investment and further reduce poverty, the OECD's latest Economic Survey of Brazil says. Unprecedented progress has been made on social goals including poverty reduction and inequality, the report notes, but warned about slowing growth and high inflation in the years to come.

A separate report, *The OECD Integrity Review of Brazil*, praises the progress made in recent years to stamp out misconduct among public workers, but underlines the need to keep up the work. In particular, co-ordination among public bodies must be improved to prevent waste, fraud and corruption in the public administration. See www.oecd.org/brazil and www.oecd.org/gov/ethics

Korea is making good progress on tackling foreign bribery, notably in intelligence gathering, the OECD Working Group on Bribery has reported. The report emphasised, however, that more work needs to be done in investigating cases and ensuring that sanctions are effective. See www.oecd.org/korea

Tough challenges remain for the economy in **Ireland** following a deep recession and banking crisis, but its long-term prospects now appear better than many of the other hard hit European countries, according to the OECD's latest Economic Survey.

Switzerland's health system is one of the best in the world, but it faces a difficult task of keeping costs manageable while dealing with rising rates of cancer, heart disease and diabetes, says a report from the OECD and World Health Organization.

Visit the newsroom at www.oecd.org/media

Making more aid better

Development aid has more than trebled in the past 50 years from $37 billion in 1960 to $128 billion last year. But how effective is it? Poor co-ordination and unpredictable aid flows can waste efforts to eradicate poverty. A new survey of 78 countries and territories gives both donor and recipient countries scores based on their management of aid. Rwanda and Tanzania, for instance, are given A ratings for their own national development strategies, while Chad and Nepal have backtracked to D ratings. The survey applauds Canada, the UK, Norway and Ireland for eliminating tied aid, which can increase assistance project costs by 20-30%. Efficiency is key, the survey says, pointing to the US, France and Japan which made several hundred missions in 2010, spending money that could have been targeted on real development projects.

See www.oecd.org/dac/effectiveness

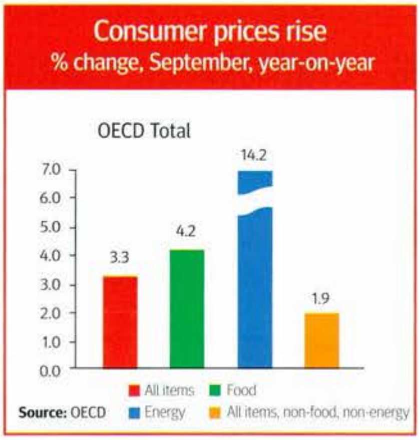
"How's Life?" launched

A new OECD report, *How's Life?*, offering a comprehensive picture of what makes up people's lives in 40 countries worldwide, was launched in October. It is part of the OECD's ongoing effort to devise new measures for assessing well-being that go beyond GDP. For more, see page 42.

unemployed across the OECD area in July 2011, down 2 million from July 2010 but still 11.4 million higher than in July 2008.

Trade growth slowed across major economies in the second quarter of 2011. Total goods imports of G7 and BRICS countries grew by only 1.1% in the second quarter compared to 10.1% in the previous quarter. Total goods exports slowed to 1.9%, down from 7.7% in the previous quarter.

See www.oecd.org/statistics



Plus ça change...

The dangers of radiation are by now well known, although it is still not possible to predict exactly certain long-term effects (especially genetic effects) of over-exposure. Very strict safety and protection measures have therefore been adopted. But atomic risks know no frontiers.

"The work for nuclear safety in Europe", in issue No 4 June 1963

Unfinished business: Investing in youth employment

John P. Martin, Director, OECD Directorate for Employment, Labour and Social Affairs

© Luke MacGregor/Reuters

The economic outlook has weakened significantly over the past six months, which is not good news for employment or the prospects of those looking for work. But action targeted on youth and the long-term unemployed can, and must, be taken.

Can anything be done in today's hard times to get people back to work? Even prior to the latest economic slowdown, job creation during the recovery was anaemic in some major OECD countries, notably the United States and Japan. As a result, the OECD unemployment rate had by September 2011 only fallen by 0.6% from its Great Recession high of 8.8% in October 2009. Thus, there were still 44.8 million unemployed people in the OECD area in September 2011, some 13.7 million more than before the crisis.

At the same time, a striking feature of the ongoing jobs crisis has been the large diversity in terms of labour market performance. At one extreme, seven OECD countries–Australia, Austria, Japan, Korea, Luxembourg, Norway and Switzerland–have all maintained unemployment rates in the 3.5-5.5% range; at the other end of the scale, seven countries still had double-digit unemployment rates in September 2011, these being Estonia, Greece, Hungary, Ireland, Portugal, the Slovak Republic and Spain. The US unemployment rate remained stubbornly high at over 9%. The weak economic outlook is a major concern for all, but particularly the latter group of countries.

In those countries where unemployment has increased significantly, the main losers have been youth, temporary workers and the long-term unemployed, meaning those out of work for a year or more. Prolonged spells of unemployment are damaging as they increase the risk of skill depreciation and a loss of self-worth and motivation. Long-term unemployment is also associated with higher risks of poverty, marginalisation, ill health and school failure for the children of the affected workers.

Promoting job-rich economic growth is not easy, but it must be central to any recovery strategy. However, it is not sufficient for tackling the legacy of lost opportunities that occurred prior to the crisis when stronger economic conditions failed to reduce inequalities in both income and access to well-paid and productive jobs. Indeed, as shown in OECD's forthcoming sequel to its 2008 report on *Growing Unequal?*, some of these inequalities have deepened further (see references).

In particular, more needs to be done to achieve lasting improvements in the labour market outcomes for young people who have been hit disproportionately hard by the recession. In the third quarter of 2011, the unemployment rate for young people aged 15 to 24 was 17.2% in the OECD area compared with 7% for adults, aged 25 and over.

NEET challenge

But these data paint only part of the picture of the difficulties young people now face.

More generally, youth who are neither in employment nor in education or training–the so-called NEET generation–are at high risk of marginalisation and exclusion from the labour market, especially the longer they remain outside the world of work. In the first quarter of 2011, this group accounted for 12.2% of all youth aged 15-24 in the 30 OECD countries for which data are available, up from 10.7% in the first quarter of 2008. This represents 22.3 million young people, 14.2 million of whom were inactive and not studying, and 8.1 million of whom were unemployed.

In the context of a weak jobs recovery, a significant and growing proportion of youth, even among those who would have found jobs in good times, are at high risk of prolonged unemployment or inactivity, with potentially negative consequences for their entire careers and livelihoods. These so-called "scarring effects" include constant difficulty finding employment and persistently lower pay than their peers. Moreover, young people leaving school in the years ahead are more likely to struggle to find work than previous generations.

The labour market challenges facing young people are nothing new and have been a preoccupation of governments for many years. Indeed, youth issues have been a recurring theme of the OECD's reflections on employment policy over the past 50 years.

We know from this body of work that there are no quick fixes for ensuring that all young people can get off to a good start in the labour market. And while some countries are doing a better job than others, they all face the same kinds of pressures. But we also know that while stronger job creation is a key part of the solution, it will not help all youth unless it is accompanied by other measures. The OECD's report in 2010, *Off to a Good Start? Jobs for Youth*, which summarised the key lessons from 16 country reviews, has highlighted a wealth of good practices to help youth to get a first foothold on the career ladder.

Essentially, a two-pronged approach is required, on the one hand, to tackle the underlying structural barriers that stop youth from getting a firmer foothold in the labour market and, on the other hand, to address the crisis-driven rise in the number of youth who are not in work or in school.

The first set of policies is about giving all young people a better start in the labour market. To start with, "preventive" measures must be taken to improve early childhood education and care, particularly for children from low-income families and disadvantaged backgrounds. To be fully effective, these measures need to be sustained throughout the period of compulsory schooling. This, in turn, will help minimise school drop-outs.

Job-search assistance programmes have been found to be cost-effective

However, these measures need to be reinforced by efforts to achieve a better match between the skills young people acquire at school and those needed in the labour market. A considerable proportion of young workers are over-qualified for their jobs, although this proportion tends to decline with age. To reduce the skills mismatch, education systems need to be more responsive to changing skill needs and to increase the options available, for example by offering more vocational courses.

Finally, barriers to youth employment also need to be removed. In particular, overly-strict regulations on permanent employment contracts can prevent entry-level jobs from acting as a stepping stone to more stable careers, and become dead ends instead. Also, if minimum wages are set too high, they can act as a disincentive for employers hiring inexperienced and low-skilled young people.

The second line of policy action, that of tackling the rise in youth joblessness since the start of the crisis, is rendered more difficult by the fact that the crisis compels financially-stretched governments to give priority to cost-effective interventions. That means focusing on the most disadvantaged groups, including the long-term unemployed and others at risk of exclusion. Job-search assistance programmes have been found to be the most cost-effective early intervention for young people who are considered ready to work. Temporary extensions of the social safety net can also prevent poverty among unemployed youth. As some countries have shown, wage subsidies can be used to encourage employers to hire low-skilled unemployed youth. However, in order to minimise the subsidiation of hirings that would have taken place anyway, these subsidies must be carefully targeted, for example on small and medium-size enterprises or on apprenticeship contracts. There may also be scope to expand opportunities for "study and work" programmes to improve skills and job prospects.

Finally, more intensive, remedial assistance should be targeted on those youth at greatest risk of social exclusion. While back-to-the-classroom strategies might prove counterproductive for them, training programmes taught outside traditional schools, combined with regular exposure to work experience and adult mentoring, are often better strategies for these disconnected young people.

In short, investing in youth and giving them a better start in the world of work must be a priority for policymakers. Otherwise, the hardcore group of youth who are left behind will grow, meaning more young people facing poor employment and earnings prospects, with more difficult policy challenges as a result. In a context of ageing populations, as well as today's unusually tough financial environment, OECD economies and societies simply cannot afford the large economic and social costs that such an outcome would entail.

References

OECD (2011), *Divided We Stand: Why Inequalities Keep Growing*, Paris.

OECD (2011), *OECD Employment Outlook 2011*, Paris.

More articles by John P. Martin available at www.oecdobserver.org
See www.oecd.org/employment

House prices: Which way now?

Financial market failures were a major cause of the economic crisis, but property markets, particularly for housing, have had a leading part to play too.

From the subprime debacle in the US to the bursting of unprecedented real estate bubbles in Ireland, Spain and Greece, among others, the overheating and collapse of property markets not only hurt savings and investments, but was felt throughout entire economies, affecting construction, employment, lending, spending and more.

Generally speaking, real house prices had started to peak in the vast majority of OECD countries prior to the financial crisis. But a striking development has been the rebound in real house prices in some (but not all) OECD countries since then. In Canada and Australia, for instance, as well as in Belgium, Finland, France, Norway, Sweden and Switzerland, prices have firmed up, in part thanks to substantial easing of monetary policies (with record low interest rates).

Also, within countries, some prime city markets such as Paris and London have seen large rises in prices as investors fled less attractive property markets, and as stock markets became more volatile. However, developments have been far from positive elsewhere. Outside London, the UK market has barely seen any recovery at all, while in Denmark, Korea and New Zealand, property prices remain modest at best.

Meanwhile, the slide in real house prices continues unabated in Greece, Ireland, Italy, the Netherlands, Spain and the United States.

Germany and Japan are the outliers, as they are still working off their housing bubbles from the early 1990s. However, there are signs of bottoming out in Germany, while in Japan real house prices may finally trough in 2011 or 2012.

For policymakers, spotting such turning points in property markets is important and to help them, OECD economists use what are called probit models, which compute the probability of peaks and troughs. The predictions are based on developments in basic indicators such as interest rates, the supply of new housing and the business cycle, not to mention the pace of house price changes observed in recent quarters.

These probit exercises sketch a rather bleak near-term future for real house prices generally. For the countries where real house prices have seen an upswing, peaks are predicted to occur before the end of 2012. This does not necessarily point to a "bubble" in these countries, but it does spell a likely turning point.

Property markets in most of the countries where house prices have been falling–Denmark, Italy, Korea, the Netherlands, New Zealand and the UK–will remain volatile. However, the US, Greece, Ireland and Spain could see troughs in 2011 or 2012, though for the latter three this assumes a resolution is found to the current sovereign debt crisis, resulting in a narrowing of interest rate spreads with Germany.

As with any market, making predictions about house prices is always surrounded by uncertainty. There may be estimation errors and problems with the variables chosen in the model. Even so, it seems likely that most countries now showing upswings in real house prices will see their housing cycle turn downwards in 2012, while declining property markets in most countries that are currently experiencing downturns are not expected to bottom out.

Rousová, L. and P. van den Noord (2011), "Predicting Peaks and Troughs in Real House Prices", OECD Economics Department Working Papers, No 882, Paris.

Fragile bricks and mortar
House prices, % annual rate of change

	2009	2010	Q1 2011*
Australia	1.7	10.1	-2.6
Belgium	0.1	2.9	2.7
Canada	4.1	5.4	5.0
Denmark	-13.2	-0.1	-0.5
Finland	-1.9	6.6	1.4
France	-6.6	5.1	7.2
Germany	0.5	0.4	0.4
Greece	-5.3	-8.7	-9.5
Ireland	-14.7	-11.0	-11.5
Israel	11.0	14.3	10.2
Italy	-3.7	-3.5	-3.3
Japan	-1.7	-2.2	-2.2
Korea	-2.3	-0.2	-1.0
Netherlands	-2.8	-3.4	-3.7
New Zealand	-3.9	0.7	-4.5
Norway	-0.6	6.2	8.1
Spain	-7.7	-6.2	-9.2
Sweden	-0.3	6.4	0.4
Switzerland	5.6	4.5	4.2
UK	-9.1	3.0	-4.7
US	-4.7	-5.1	-4.6

*Latest quarter, see source for complete table
Source: OECD (2011), *OECD Economic Outlook No 89* StatLink http://dx.doi.org/10.1787/888932434143

Mergers soar

OECD economies are in the doldrums, but the trend in global mergers and acquisitions has rarely been more buoyant. International M&A investment in 2011 reached $822 billion as at 21 October. If this pace can be sustained, international M&A will top $1,000 billion by the end of the year, a 32% increase over 2010 (see chart).

That would match the third highest level ever reached in 2006. Even if M&A activity were to come to a stop in Q4, 2011 levels will still be 7% higher than those reached in 2010.

M&As can be a sign of rude business health, but in the current weak international environment, higher activity reflects stressed businesses with sagging stock valuations being gobbled up by healthier firms eager to strengthen their market positions. Finance is a case in point, and in 2011, the financial sector has dominated international M&A deals, even though the pace was well down on 2010 when finance accounted for 28% of all international M&A.

The current high level of merger activity may also reflect a hunt by capital for relatively high demand sectors. Little surprise therefore that, for a second year running, the oil and gas sector was the second most active sector for M&As, with healthcare in third. Both sectors account for 10% of total international M&A.

Mining and the utilities and energy sectors have both shown strong growth too. International M&A deals in mining are up 67%, from $34 billion in 2010 to $57 billion in 2011; at time of writing there were over two months remaining in the year. International investment in the utilities and energy sectors more than doubled in 2011, growing from $23 billion in 2010 to $50 billion in 2011.

Emerging markets are another factor that has been driving the upward trend. Most international investment still originates in either North America or Western Europe, but the emerging markets have become important players.

Source: Data provided by Dealogic, OECD calculations

*Estimated

China (including Hong Kong, China) in particular became the fourth largest source of international M&A in 2011, with 7% of the world total. In 2010 it ranked second with 10%.

Less than 3% of international M&A originated in China as recently as 2007, underlying just how fast China has shot up. China accounts for a third of international M&A from emerging economies, which accounted for 20% of the global total in 2011.

The US and the UK are still the top destinations for international M&A, followed by China, Italy, and France, each with 6% of the world total. Brazil received $44 billion in international M&A, making it the 6th most popular target, while India received $21 billion (12th place) and Russia $18 billion (16th place). As a group, the emerging and developing economies received $182 billion in M&A investment, 22% of the global total in 2011.
Amid all this M&A activity, policymakers may well wonder if M&As do any good. Some major companies today expanded in part through M&As, such as EasyJet in Europe. Such mergers work by bringing new capital and management to firms, and helping them expand. But critics say mergers can destroy value and undermine competition by diminishing market choice, which is why regulators must watch them carefully. M&As are sometimes followed by downsizing, which can make for a tense social climate. While many mergers last, others flop, and sometimes famously, as witness the Time Warner tie up with AOL in 2000 which ended in December 2009.

For further reading on this topic: www.oecd.org/daf/investment or contact Michael.Gestrin@oecd.org

Are the "commons" a metaphor of our times?

Jesús Antón, OECD Trade and Agriculture Directorate, and **Jeff Dayton-Johnson,** Monterey Institute of International Studies*

Nobel laureate for Economics, Elinor Ostrom, spoke at the OECD in June. At a time when new models are needed, could her ideas on common resources and governance offer guidance?

The late Argentinian writer Jorge Luis Borges wrote that "Perhaps universal history is the story of a handful of metaphors". By that standard, Elinor Ostrom's contribution has been huge, for over the years she has been responsible for a new and powerful metaphor–that of the local commons and their economic governance–which underpins so much global public policy debate.

Markets and state-managed institutions are not always well suited to managing common-pool resources, such as water catchments, river fisheries or nearby pasture lands. Resources have to be managed sustainably over time, and market prices and government rules might not be able to deliver the most effective solutions. Elinor Ostrom's research shows that local governance of such resources can work. These are based on home-grown institutions, and they arise to fill the gaps left by markets and local or national states.

But as Ms Ostrom argues, the commons metaphor can be applied beyond the local management of natural resources. Indeed, the governance of more complex social systems shares features of the local fishery, with co-operation, trust and social relationships being important. Indeed, major global challenges such as how to manage climate change could benefit from the metaphor. After all, they involve ordinary people as stakeholders and in any case, markets and governments have struggled to resolve these socially critical issues on their own. A fresh look at the boundaries between markets, government policies and collective action would be beneficial. Ms Ostrom stressed that good governance solutions often require what she terms a "polycentric approach" that cleverly combines different institutional layers, from community norms to municipal regulations and national laws.

Elinor Ostrom's work focuses on what is termed "common-pool resources". In 1968 Garrett Hardin's book, *The Tragedy of the Commons,* warned that mankind's shared resource pool was being irreparably depleted, and that people (and countries) faced a tragic finality. For Ms Ostrom, resource users are not hostage to this scenario, since rather than over-exploit the common-pool resource, individual resource users can collectively organise

> Natural resources are not hostage to a tragic finality

themselves with informal rules, monitoring and enforcement. Lobster fishermen in the US state of Maine use simple signals like bows tied around lobster traps and different degrees of social pressure, to monitor their collective behaviour and protect rights. Market-based private property rights or government ownership frequently fail to assure these rights.

Nevertheless, good policy can help the commons approach do its job effectively. The commons metaphor, whether for villagers managing a local forest or a group of nations seeking to mitigate climate change, can be made to work if the institutional and legal space is created that enables local organisation and monitoring to take place. Ostrom analyses how different levels of governance, including market signals, public policies and collective action, can reinforce each other in complex polycentric social systems. Local self-monitoring institutions may in some cases work most efficiently in the management of forests, for instance, since conventional enforcement systems, such as private property rights, are just too difficult for central authorities to monitor reliably. But for this local approach to take effect, it needs legal back-up, and to be given the capacity to take decisions on, say, how best to manage a rise in output in response to a sudden jump in demand.

During Ms Ostrom's OECD seminar, the metaphorical similarity of the local commons to global policy areas was illustrated. This included risk management, the governance of climate change, trade negotiations, development assistance and high-seas fisheries.

The difference is that, whereas local forest users often cannot rely on the state to govern the use of their resources in their interest simply because it is too remote, in the case of global commons problems, the interacting resource users are the states themselves, this time with supranational governments being non-existent.

In these situations, governments can take a lead by helping to build trust, and can craft institutions such as international agreements for monitoring, creating incentives and imposing sanctions.

© Chris Meyer, Indiana University

Elinor Ostrom

The precise common-pool resources approach will largely depend on who is involved, the history of the problem at hand, and the degree of trust the protagonists have already established.

Some participants at the Ostrom seminar pointed out similarities with this and the core business of the OECD–that of bringing policymakers and stakeholders together to devise (and tailor) policies to solve various shared problems and build a working sense of trust, notably through its many public consultations and global forums.

Ms Ostrom believes that institutions such as the OECD have the potential to develop this aspect further and to help people better manage common pool resources and avoid overly rapid exploitation. However, her experience also shows that not all initiatives succeed, with some groups failing to stop over-exploitation, and others breaking down altogether. Ms Ostrom compares the fate of a fishing village called Kino Bay in the Gulf of California, Mexico, whose failure to self-organise led to over-exploitation, with that of nearby Seri village of Punta Chueca which, thanks to local leadership and public trust, developed a common property regime to manage its fisheries sustainably. The story shows that those that have managed to endure and maintain co-operation and conservation adapt more easily to changes, and develop a high level of resilience in dealing with shocks.

Ms Ostrom's views and ideas have re-emerged at a timely moment, given current global uncertainties and the crisis which affects us all. As the OECD warned when the crisis began, business-as-usual is not an option in building a stronger, cleaner and fairer world. Finding policies based on common-pool resources could well be part of the solution.

*Jeff Dayton-Johnson, formerly of the OECD Development Centre, is associate professor of International Trade and Development at the Graduate School of International Policy and Management, Monterey Institute of International Studies, California.

References

Borges, Jorge Luis (1952), "La esfera de Pascal" in *Otras Inquisiciones*.

Love, Patrick (2011), "A lesson in resources management from Elinor Ostrom", 1 July 2011, OECD Insights blog, www.oecdinsights.org


4-week free trial offer
International Herald Tribune

Shock proof?

©REUTERS/Mainichi Shimbun

Managing risk could absorb more policy time around the world in the 21st century. How can policymakers be prepared?

In July 2010, Russia was in the throes of its most severe heat wave in 130 years. The resulting drought unleashed hundreds of tenacious wildfires that raged across 120,000 square kilometres of forest and farmland, killing 34 people. The flames consumed enormous swathes of wheat fields, and grain prices climbed by almost 20%. To head off a shortage, the Russian government banned grain exports, and other countries, fearing a repeat of the 2008 food crisis, began hoarding wheat. Speculating that prices would climb even higher, less scrupulous farmers in Russia went so far as to revoke pre-paid contracts.

Agriculture was not the only casualty of Russia's wildfires. Several Russian automakers, including the state-owned AvtoVAZ OAO, stopped production and sent employees on enforced summer holidays. The crisis might have ended there, except that the high price of wheat, buoyed by floods in Australia and fierce winters in the US, are now thought by some to have fanned the revolutions in Egypt and Tunisia. In the jasmine, there was a scent of the burning taiga.

In short, Russia's wildfires were a "global shock". Barrie Stevens, co-author of a recent OECD report on global shocks, defines them as "major rapid-onset events with severely disruptive consequences that cover at least two continents". In little over a decade, events like the terrorist attacks on the World Trade Centre, the H1N1 pandemic, tsunamis and earthquakes in Indonesia, New Zealand and Japan–not to mention the revolutions in the Middle East and North Africa–have reverberated around the world with a speed and power surpassing all attempts to contain them. Mr Stevens says we should be prepared for more shocks in the future.

> Global shocks do not give society time to adjust

Global shocks by definition do not give society time to adjust. The unprecedented degree of interdependence in today's world makes it harder both to foresee their consequences and identify their sources. Factors along the way may amplify their impact. In North Africa, the frustration of young people faced with high unemployment and political repression was amplified through their use of social networking sites to organise demonstrations. In the financial crisis, technological and market interconnectivity has meant that a negative rumour about debt levels in one relatively small country can lead to share prices collapsing worldwide.

The OECD, through its Futures Programme, conducted case studies of five types of events: financial crises, pandemics, cyber risks, social unrest and geomagnetic storms. The programme also identified five catalysts of global shocks.

The first is the trend towards concentration, whether of people, information or infrastructures. "The growing concentration of assets and populations perhaps increases vulnerability," says Mr Stevens. Urban populations are growing. By 2025 there will be 40 megacities, 17 with populations exceeding 10 million. Dense populations place more people at risk in a natural disaster and enable certain diseases to spread rapidly. The same is true of transport. The bulk of international cargo is handled by only four air freight carriers organised around hubs in the US, Europe and Pacific Asia. The plume of ash spewed by an Icelandic volcano in 2010 paralysed air traffic across northern Europe.

Or take electricity. Tighter integration of cross-border transmission of electricity in the EU, US and Canada has increased the distance over which electricity is transmitted; longer transmission lines act as antennas during geomagnetic storms, raising the risk of major power outages. The 2003 blackout in the US caused certain retail banking operations to shut down for two days, endangered medical and emergency systems and transport of just-in-time delivery of food supplies.

Heightened mobility opens another risk. Again, this is not only in terms of people–migration, international tourism and business travel–but of goods and capital flows. The global financial contraction provoked the sharpest decline in trade since the beginning of World War II, but countries still managed to export over US$12 trillion worth of goods and $3 trillion of services in 2009. In fact, export growth has steadily outstripped production since the 1980s, facilitated by the growth of the Internet.

Heightened mobility means not just how far information can travel, but how fast. The use of supercomputers in high-frequency trading, in which hundreds of securities can be bought and sold within seconds, precipitated the "flash crash" of 6 May 2010. Traders' stomachs were in their mouths when the Dow Jones Industrial Average plunged 7% in 15 minutes. High-frequency trading accounts for nearly two-thirds of US equities traded, and as much as a third in the UK.

Faced with such complexity, can anything be done to anticipate future global shocks? The modelling of complex systems offers some lessons. A system is "complex" when it exhibits characteristics that cannot be deduced from the observation of its parts. It would be unwise, for example, to judge whether a dog was docile or vicious merely by studying its anatomy.

Agent-based models (ABMs) are among the best tools available to anticipate the conditions that give rise to global shocks. With ABMs, risk managers run thousands of simulations to determine how a change of behaviour in its "agents" (say, people taking part in a street demonstration) affects the outcome. Demonstrators may be there for different reasons: to protest high unemployment, or the high cost of education, or even for the chance to smash shop windows. Whatever emerges from their collective action could never have been predicted from their individual behaviours.

The study of complex systems is often aided by the use of various maps. Besides physical maps (topological, demographic, etc.), useful in natural disasters, there are "conceptual maps" depicting less tangible systems, such as patterns of human interaction. An example would be the Internet, where user behaviour displays a characteristic called a "power-law distribution". This means that users do not surf the whole of the net as is commonly thought, but cluster around a few sites, such as Google, Facebook or the BBC, and around a few personal favourite pages on those sites. Finally, "process" or "organisational" maps are used to visualise hierarchies, chains of decision-making and domino effects.

Stress tests should be applied to all systems, not only the banking sector

Of course, modelling is still a mathematical simplification of reality and is only as reliable as the data fed into it. One of the biggest hurdles to anticipating global shocks is that information lags behind technological capability. Advances in technology can also raise new barriers. The sophistication of models and maps can make governments and corporations nervous, as it exposes them to scrutiny. In some cases, uneasiness is justified. Much critical infrastructure is today in the hands of the private sector. While sharing data on those infrastructures is necessary to reduce their vulnerability, if information falls in the wrong hands it could be put toward nefarious purposes.

So co-operation is crucial. Withholding information could propagate a global shock. In a recent stress test of European banks, a simulation was run of a double-dip recession and stock market crash to assess banks' resilience to a financial cataclysm worse than the collapse of Lehman Brothers in 2008. Despite current anxieties over sovereign default, many banks failed to disclose their full holdings of government debt.

Stress tests should be applied to all systems, not only the banking sector. Policymakers should also pay heed to redundancy, making sure that critical infrastructures such as water, electricity, telecommunications, etc., have adequate back-up systems. Mr Stevens points out that since the Fukushima nuclear disaster, the Japanese government has ordered severe cutbacks to energy consumption, and this has taken a toll on output. Sufficient back-up systems are necessary to keep the country running, but redundancy is expensive.

"Governments and the private sector should put more into monitoring and surveillance," says Mr Stevens. To anticipate future global shocks, risk managers should create databases of vulnerable "hubs", estimate the costs of disruption and consider how steps to prevent or buffer shocks increase risks elsewhere. This information should be shared under secured conditions among governments and operators of critical infrastructure. As for the Cassandras of the world, they should be reminded that global shocks are not necessarily bad; they stimulate creativity, leading to solutions that could avert future crises.

For more on future risks, contact Barrie.Stevens@oecd.org

References

OECD (2011), Future Global Shocks: Improving Risk Governance, OECD International Futures Programme, Paris. See also www.oecd.org/futures

Clarke, R (2002), "Risky future", in *OECD Observer* No 235, December.

Tweeting on your taxes

Social media is being exploited by advertisers, politicians and headhunters. Government tax offices are also weighing in.

Have you ever followed a tax official on Twitter, or "liked" your tax office's Facebook page? From the US to New Zealand, tax authorities are raising their social media profiles by providing advice on filling out tax forms, sharing information on budget changes, promoting e-tax forms and, of course, with reminders of payment deadlines. E-government is not new, and many governments already have an interactive web page for filing and querying tax returns. However, interacting via social media brings additional benefits, the OECD believes.

Social media technologies and tax administration, a report by the OECD Centre for Tax Policy, describes the inherent advantages and risks of delving into web 2.0. The advantages appear straightforward: virtually free online word-of-mouth marketing, and a forum for explaining tax policy and tax forms; social media puts a personality behind the paperwork, and even facilitates recruitment for product-testing and jobs. The disadvantages seem to be few, with even set-up costs being relatively low and contained.

Several countries have jumped on the bandwagon, and it is time other countries joined them, the report suggests, especially if they start small, monitor, evaluate and build. There are plenty of good examples to follow.

The US Internal Revenue Service, for instance, has reached out to taxpayers with some 120 videos on YouTube, and one of them, "Recovery: Education Credits–Parents", got over 25,000 views. The Australian Taxation Office, ATO, uses Twitter to gauge real-time community attitudes to ATO initiatives and policies. The Canada Revenue Agency, CRA, used webinars to provide information for the transition of its Harmonised Sales Tax, and these proved so useful to accounting firms that they were reposted for use during year-end returns.

New Zealand Inland Revenue uses Facebook as a public forum to solicit feedback on policy, reporting that "around 10% of submitters made iterative comments, their comments built on ideas raised by earlier submitters", interaction which was not possible through traditional channels. They are also using Facebook and Twitter to post tax-related messages to Christchurch earthquake-affected customers.

Does social media really make users feel more connected with and trustful of tax officials? In an ideal world, yes. As in the non-virtual world, though, no one likes to be too forthcoming with the bureaucrat responsible for claiming a slice of their income. Transparency is after all a two-way mirror, as the *Wall Street Journal* reminded readers in a 2009 article, "Is 'Friending' in Your Future? Better Pay Your Taxes First". Some tax agencies can even search blogs and Facebook comments to detect or prove cases of tax evasion.

> M-government is also taking off

There are drawbacks for tax authorities as well. The Australian Taxation Office says that while observing community discussion allows them to be proactive in addressing issues before they arise, monitoring can be time-consuming. There is the inevitable uncensored criticism, and the agency finds it a challenge keeping their Facebook page interactive and engaging outside tax collection time. Furthermore, it is not yet clear whether the advice given via social media is legally binding.

On balance, however, the negative experiences reported to date by revenue bodies has, for the most part, been minimal and of relatively little consequence; much of what has been experienced can be linked to weaknesses in setups, challenges in resource availability, and negative feedback (some tax policy-related).

That said, taxation is one of the more useful forms of e-government, with social media used for filing taxes online, so saving money for taxpayers and agencies. The Danish revenue body, SKAT, reports, "every time we learn from users and make appropriate changes, we receive fewer calls to our call centre, thus reducing man-hours spent on the phones".

So-called m-government is also taking off, thanks to broader bandwidths and handy apps for smartphones and iPads. The US tax authority, the IRS has created IRS2Go, an app that lets users track the status of their refund, subscribe to e-mail updates, follow on Twitter and use a click-to-call to reach a help line. Your friendly taxman really is just a click away. *AB*

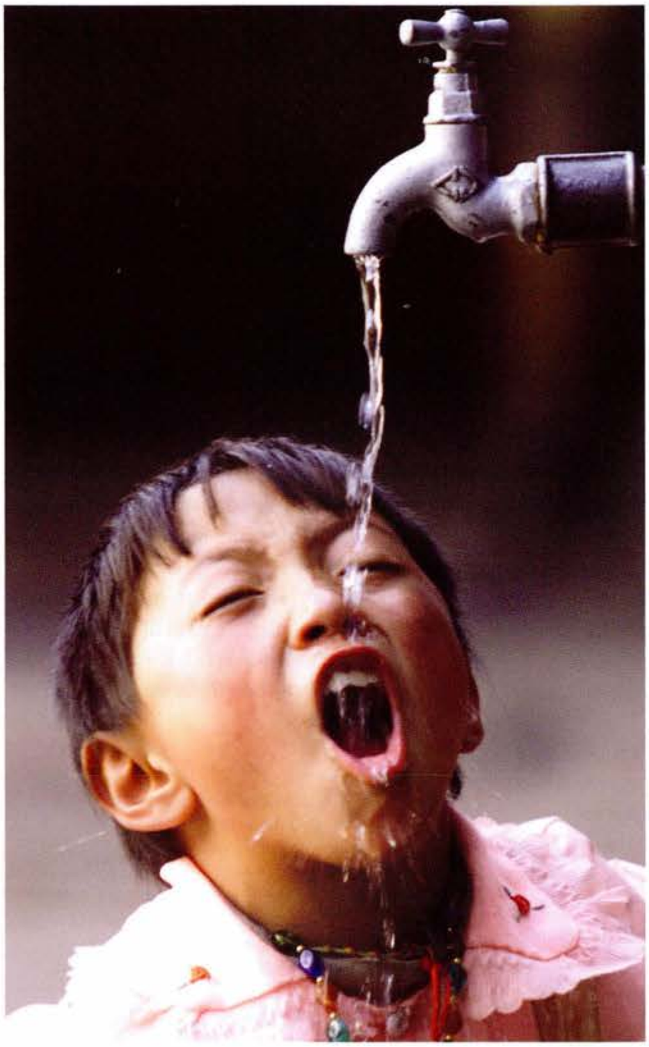
References

OECD (2011), "Social Media Technologies and Tax Administration" Forum on Tax Administration, Centre for Tax Policy and Administration, Paris.

Saunders, Laura (2009), "Is 'Friending' in Your Future? Better Pay Your Taxes First" in *Wall Street Journal*, 27 August 2009, see http://online.wsj.com/article/SB125132627009861985.html

See www.oecd.org/ctp/ta

Cool, clean water



"When you drink the water, remember the spring" as the Chinese proverb says. But how can we do that on a global scale? How can we make sure there is enough water available to grow our food, feed our livestock, play a role in our industrial processes, and of course slake our thirst and be available to wash us, our clothes and dishes?

Access to water is a problem many are now facing. Significant water scarcities already exist in some regions of the OECD and in many non-OECD countries and with a growing world population, it is projected that almost half of the world's population, or almost 4 billion people, will be living in areas with high water stress by 2030, mostly in non-OECD countries.

So what can we do about it? One answer is that if water is a precious resource, we need to place a proper value on it. Agriculture currently accounts for 70% of global water use, but in many OECD countries farmers' water costs are subsidised–this may lead them to be less concerned about wastage and efficient use of water than if they paid a more realistic price. World agriculture faces an enormous challenge over the next 40 years: to produce almost 50% more food up to 2030 and double production by 2050. With pressure from increasing urbanisation, industrialisation and climate change also rising, proper water management will be vital.

The same is true of domestic water use in developed countries. If unlimited supplies of water are available at the turn of a tap in your own home, how to be sure you think about how much water you are using? The answer is twofold: information and education, and cost. OECD studies have shown that when people are charged for the amount of water their household actually uses, rather than a flat fee, consumption falls by 20%. Simple measures from governments can help: being able to identify washing machines, and perhaps getting a tax break to buy them; knowing how much water you save by not leaving the tap running when brushing your teeth; only being able to buy and install dual-flush toilets. Part of the solution is education and information–people need to know they can make a difference.

And what of the billions in the developing world without easy access to a safe water supply, at risk of debilitating illness or even death through drinking unsafe water or contamination through untreated waste? Water infrastructure is expensive and can take years to install, but the rewards are great.

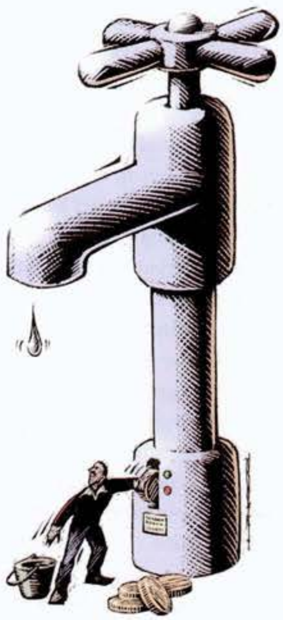
Take the city of Salvador in northeast Brazil, population 2.5 million. Bringing a sanitation and sewerage network to 90% of the city over a decade reduced diarrheal disease in children by 22%, and by almost half in previously highly-affected areas of the city.

Infrastructure is costly and time-consuming, but in the short-term, simple gestures can also help in the clean water stakes. Programmes exist to make water safe with additives, but millions are learning to rely on the power of the sun. The SODIS system, recommended as effective by the World Health Organization, requires only water, a clean plastic bottle and sunlight to destroy diarrheal-inducing bugs and make water safe to drink. And it is environmentally friendly.

In the developed world, meanwhile, existing infrastructure needs to be maintained and renewed, and water wastage needs to be reduced. The US will have to spend $23 billion over each of the next 20 years to maintain water infrastructure at levels which meet health and environmental standards. The UK and Japan will need to increase their water spending by 20 to 40% to cope with urgent rehabilitation and upgrading of their water infrastructure. *SK*

Visit www.oecd.org/water

Below the water line



Investing and managing water and sanitation is a complex challenge.

On 8 September 1854, London health authorities removed the handle of a water pump located at the juncture of Cambridge and Broad Streets. The well was famous in the city for the sweetness of its water, apparently used as an ingredient in a "celebrated nectar". This fact was all the more astonishing because the well was also responsible for the deaths, in less than a fortnight, of nearly 700 people. The cause of death was cholera. Dr John Snow, a British physician credited as one of the founders of epidemiology, identified the source of the fatal outbreak as the Broad Street pump. Further investigation revealed that faulty brickwork around a cesspool, which lay within a metre of the pump, had allowed infected water to seep into the surrounding soil and thence into the well. The water level in the cesspool was two and a half metres higher than that of the well. On Dr Snow's recommendations, authorities removed the pump handle.

The solution was simple, and in many cases, better drinking water and sanitation requires only the close scrutiny of authorities. But today, investment is rarely simple. Modern water use and sanitation systems are administratively and politically complex. Water is considered a human right, unlike electricity or telecommunications. Nor do people see water as an "infrastructure" like the mesh of power lines overhead. It is taken for granted, partly because the bulk of water infrastructure lies out of sight underground, which also makes it difficult and costly to maintain. Further complications arise from the fact that sanitation is often administered by a slew of ministries and departments rather than by a single agency, giving rise to potential conflicts of authority which can affect management and quality. Lastly, in the present economic climate, a dim view is taken of any proposal to make households or governments pay more.

> "Having a water tap does not necessarily mean having sustainable access to safe drinking water"

Sufficient funding is necessary to maintain or improve existing infrastructures and to ensure access to healthy drinking water. This holds true not only for developing countries but OECD and emerging market (chiefly BRIC) countries as well. Together, OECD and BRIC countries will have to spend between 0.35% and 1.2% of their GDP to maintain existing infrastructures. This currently amounts to US$576 billion per year, an outlay projected to rise to nearly $780 billion by 2015 and $1,035 billion by 2025.

Developing countries face different problems, the main one being access to clean water. The World Health Organization estimates that clean water and hygiene would reduce the global burden of disease by 10%, and generate revenue of up to $84 billion per year. Diarrheal diseases such as cholera kill 1.8 million people a year, 88% of whom are infected as a direct result of impure water, poor sanitation and hygiene. Improving the water supply and sanitation reduces morbidity by 58.5% and the simple act of washing hands reduces it by another 35%. Yet there is a caveat. "Having a water tap does not necessarily mean having sustainable access to safe drinking water," a recent OECD report warns. Cross-contamination, as the Broad Street pump example shows, can have grave consequences. Access must remain a priority, but without corresponding investments in sanitation, its provision may be a poisoned chalice.

Investors are already shy of the heavy initial outlay needed for water infrastructure. Economic uncertainty in developed countries and political instability in developing countries do nothing to embolden them. So where is the money to come from? A lot can be saved through efficiency. Leakage is a notorious problem, not only in developing countries, where up to 70% of water is lost through leaks, but in developed countries as well. Decrepit infrastructure built during the Victorian era was responsible for the 40% leakage rate in the London water network, prompting the economic regulator, Ofwat, to impose reduction targets. In other developed countries, leakage may be at similarly high levels.

Even with gains in efficiency, poorer countries will not reach the Millennium Development Goal of halving the proportion of people without access to clean drinking water by 2015. The United Nations estimates that hitting that target will require anything between $6.7 and $75 billion per year, increasing to between $33.5 and $375 billion by 2015. At current levels of financing, this target is out of range. Closing the financing gap means softening some long-held assumptions.

In 2009, the OECD recommended a combination of tariffs, taxes and transfers

of development aid and philanthropic donations as the surest way to close the funding gap. The steady stream of revenue from these sources would open the way for repayable finance in the form of loans, bonds and equity. This approach, known as "sustainable cost recovery", departs from the earlier concept of "full cost recovery", which held that tariffs alone were sufficient to recover costs. While largely true in OECD countries such as France, where tariffs account for 90% of financing, it is clearly not the case in developing countries.
In Mozambique, for example, tariffs cover only 30% of financing; in Egypt, a mere 10%. This is not surprising. Proponents of full cost recovery overlook the fact that water infrastructure in developed countries evolved over a period of 50 to 100 years and until recently was largely financed from public budgets. Until sound infrastructure is in place, and household affordability has improved, developing countries will have to rely on their public budget resources, on assistance and donations in addition to tariffs.

Setting tariffs offers a good example of the complexity of water issues, especially in countries where the provision of water is heavily subsidised. Subsidies are rightly meant to protect poor consumers.
However, there is little incentive to save water if those subsidies are overly generous and reduce the water price. Politicians may be loath to raise tariffs on a "public good" and "human right", but sustainable cost recovery cannot be realised unless a balance is struck between affordability and financial sustainability. The question is whether the criterion of affordability should apply to the population as a whole or only to the most vulnerable?

An example of a flawed approach to ensuring affordability is when water tariffs are subsidised across the board, as is the case in Egypt for example, where 90% of water utility revenue comes from tax payers' money. As a result, the rich, who are the largest per capita water consumers, receive a larger subsidy than the poor and pay a relatively small percentage of their income, while the poorest sections pay a larger share of theirs.

Governments could cushion this by compensating poorer households directly and by making it easier for those consumers, whose incomes are often irregular, to pay their bills: week by week, for instance, rather than quarterly.

While tariffs may cover cost for provision and maintenance, the hefty capital required to develop and to repair infrastructure generally comes from taxes in the form of government subsidised loans, grants and guarantees. With governments today scrambling for cash, these sources of revenue are being siphoned off, although some countries, such as China, Korea and the United States, specifically targeted the water sector in their economic stimulus packages. The crisis also makes it hard for both developed and developing countries to borrow at acceptable rates. The result may be "temporary" cuts in funding.

The OECD has tools to help policymakers achieve sustainable financing

For developing countries, the situation is brightening. In 2001, aid for water and sanitation began to rise sharply. Between 2002 and 2009, bilateral aid increased on average by 18% per year, with multilateral aid increasing by 10%. Official development assistance (ODA) is most effective when used to support public goods, such as wastewater treatment, improved access for the poor, and as leverage to attract private investment. Allocation for water and sanitation is a problem, however, with some countries receiving more ODA than they need, and spending it disproportionately on urban areas rather than water-stressed rural ones. Unfortunately, as donor countries shore up their finances, ODA is unlikely to see further increases any time soon.

The OECD has a range of tools to help policymakers achieve more sustainable financing of water and sanitation.
The strategic financial planning approach helps decision-makers to find the right mix of funding. This is supported by FEASIBLE, a computer-modelling programme that evaluates the discrepancy between the cost and the financial reality of proposed water and sanitation projects. Another tool is the OECD Checklist for Public Action, a set of 24 principles that guides policymakers in assessing their policy framework against the objective of attracting private sector investment and expertise in the water sector, which has now been used by Egypt, Russia, Lebanon and Mexico.

Water and sanitation have often suffered from the poor judgement of policymakers, who fail to look closely at the financial realities of the sector, whether because of idealism, political temerity or economic necessity. Beckoning investors requires the presentation of a realistic and balanced approach to financing. Like the water from the Broad Street pump, certain policies may sweeten the reality but only hands-on action will change it. *Lyndon Thompson*

For more on water management, contact Peter.Borkey@oecd.org or Celine.Kaufmann@oecd.org

References

Borkey, Peter, and Brendan Gillespie (2006), "Safe water: A quality conundrum", in *OECD Observer* No 254, March.

OECD (2011), *Meeting the Challenge of Financing Water and Sanitation: Tools and Approaches*, Paris.

WHO Water Sanitation: Hygiene Facts and Figures

See also www.oecdobserver.org/water

Lies and dam facts

Common sense and dealing with the right people would help unblock badly needed investment in water in developing countries. Mr Briscoe explains.

Interview with **John Briscoe**, Professor of Environmental Engineering, Harvard University

© Reuters/Stringer Shanghai

If America's great civil works such as the Hoover Dam, the Grand Coulee Dam or the Tennessee Valley Authority were proposed today, they would most likely remain ink on paper.

John Briscoe, a former senior advisor on water at the World Bank and now professor at Harvard, does not mince his words. The fault lies with economists, he says, who for 40 years have argued that the regional and other indirect impacts, which motivated such projects in the first place, should not be counted, and also with environmentalists, who oppose all such projects because of concerns about ecological damage.

Yet these works defined post-Depression America. They were the testaments of a visionary, resourceful nation. They were seen as astonishing feats of engineering and imagination. Developing countries admire and want to emulate them. The question is: should they and can they?

Mr Briscoe describes current planning in rich countries as "planning by constraints", an expression he borrows from the US Army Corps of Engineers. The imposition of this "post-wealth" approach on developing countries means that the only known road to prosperity is closed to many poor countries. With its army of academics, technocrats, NGOs and single-issue advocates, the developed world promises to help poorer countries, but only if they avoid the messiness of steel, concrete and any perceived ecological damage. Infrastructure, which once accounted for most World Bank investments, has fallen out of favour in recent decades. "In the last 15 years," says Mr Briscoe, "the World Bank has financed only two major dam projects." One of them was Bujagali in Uganda, which took over a decade to win approval. The other was the Nam Theun 2 plant in Laos, which underwent 14 reviews by independent panels before finally being approved.

> None of the emerging middle-income countries followed an MDG-type path, yet aid-dependent poor countries are obliged to comply

When it comes to water, rich and poor countries face different problems. Rich countries, says Mr Briscoe, have more water infrastructure than poor countries and have acquired a high degree of water security as a result. For example, the dams on the Colorado River can store up to 1,000 days worth of water compared to just 30 for the Indus. The word "infrastructure" need not evoke degraded habitats, displaced communities and rapacious multinationals. However, Mr Briscoe says that governments and aid agencies, driven by advocacy groups, have switched their focus from infrastructure to social ends. Those ends have been enshrined in the Millennium Development Goals.

Mr Briscoe calls the MDGs "the greatest setback for development in recent decades." The problem is not the goals themselves, he says, but that they put the "social cart" before the "horse of economic growth". The architects of the MDGs drew up a list of social goods: education, gender equality, reduction of child mortality, access to water and sanitation, etc., but nothing on transportation, energy and agriculture, the historic platforms for poverty-reducing growth. Nor do the MDGs even acknowledge the foundations on which every presently rich country built its economy. He cites hydropower as an example. Seventy percent of hydropower capacity has been exploited in OECD countries, compared to 3% in Africa. At no time in history, he says, has a nation lifted itself out of poverty without improving its productivity and infrastructure. Yet this is what poor nations are being told to do.

The MDGs were formulated by people Mr Briscoe calls the "anointed". They include academics, NGOs, single-issue advocates and those who bandy about the term "new paradigm" (meaning "never tested"). Yet it is striking, he says, that while none of the emerging middle-income countries have followed an MDG-type path, aid-dependent poor countries are obliged to comply.

While at the World Bank, Mr Briscoe advocated what he calls "principled pragmatism". This meant that he tended to heed the advice of practitioners over academics, take the concerns of politicians seriously, pursue projects where the chances of implementation were highest, and avoid making "the best the enemy of the good". He agrees that developing countries need both infrastructure and institutions, but dismisses the notion that major projects in infrastructure should only be undertaken after the adoption of reforms. "It has never been done that way," he says. "It has never been reform now, invest later."

For successful examples, Mr Briscoe points to emerging markets. "Middle-income countries, such as Brazil or China do not submit themselves to the strictures of aid agencies when it comes to large water projects." The wealth of these countries permits them to slip the bonds of "planning by constraints" imposed by aid agencies in return for funding. Poor countries are not so lucky.

Mr Briscoe's experience as World Bank country director in Brazil between 2005 and 2008 also taught him how international organisations such as the Bank and the OECD can best help these countries.

President Lula, he says, gave high priority to building two low environmental impact "run-of-the-river" hydropower projects in the Amazon, which would generate some 8,000 megawatts, closing a gulf between demand and supply. Mr Briscoe says the projects were supported by the governors and people of the region, but opposed by international environmental groups and celebrities. Brazil is lauded for its use of clean energy, largely because 80% of its electricity comes from hydropower. Even so, he says, it has tapped just a third of its hydroelectric potential, and most of this potential is in the Amazon.

The World Bank did not invest directly in the projects. In fact, Brazil did not need money. What the country did understand, according to Mr Briscoe, was that investment by the Bank would have meant jumping through endless hoops, and years of delays. On the other hand, Brazil made use of the Bank's expertise and reputation in dealing with complex sustainability issues and developing an open, competitive bidding process (transparent bidding cut costs by some 30%).

It was in Brazil that Mr Briscoe also learned how important it was to listen to politicians, and to allow them rather than the Bank's technocrats to set the priorities in programmes financed by the Bank. Most regional governors, he found, hoped to realise two or three important projects during their terms. "They had run for office and had a good sense of what was important for their people, and they would spend most of their political capital on these priorities". He asked them to state their priorities and worked from there. The result was that the interval between approving and breaking ground on a new project fell from 36 to 10 months. At the Bank however, "it was the cause of a house revolt among the technocrats, who liked to be on top, not on tap."

> The OECD should engage with the ones who get things done and enable people to live better lives

Another issue is "water as a human right", much discussed in the international arena, but virtually never, he says, where people are actually solving practical problems. Declaring water to be a human right may make one feel good but it does little to improve the lives of the poor. The greatest injustice, he argues, is not that the poor should pay a reasonable price for basic services, but that they are denied those services altogether.

All effective public and private mechanisms treat the poor as customers who pay for their services. Getting those services to the poor is the goal. Money is needed, but investors are wary. In the developed world, utilities are classic low-risk investments. This is not the case in the developing world. For the water business the period of return is long, the ratio of capital to revenues is high, and therefore cash flow for an investor will be negative for the first ten years, leaving investors vulnerable. The numbers are not encouraging: of private sector infrastructure contracts in emerging markets, 3% of contracts are cancelled in the telecoms industry, 8% in electricity. In the water sector, cancellations average 33%. Few investors can stomach such risk; and without such investments the poor remain at the end of the line, unserved.

Political stability and transparency will encourage investors, but helping countries to achieve prosperity and stability will not work if the "planning by constraints" model of rich countries is insisted upon. This is not to say that environmental concerns should be ignored. But what Mr Briscoe decries is the lack of historical perspective in developed countries, and "telling others to do what you never did and don't do". He is sceptical of technocrats whose "evidence-based" analyses often put their own priorities ahead of those of the national political and policy leaders who have a broader and more complex understanding of the needs of their own countries. "The OECD should engage more with thinking practitioners and effective politicians from both rich and poor countries," he says. "They are the ones who get things done and enable people to live better lives."

References

"Making Reform Happen in Water Policy: Reflections from a Practitioner", presentation by John Briscoe at the Global Forum on Environment: Making Water Reform Happen, Paris, 25-26 October 2011.

Delli Priscolli, Jerome (2011) "Interview with John Briscoe: Two decades at the center of world water policy", *Water Policy* no. 13, IWA Publishing.

EDF's hydropower plant, at the heart of water management

EDF generates nearly 10% of France's electricity from hydropower: each year its plants provide an average of 46 TWh, equivalent to the total annual consumption of the Ile-de-France region.

EDF's French hydropower production has made France the European Union's leading renewable energy producer and is helping to meet national and European targets whereby 23% of electricity must be sourced from renewable energy by 2020. Combined with nuclear energy, it plays a key role in enabling the EDF group to produce 95% of its electricity in France without CO_2 emissions, and to contribute significantly to the country's security.

EDF's hydropower generation system in metropolitan France includes more than 600 dams and close to 450 power plants of different sizes. Hydropower is currently the most competitive renewable energy, and thanks to its responsiveness, allows to address fluctuations in electricity demand.

Two main elements characterise the context in which EDF's hydropower production activity is carried out:

- Predominantly European regulation developments. The Water Framework Directive (WFD) is methodically implemented.
- Growing concerns regarding climate change which, together with the protection of biodiversity, are now a priority in environmental policies.

In both cases, discussions and decisions take place at European, even global, level while a frequent, important aspect of hydropower is a case-by-case, site-by-site approach, at a local level. This too is where the strongest relationships are formed with all stakeholders.

An active discussion with all stakeholders

EDF takes the view that they should:

- be beyond reproach with respect to their operations and compliance with all regulations;
- continue and expand their ability to listen to and to take into account the views of stakeholders, and find the best compromises in the management of water resources;
- promote hydropower, given its competitiveness and its flexibility, but also its contribution to reductions in the emission of greenhouse gases.

Concrete actions are therefore taken only after discussion with all the stakeholders. Finding compromises is complex because in many cases the different uses of water are in conflict with one another. Furthermore, as EDF manages almost 75% of France's surface reserves (7 billion m^3 of water), it is expected to hold the positions of both arbitrator and overall river manager.

That is why EDF not only closely monitors the state of resources but also manages its stocks with the greatest vigilance in order to guarantee their availability in the event of exceptional circumstances. For instance, dry summers not only reduce water resources but also raise the water temperature. This has led EDF to adapt its methods of operation.

The EDF Roselend Dam in the Alps

challenges in France

An optimized and responsible management of water resources

In order to ensure optimal management of its hydro-plants, EDF has implemented and operates an integrated hydro-meteorological monitoring and forecasting system in Grenoble.

For example, in high mountain ranges, cosmic-ray snow sensors calculate the thickness of snow-pack water content in order to predict as accurately as possible the amount of water which will pour into the dams when the snow thaws. Combined with measurements of water flow and precipitation, snow-gauge measurements allow EDF to forecast the production capacities of hydropower stations.

Nearly one billion m^3 of water is set aside each year by EDF for purposes other than power generation either in line with the specifications or agreements or because other users have financed a share of the reserves.

This is the case for agricultural irrigation, drinking water supply and river navigation, but also for the creation of artificial snow, for water recreation, tourism, or other leisure activities.

Thus EDF's hydropower production plays a decisive role in the management of water resources at a national level as well as in regional economic development. It also contributes to support employment in the valleys.

The preservation and even restoration, of aquatic environments and the protection of fauna and flora are also priorities for EDF, and are materialized through many policies, such as:

- Maintaining a minimum flow downstream of the installations, so-called "in-stream flow", needed for the development of the aquatic environment; it is set to a minimum of 1/10th or 1/20th of the average flow of the river, depending on the type of installation;
- Creation of crossings so that the dam is not a barrier to migratory fish (salmon, shad or eels). Almost 100 dams are already equipped;
- Management of sedimentary deposits, crucial to the management of river morphology.

In additive, it is generally expected from EDF dams to protect downstream from rises in water levels and floods, even when the dams were not initially designed for this purpose, and to support the river flow during dry spells. EDF plays a crucial role in the management of these natural but extreme events.

EDF sits in on all local and national consultations on water management set up by public authorities: water agencies, local water committees, etc. It is involved with them in the definition of river basin management plans, as provided for by law.

In total, more than 1,500 EDF researchers and engineers are employed, along with 3,500 operators who work at the plants, to maintain and modernise the equipment, limit its impact, contribute to river management and protect aquatic environments and, in addition, develop hydropower.

This innovative engineering is exported

The best example is the Nam Theun hydropower plant in Laos with a capacity of 1,070 MW, commissioned in 2010. Not only is it vital for Laos development's, but sponsored by World Bank, and in the light of its ambitious environmental and social programmes, it is regarded as a prime example of meeting the expectations of local populations .

Dealing with water stress

Interview with **Marco Antonio Velázquez Holguín**, Deputy Director General for Planning, National Water Commission (CONAGUA), Mexico

Mexico's president, Felipe Calderón, leads inauguration of a drinking water plant in 2010

OECD Observer: You are launching Water Agenda to 2030. What pressures led to these reforms?

Marco Antonio Velázquez Holguín:
The uneven distribution of water around the country, population dynamics, the development of economic activities, unordered urban settlements, the degradation of water catchments, the overdrawing of aquifers and the effects of droughts and floods, constitute the main problems in the water sector in Mexico. These trends jeopardise the sustainability of water resources.

The 2030 Water Agenda is created with the purpose of addressing those problems. It lays the foundations for integrated and sustainable water management that allows for guiding the management of the resource in the long term.

What are the main elements of the agenda?
The 2030 Water Agenda is a tool that that seeks to deepen and consolidate the sustainable water policy that has been emerging in our country since the beginning of this century. It is a foremost vision: to achieve in a period of 20 years a country with clean water bodies, aquifers and watersheds in equilibrium, universal access to drinking water and sanitation services, and settlements that are safe from catastrophic floods. It applies prospective analysis to the situation in the sector to the year 2030, and provides the initiatives required to promote change in the institutional layout, to enable the proposed objectives to be achieved. The 2030 Water Agenda seeks to consolidate a policy of sustainability.

Can you outline some of the main challenges you face?
Balanced supply and demand for water is one: the gap between supply and demand in 2030 is estimated at 23 billion cubic meters. In order to bridge the gap by then, technically feasible solutions with the highest cost-benefit ratio were proposed, such as improving efficiencies in all uses of water and the construction of new water infrastructure.

Clean water bodies is another major challenge. For 2030, infrastructure will be required to treat 7.2 billion cubic meters, which means covering a gap of 4.3 billion cubic meters.

Universal access to water services is a third challenge. It is necessary to ensure service for a further 37 million inhabitants by 2030. The challenge to reach universal access to sanitation services is 40.5 million inhabitants. Settlements safe from catastrophic floods is a fourth challenge, particularly the construction of storm drains and flood control works.

What models have you been looking to for guidance?
With the creation of the National Irrigation Commission in 1926, Mexico's water policy aimed at increasing water supply for different uses through infrastructure construction. In the 1980s, faced with clear signals that this model was being exhausted, it was progressively replaced by a new one focused on improved demand control. These policies provided an effective reply to the water needs of the country; unfortunately they also inherited serious problems. This reality has led Mexican water policy to adopt sustainability as its central focus. The new orientation has resulted in the growth of investments in wastewater treatment plants, in the replacement of supply sources and in the technological modernisation of agricultural irrigation systems, as well as in the development of standards on environmental flows, and studies on the impact of climate change and the mitigation of its effects.

How can the OECD help?

a) In order to overcome the challenge of providing clean water bodies, balanced supply and demand for water, universal access and settlements safe from catastrophic floods, the 2030 Water Agenda proposes a general strategy that is expressed in the following guidelines: Ensuring that all the country's catchments have a sound governance structure, with sufficient capacity to manage water resources, with joint responsibility and in a sustainable manner.
b) Ensuring a better and more balanced distribution of competences, to foster, regulate and provide water and sanitation services, with responsibilities on the three branches of government, to achieve a more balanced national water management system, capable of responding to the present and future water-related challenges.

The OECD can support the efforts of the National Water Commission of Mexico with the participation of its experts in the preparation of studies and events to ensure the achievement of the goals established in the 2030 Water Agenda.

Visit www.conagua.gob.mx

Beautiful waterways for the Big Apple

Cas Holloway, Deputy Mayor for Operations, City of New York, and **Carter Strickland**, Commissioner, New York City Department of Environmental Protection

© Reuters/Andrew Kelly

New York is investing in a greener, cleaner future

New York's earliest visitors found a vibrant natural ecosystem, with wooded hills surrounded by pristine waterways. That landscape began to change after colonisation, as the population of New York City grew rapidly over two centuries, from approximately 5,000 in 1700 to more than two million by 1900. As New York City grew into an international hub of commerce and manufacturing, its residents and industry discharged human waste, industrial pollutants and residential garbage into the waterways. By the late 1800s, more than 600 million gallons of raw sewage were directly discharged into the harbour every day from sewers that ended at the water's edge.

Over the past 100 years, New York City undertook a significant campaign to capture sewage and rainwater by connecting those street-end sewers with 146 miles of large interceptor sewers that run along (not into) the water, directing that flow from interceptors to one of 14 wastewater treatment plants, and by creating a network of 7,000 miles of underground sewers and 144,000 catch basins to accept wastewater and stormwater. But like most older urban centres in the northeastern and the midwestern United States that first addressed the public health threat of raw sewage discharges, New York City has a combined sewer system; in a majority of the city, the same pipes carry household and commercial wastewater (also known as dry weather flows) and stormwater runoff to treatment plants that handle 1.3 billion gallons of wastewater on an average dry day. In these areas, the capacity of our treatment plants is often exceeded when it rains, and to relieve pressure on the system during these high-flow periods, our interceptor sewers are equipped with regulators and overflow devices that divert stormwater and wastewater into the city's surrounding waterways at 423 locations. This is known as a combined sewer overflow, or CSO.

> New York City generates a tremendous volume of stormwater runoff from rooftops, streets and other impervious surfaces

With the construction of the last two of our 14 treatment plants in the mid-1980s, dry weather discharges of sewage into New York Harbour ended, and water quality has improved dramatically. But CSOs are our greatest remaining hurdle to even better water quality. The 423 CSO outfalls cannot simply be "plugged up," because the captive water flow would simply wash out and disable our treatment plants, cause sewer backups, and dramatically degrade water quality. One solution is to build completely separate sanitary and stormwater sewer systems, but that would cost more than $60 billion in New York City, would take decades to complete, and would severely disrupt the quality of life in areas where the construction would take place.

Over the past 20 years the Department of Environmental Protection (DEP) has upgraded its plants and sewers to handle more wet weather flow and has built tanks to store combined flow that can be pumped to plants for treatment when the rain subsides. This programme has resulted in greater overall capture and treatment of total volumes of combined wastewater and stormwater flows, from approximately 30% of all flows in the city during the 1980s to more than 72% today.

But these traditional solutions have limitations. As the most densely developed city in the US, New York City generates a tremendous volume of stormwater runoff from rooftops, streets and other impervious surfaces. If runoff continues from these impermeable surfaces, the city will have to build additional tanks and tunnels–also known as "grey" infrastructure because of their reliance on steel and concrete–to manage stormwater flows. These facilities are difficult to site, are expensive to build and operate, and displace competing uses of scarce land. With greater amounts of precipitation and more intense storms expected due to climate change, we may well find that today's solutions are obsolete in mere decades.

The need to rethink the traditional approach to managing stormwater led New York City's mayor, Michael Bloomberg, to unveil the NYC Green Infrastructure Plan in September 2010. A bold and innovative vision to improve water quality, the plan proposed to invest $2.4 billion in "green infrastructure" over 20 years. These types of controls include green roofs, bioswales, tree pits, and other adaptive structural additions to public works that address the root cause of CSOs by absorbing and retaining stormwater before it can enter the sewer system and trigger a combined sewer overflow. For New York City, Mayor Bloomberg set an ambitious goal to capture the first inch of stormwater from 10% of impervious surfaces in combined sewer areas by 2030–which would eliminate 1.5 billion gallons of CSOs per year.

The plan targets the city's two most prominent impervious surfaces: rooftops and roadways. Impervious streets and sidewalks make up more than 26% of the land in combined sewer areas. By developing standard designs for enhanced tree pits, streetside bioswales, and stormwater-capturing Greenstreets, we expect to achieve significant penetration for a comparatively small marginal cost above what the city would have had to spend on roads and public spaces anyway. Similarly, impervious rooftops cover more than 46% of the city. Specially planted "green roofs" can reduce energy costs and provide a beautiful, verdant ecosystem, and inexpensive "blue roofs" use simple mechanical devices to moderate peak flows by gradually releasing stormwater.

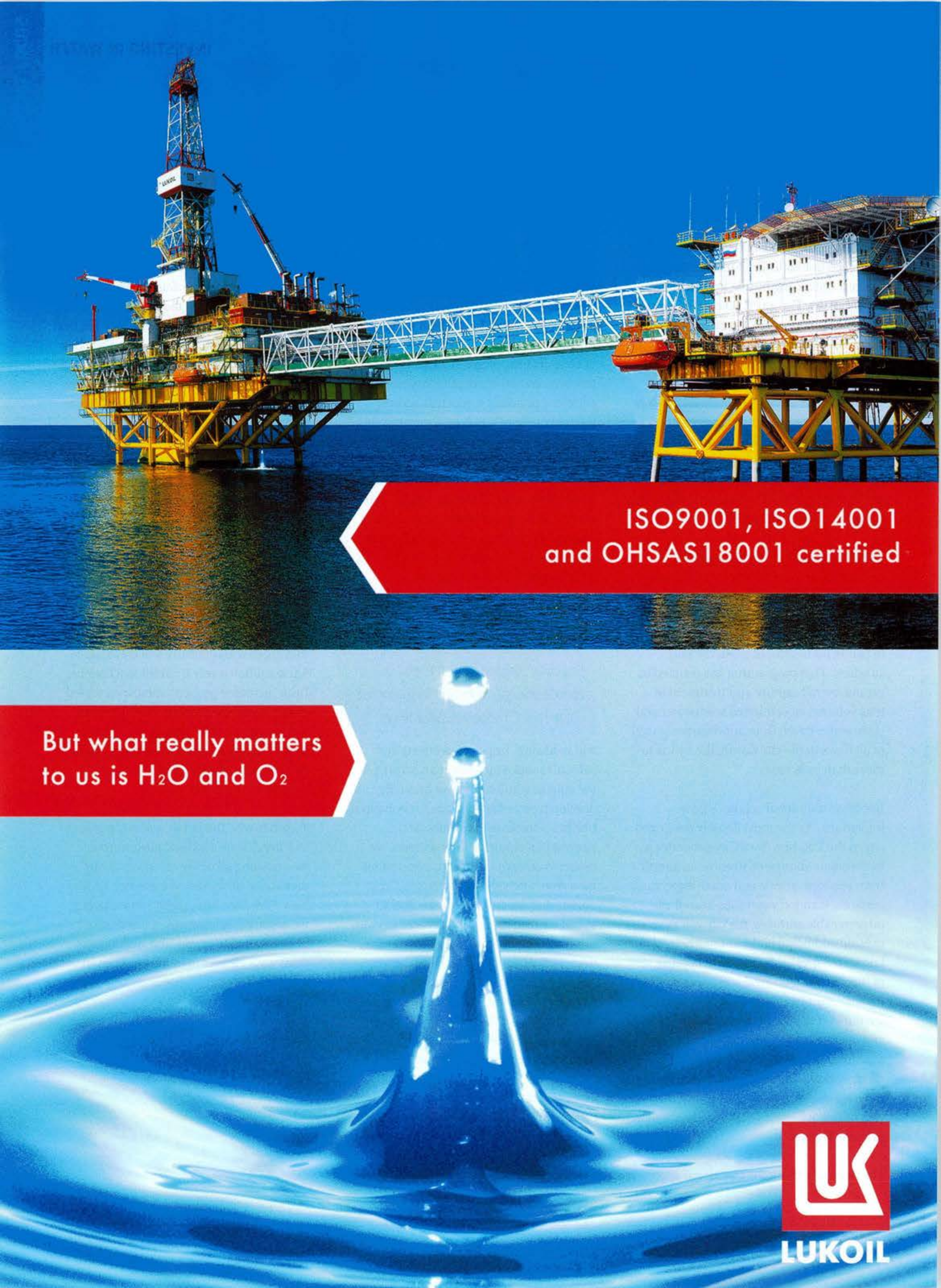
> Specially planted "green roofs" can reduce energy costs and inexpensive "blue roofs" moderate peak flows

The good news is that the plan is gaining momentum. This month, thanks to the leadership of New York State Commissioner for Environmental Conservation Joe Martens and his team, New York City and State released a modified consent order for public comment that embodies the key milestones and initiatives in Mayor Bloomberg's Green Infrastructure Plan –and puts the city on the path to spend $1.5 billion on green infrastructure over the next 20 years. In exchange, New York State has agreed to eliminate $1.4 billion and defer $2 billion that would have had to be spent on traditional grey infrastructure like storage tanks and tunnels.

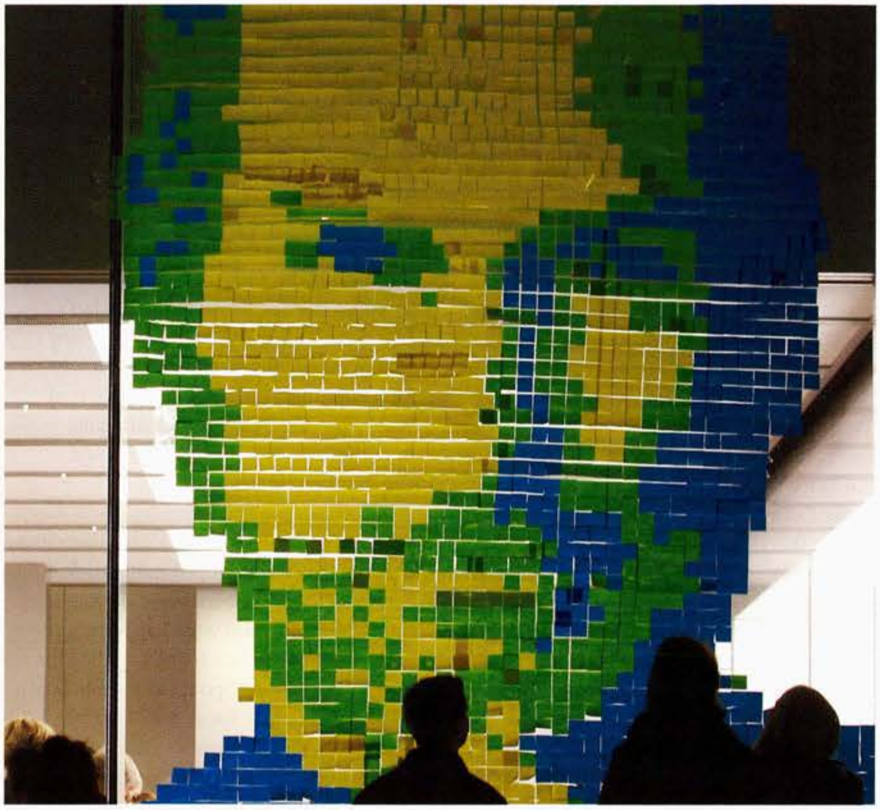
The potential benefits of the plan are tremendous. Combined with existing investments in more traditional infrastructure, it will cut CSOs by more than 12 billion gallons annually by 2030–a 40% reduction–which is almost 2 billion gallons more per year than the previously required all-grey plan, and will be achieved for $2.4 billion less in public spending. This is smart government. And we estimate that green infrastructure will create up to $400 million a year in additional benefits from increased property values, increased shading and lower energy use. The plan will also green and beautify the city at a time when many cities are cutting capital investments, and public services are contracting as needs increase.

Together with the public and our partners in federal, state and local government, we are using all of the resources at our disposal to drive toward a greener, greater New York City. With green infrastructure, we are making innovative investments in a sustainable future–and making our waterways cleaner than they've been in over a century.

Visit www.nyc.gov/mayor and www.nyc.gov/dep


ISO9001, ISO14001
and OHSAS18001 certified
But what really matters
to us is H_2O and O_2
LUKOIL

Steve, Clarence, Thomas and Topsy



©Michaela Rehle/Reuters

We all agree that Steve Jobs was a marketing genius, persuading the gullible to pay extravagant prices for bright, shiny things because they're bright and shiny. But unlike Thomas Edison, the man Jobs is often compared to, he never electrocuted an elephant. In 1903 Edison fried Topsy from Coney Island's Luna Park and captured the event on film.

Why? Topsy had killed three men, including her abusive trainer, and was going to be executed anyway, but Edison saw a chance to score points against his rival George Westinghouse. Edison's company was producing electricity in over a hundred power stations by the end of the 19th century, but his DC system could only supply customers within a couple of kilometres from the plant. Westinghouse's AC system, based on Nikola Tesla's ideas, was capable of transmitting current over hundreds of kilometres. Edison started a "war of currents" to prove that AC was too dangerous to be allowed into homes, and killing Topsy using AC current was supposed to prove this.

Topsy died in vain of course, and elephanticide hasn't been tried as a sales technique since, although Edison did develop the electric chair. Another Edison idea that proved successful was his Menlo Park laboratory, the first industrial research lab, working on everything from the phonograph to iron ore separators. Jobs' genius is similar to Edison's, if on a lesser scale, in that both men recognised the potential of improving existing products and making them widely available.

Apple actually spends less of its revenue on R&D than Microsoft or Sony (4% versus 17% and 8% respectively) but it spends far more than Sony on each individual product: $78.5 million versus $11.5 million, while Microsoft spends a lot of its $9 billion research budget on general research that may not lead to a specific product.

Jobs understood that success depends on innovation, and that doesn't mean just invention. Innovation can mean changing a product's composition, for example removing the cocaine from Coca Cola, or the way it's sold–in cans or bottles from machines as well as over the counter at drugstores.

Another great American entrepreneur who understood this too was Clarence Birdseye. He didn't just invent an industrial method of copying the Inuits' way of fast-freezing fish, he also invented much of the machinery that made mass marketing of frozen products feasible. In a stroke of marketing genius, the Birdseye company supplied shops with the open-top freezer units to display and sell their products. This has since been copied by firms the world over.

Edison, Birdseye, Jobs and the like are obviously important assets for their company. But can you measure their value in the way you measure non-human capital? An OECD project on "intangible assets", also called intellectual capital or knowledge capital, sets out to answer that question, in order to "provide structured evidence of the economic value of intangible assets as a new source of growth". *Patrick Love*

References

For more on OECD work on innovation, see www.oecd.org/innovation

In 1903 Edison fried Topsy from Coney Island's Luna Park and captured the event on film: http://www.youtube.com/watch?v=RkBU3aYsf0Q

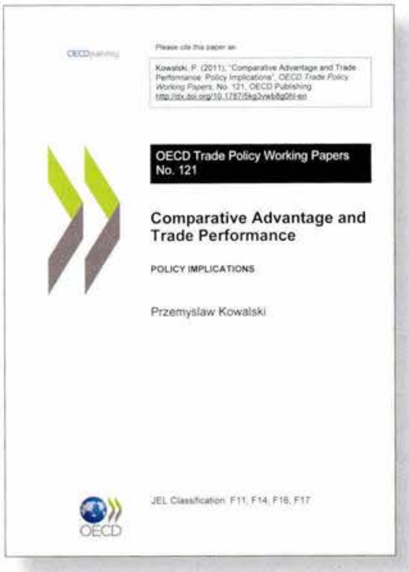
Apple actually spends less of its revenue on R&D: http://gizmodo.com/5486798/research-and-development-apple-vs-microsoft-vs-sony

New sources of growth: Intangible assets, see www.oecd.org/dataoecd/60/40/46349020.pdf

If you're wondering what Topsy was worth, take a look: http://www.elephantassessment.co.za/files/12_ch10_Elephant Management.pdf

www.OECDInsights.org

Comparative advantage: Doing what you do best


Please cite this paper as:

Kowalski, P. (2011), "Comparative Advantage and Trade Performance: Policy Implications", *OECD Trade Policy Working Papers*, No. 121, OECD Publishing.

OECD Trade Policy Working Papers No. 121

Comparative Advantage and Trade Performance

POLICY IMPLICATIONS

Przemyslaw Kowalski

JEL Classification: F11, F14, F16, F17

OECD

The mathematician Stanislaw Ulam did not have a high opinion of the social sciences. He once challenged Paul Samuelson, Nobel laureate in economics, to name one social science proposition that was both true and non-trivial. Samuelson nominated comparative advantage: "That this idea is logically true need not be argued before a mathematician; that it is not trivial is attested by the thousands of important and intelligent men who have never been able to grasp the doctrine for themselves or to believe it after it was explained to them."

Samuelson was right. The absolute advantage Adam Smith talks about is simple and intuitive: it makes obvious sense for France to export wine to Scotland and import Scotch whisky. Comparative advantage is much more complicated. Ricardo introduced the notion in his 1817 book *On the Principles of Political Economy and Taxation*, using the example of England and Portugal and the production of cloth and wine. Portugal is more productive than England in both. Intuitively, you'd say that it makes sense for Portugal to export both, and that English industry would have little to gain from trade.

However, no country can develop a comparative advantage in everything because comparative advantage is a concept of the relative costs of doing things, so some things have to be comparatively more or less advantageous. Moreover all countries must have a comparative advantage in something.

Ricardo demonstrated numerically that in fact if England specialised in one of the goods and Portugal in the other, total output of both goods would rise, allowing both countries to gain from trade.

Two centuries after Ricardo, can comparative advantage still provide useful guidance to policymakers? A new working paper from OECD's Przemyslaw Kowalski argues that it can. Kowalski looks at what determines comparative advantage today, as part of the OECD project on "The Effects of Globalisation: Openness and Changing Patterns of Comparative Advantage". Kowalski analyses the bilateral trade of 55 OECD and selected emerging market economies and 44 manufacturing sectors covering the entirety of merchandise trade. He examines physical capital, human capital, financial development, energy supply, business climate and labour market institutions, as well as import tariff policy.

Comparative advantage is still an important determinant of trade, but the OECD countries' economies are more similar than they used to be, so the possibilities of trade driven by comparative advantage differences within the OECD grouping aren't as great as they once were. However there are still marked differences between OECD and non-OECD countries, while the differences among non-OECD countries don't seem to be diminishing much. That means that comparative advantage is more important for North-South and South-South trade than for North-North trade.

If you look at OECD and non-OECD countries as a whole, it's interesting to see where differences have been decreasing and increasing. These differences decreased (although there are still big variations) as regards physical capital, average years of schooling, tertiary education, primary energy supply and availability of credit. On the other hand, cross-country variation increases for regulatory quality, rule of law, control of corruption as well as import tariffs.

Most of these factors can be influenced significantly by policy. The trick is to make sure that trade and other policies don't cancel each other out, but with so many factors interacting, it's not easy. Luckily for government policymakers, help is at hand from this year's Nobel laureates in economics, Thomas J. Sargent and Christopher Sims.

Working separately, but in a complementary fashion, they've developed methods for analysing causal relationships between economic policy and what happens in the economy. Sargent has mainly studied the effects of systematic policy shifts–such as attempts to reduce fiscal deficits–while Sims looks at how shocks spread through the economy.

Even if you're one of those important and intelligent men who can't grasp comparative advantage, you can probably see why the Sveriges Riksbank gave Sargent and Sims the prize this year. *Patrick Love*

References

See www.oecd.org/trade

OECD (2009), *International trade: Free, fair and open?*, OECD Insights, see www.oecd.org/insights

Suranovic, Steve (2010), *International Trade: Theory and Policy*, chapter 2, "The Ricardian Theory of Comparative Advantage", Flat World Knowledge publishing.

Kowalski, Przemyslaw (2011), "Comparative Advantage and Trade Performance: Policy Implications", OECD working paper, www.oecd.org/trade/workingpapers

Of kissing, the less the better

© Patrick Love

The world's seven-billionth baby was born today, or a couple of years ago, or maybe will be born in a couple of years from now. Demographers can't say exactly when we reach the magic number, but Halloween 2011 is as good a guess as any. Many experts agree though, that there's never been a worse time to be a child. Extensive research in bars has proved that when we were kids, life was much better, and so were children. And this result is robust over time: whatever the period you look at, you missed the golden age by a generation.

Now though we talk about *children* being more selfish, lazy, etc., rather than just people. That in itself is an improvement. Until the late 19th century, children enjoyed no special status or protection. They worked long hours often in dangerous conditions, could suffer barbaric punishments, and be abused with impunity by practically any adult. In fact, we're only now learning of many cases of abuse that took place when today's adults were children.

When things did start to change, progress was slow, with great faith in harsh treatment. L. Emmett Holt's 1894 *Care and Feeding of Children* explains that: "Babies under six months old should never be played with, and of kissing the less the better". In 1928, the influential child psychologist, John B. Watson echoed this when he warned against "too much mother love", telling women "Never hug and kiss them, never let them sit on your lap". Otherwise, the result would be spoiled, self-centred, unproductive brats.

This drivel is called a "no-nonsense" approach to child rearing, and obviously influences people who want to return to a time when they had no responsibility and someone else always told them what to do. It's impossible to argue against the feeling that things were better before, despite the world wars, genocides, diseases and squalor of times past, but the fact that this view can be retraced back over the centuries suggests that it's nothing more than a myth. The objective facts paint a different picture.

Take health. A child born 50 years ago could expect to live to over 73 in only two countries, compared with eighty-seven countries today. In OECD countries, average life expectancy reached 79.1 in 2007, more than 10 years better than in 1960.

Elsewhere, improvement has been dramatic too. According to UN figures on the Millennium Development Goals, the global mortality rate for children under 5 has declined by a third, from 89 deaths per 1000 live births in 1990, to 60 in 2009. Despite population growth, the number of deaths among under fives worldwide dropped from 12.4 million in 1990 to 8.1 million in 2009, or nearly 12,000 fewer children dying each day. Access to education is also improving, and there is progress on the other MDG targets too.

Much of the evidence on more subjective aspects comes from small-scale studies with only a few participants, but Brent Donnellan of Michigan State University and Kali Trzesniewski of the University of Western Ontario analysed nearly half a million high-school seniors spread over three decades. They argue that "kids these days are about the same as they were back in the mid-1970s" regarding a whole range of topics, including individualism, happiness and antisocial behaviour. They also suggest that compared with previous generations, today's youth are more cynical and less trusting of institutions; less fearful of social problems such as race relations, hunger, poverty and energy shortages; and have higher educational expectations.

Still, the basic problem remains: they're not us. The good news is that in a decade or two they will be, and they'll be boring their own kids with stories about how they were happy with a simple iPad for their birthday. So, whoever you are little 7 billion, good luck. With parents like us, you'll need it.
Lynne Robertson and Patrick Love

Nearly 1000 babies were born in the time it took you to read this article.

References

The OECD is partnering 7 Billion Actions, established by the UN Population Fund to "inspire change that will make a difference by highlighting positive action by individuals and organisations around the world".
See www.7billionactions.org

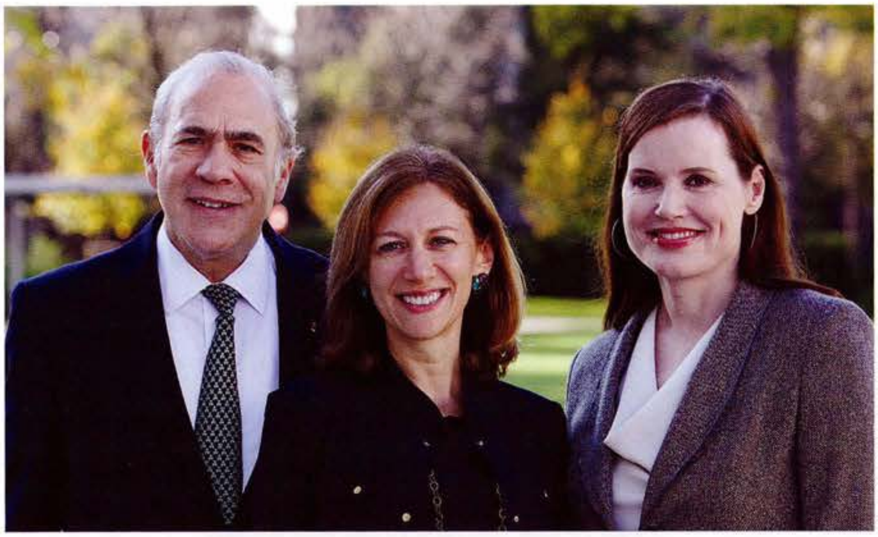
You can find out more about the OECD Better Life Initiative and make and share your own Better Life Index here: www.oecdbetterlifeindex.org

www.OECDInsights.org

Acting on gender

Angel Gurría, OECD secretary-general, Karen Kornbluh, US ambassador to the OECD, and Geena Davis, Academy Award-winning actor and founder of the Geena Davis Institute on Gender in Media, at the pre-G20 side event: Growing Economies through Women's Entrepreneurship, 31 October, 2011, co-hosted by the US and the OECD. Women's issues, long a priority focus at the OECD, were given a boost at the 2011 ministerial council meeting, where ministers affirmed that women's economic empowerment is critical to stronger, fairer economic growth.

For more on the conference, see http://usoecd.usmission.gov



©OECD

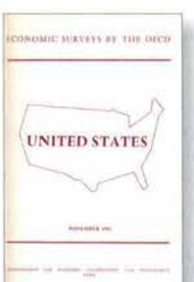
©OECD

How's life?

Nathalie Kosciusko-Morizet, French minister for ecology, sustainable development, transport and housing, and Professor Joseph Stiglitz, Columbia University, 12 October 2011, at an OECD conference: Two years after the Stiglitz-Sen-Fitoussi report: What well-being and sustainability measures? The OECD's Better Life Initiative report "How's Life?" was launched at the conference.

See page 42 and Get conference details at: www.oecd.org/ssfplus2 Create your Better Life Index here: www.oecdbetterlifeindex.org

Half a century of country surveys online



The entire collection of OECD's country economic surveys has now been made accessible online at the OECD i-Library. Published regularly since the creation of the OECD in 1961, and to mark the Organisation's 50th anniversary, this online archive offers a unique historical perspective of the economic changes OECD countries have undergone since 1961. It is an invaluable resource for anyone tracing their efforts to rebuild their economies after World War II, addressing the oil crisis in the 1970s, the dot.com revolution and bubble, and the economic, educational and environmental challenges of the 21st century.

The OECD iLibrary country studies archive is a valuable research resource for journalists, academics and the public, and represents the only analytical content on the OECD iLibrary that spans the full 50-year history of the OECD.

The availability online offers a tool for in-depth historical country comparisons across 50 years of political and global change, as well as revealing how OECD recommendations have helped shape modern economies.

Access to the iLibrary country studies archive is at: http://dx.doi.org/10.1787/16097513

New OECD Deputy Secretary-General

©Yves Leterme

Prime Minister Yves Leterme, of Belgium, has been appointed deputy secretary-general of the OECD, following official approval on 16 September 2011.

Mr Leterme will take up his new post before the end of 2011. He will be responsible for the OECD's social and governance portfolio which comprises education, skills, labour and employment, health, governance, small and medium-size enterprises and territorial development. The mandate is for a renewable two-year period.

For more on this appointment, see www.oecd.org

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**

Pre-G20 Event: Growing Economies through Women's Entrepreneurship

31 October 2011
Opening remarks delivered at the conference, organised by the US Government and the OECD, Paris, France.

Global Forum on Transparency and Exchange of Information for Tax Purposes

25 October 2011
Opening remarks at the Global Forum, Paris, France.

OECD G20 conference on Financial Consumer Protection

14 October 2011
Opening and closing remarks, Paris, France.

Better measures, better policies, better lives

12 October 2011
Remarks delivered at the conference "Two Years after the release of the Stiglitz-Sen-Fitoussi Report", Paris, France.

The OECD and Germany: Fifty years of learning from each other

6 October 2011
Remarks delivered to German parliamentarians, Berlin, Germany.

OECD Debate at the Parliamentary Assembly of the Council of Europe

5 October 2011
Remarks delivered at the debate, Strasbourg, France.

Co-operation Report, 50th anniversary edition

4 October 2011
Opening remarks at the launch of the publication, Paris, France.

The economic outlook: risks and solutions

30 September 2011
Remarks delivered at Instituto de Empresa, Global Alumni Forum, Madrid, Spain.

G20 Labour and Employment Ministers' meeting

26 September 2011
Remarks delivered at the G20 labour and employment ministers' meeting, Paris, France.

Openness and transparency: Pillars for democracy, trust and progress

20 September 2011
Remarks delivered at the launch of the Open Government Partnership, Washington, DC, US.

OECD Employment Outlook 2011

15 September 2011
Opening remarks at the launch of the OECD Employment Outlook 2011, Paris, France.

Better innovation policies for better lives

12 September 2011
Opening remarks at the Global Forum on the Knowledge Economy, Paris, France.

OECD Economic Survey of Greece 2011

2 August 2011
Remarks delivered at the press conference launch, Athens, Greece.

Aid for Trade: Showing results

17 July 2011 - 18 July 2011
Remarks delivered at the launch of the third Global Review of Aid for Trade, Geneva, Switzerland.

International Migration Outlook 2011

12 July 2011
Remarks delivered at the launch of the OECD International Migration Outlook 2011, Brussels, Belgium.

New ambassadors

25 October **Kadri Ecvet Tezcan** took up his duties as new ambassador for Turkey, replacing Ahmet Erozan.

16 September **Tina Birbili** took up her duties as new ambassador for Greece, replacing Nikos Tatsos.

7 September **Tore Eriksen** took up his duties as new ambassador for Norway, replacing Harald Neple.

7 September **Pascale Andréani** took up her duties as new ambassador for France, replacing Roger Karoutchi.

5 September **Yves Haesendonck** took up his duties as new ambassador for Belgium, replacing Chris Hoornaert.

2 September **Anders Ahnlid** took up his duties as new ambassador for Sweden, replacing Mats Ringborg.

23 August **Chris Barrett** took up his duties as new ambassador for Australia, replacing Christopher Langman.

7 March **István Mikola** took up his duties as new ambassador for Hungary, replacing Péter Gottfried.

Calendar highlights

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 comprehensive list, see the OECD website at **www.oecd.org/media/upcoming** which is updated regularly.

SEPTEMBER

12-13	**Global Forum on the Knowledge Economy,** organised by the Directorate for Science, Technology and Industry.
21-23	**Environment for Europe,** ministerial conference organised by the UN Economic Commission for Europe, and the OECD. Launch of publication *Ten Years of Water Sector Reform in Eastern Europe, Caucasus and Central Asia*. Astana, Kazakhstan.
29	**Celebrating 50 Years of Educational Facilities,** launch of publication *Designing for Education: Compendium of Exemplary Educational Facilities*.

OCTOBER

3-5	**Asian Roundtable on Corporate Governance.** Bali, Indonesia.
4	Publication of the **Development Co-operation Report,** 50th edition.
12	**Two years after the Stiglitz-Sen-Fitoussi report: What well-being and sustainability measures?** Conference co-organised by the OECD and the French government, publication of *How's Life?*.
13-14	**Building quality jobs in the recovery,** conference organised by the OECD LEED Programme in co-operation with the Irish government. Dublin, Ireland.
14-15	**G20 finance ministers meet.** Paris, France.
25-26	**Global Forum on Transparency and Exchange of Information for Tax Purposes,** organised by the OECD Centre for Tax Policy and Administration.
25-26	**Making Water Reform Happen,** global forum, followed by a meeting on Biodiversity, Water and Ecosystems. Launch of *Water Governance in OECD Countries: A Multilevel Approach*.
27-28	**Financial Literacy: Financial Education for All,** conference organised by the OECD and the Financial Services Board of South Africa. Cape Town, South Africa.
31	**Economic assessment of G20 countries,** pre-G20.
31	Pre-G20 side event: **Growing Economies through Women's Entrepreneurship,** conference organised by the US government and the OECD

NOVEMBER

3-4	**G20 Summit.** Cannes, France.
8-9	**Global Forum on Trade,** organised by the Trade and Agriculture Directorate.
21	Publication of the **Perspectives on Global Development 2012: Social Cohesion in a Shifting World,** organised by the OECD Development Centre with the Club of Madrid.
21-22	**Senior Budget Officials Network on Health Expenditures,** first meeting of a newly created network.
22-23	**Measuring Well-being and Progress: Economic Insecurity Measurement, Causes and Policy Implications,** conference organised by the OECD and the International Association for Research in Income and Wealth (IARIW).
28	Publication of the **OECD Economic Outlook No 90.**
29/11-1/12	**Aid Effectiveness,** high-level forum organised by the Development Co-operation Directorate. Busan, Korea.

DECEMBER

5	**Publication of new OECD report on income inequality.**
to 9/12	**COP17, United Nations Climate Change Conference.** Durban, South Africa.

In 2012

19-20 Jan.	**OECD Global Forum on Public Debt Management,** organised by the Directorate for Financial and Enterprise Affairs.
23 Jan.	**Forum on Latin America and the Caribbean,** organised by the OECD Development Centre, the Inter-American Development Bank and the French Ministry of Economy, Finance and Industry.
25-29 Jan.	**World Economic Forum.** Davos, Switzerland.
2-3 Feb.	**Overcoming school failure,** meeting organised by the OECD Education Policy Committee.
13-17 Feb.	**Financial Action Task Force plenary meeting.**
22 Feb.	**Agriculture in a Global Context,** conference organised by the Trade and Agriculture Directorate.
6 Mar.	Publication of **Going for Growth 2012.**
29-30 Mar.	**Environmental Policy Committee meeting at ministerial level.**

Factory approved

Starting a factory? While "quick and dirty" may be the easiest business model to follow, the OECD is encouraging start-ups to start smart, with sustainability in mind. The OECD Sustainable Manufacturing Toolkit is a seven-step checklist to help businesses integrate good environmental practice, and stay on the side of investors, regulators, customers and local communities.

The toolkit, available online or on printable PDF, kicks off the green business plan by mapping environmental impacts, such as possible use of harmful materials or predicting energy efficiency or heat loss, right through to making sure the end product is wrapped in recyclable packaging. The next steps are to find ways to measure and monitor the sustainability of materials used in production, and determine the company's impact in terms of, for instance, waste generation, emissions, noise, odour, land use and impacts on natural habitat. The ecological footprint of staff travel and office overheads should also be considered.

Green investment can also save money. Take Sanden Corporation in Japan, cited for "manufacturing in harmony with nature". The plant cultivated half of its grounds as forest, resulting in CO_2 absorption of 530 tonnes in 2010, and a savings of more than US$6.5 million in the reduction of concrete use and costs of waste management.

The final step in the toolkit process is to create an action plan; for example, to complete cost analysis and ensure financing for projects like retrofitting and ventilation. Managing operations in an environmentally and socially responsible way can be daunting, but the editor of the report, Andrew Wyckoff, insists that sustainable manufacturing is no longer just nice-to-have; it has become a business imperative. The OECD Sustainable Manufacturing Toolkit is a good place to start.

See www.oecd.org/innovation/green/toolkit

Tax loopholes

When the OECD joined the G20 crackdown on tax havens during the economic crisis in 2009, its longstanding work helped to curb this harmful tax practice and implement a global standard of bank transparency. Now the organisation is focusing on another time-honoured malpractice: that of slipping taxable income through fiscal loopholes. Some call this creative accounting, the OECD calls it aggressive tax planning, and because it is hurting government revenue, it is hurting entire economies as well.

In a study of 17 countries, *Corporate Loss Utilisation through Aggressive Tax Planning* focuses on the losses–real or unreal–that companies claim on tax forms. Due to the financial crisis, global corporate losses have increased significantly, so the numbers at stake are vast, with companies bringing losses forward to future years' profits in order to reduce tax liability. Such loss carry-forwards are as high as 25% of GDP in some countries, the OECD reports. The book addresses both real and artificial losses, as well as the issue of multiple deductions of the same loss, typically by juggling dual-residency status, double-dip leases, or other mismatch arrangements.

Countries have also seen loss-making companies acquired solely to be merged with profit-making companies, and loss-making financial assets artificially allocated to high-tax jurisdictions. This shifting of losses is a case of tax havens in reverse, in which corporations, especially banks, juggle international borders to their advantage. "Losses are of no value in a country with no taxes", Reuters journalist David Cay Johnston wrote, "but if they can be slipped to a high-tax country where profits are actually earned through economic activity, then the losses are imbued with value."

How can this be stopped? Early detection via audits, special reporting obligations on losses, mandatory disclosure rules and co-operative compliance programmes can pay off. For instance, the OECD reports that the UK was able to cut off £12 billion in "avoidance opportunities", thanks to its early disclosure rules.

Among other recommendations, the OECD urges governments to introduce policies restricting multiple use of the same loss and to revise restrictions on the use of certain losses in the context of mergers, acquisitions or group taxation regimes. In short, firm creativity should be directed at business models, and not at the balance sheet.

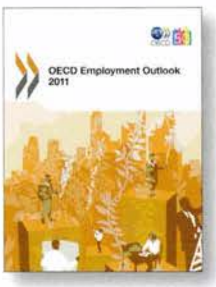
ISBN 978-92-64-11921-5

Current bestsellers

OECD Economic Outlook, Volume 2010, Issue 2

In addition to the usual macroeconomic and country assessments and statistical annex with projection data, this issue of the *OECD Economic Outlook* also includes special chapters on the persistence of high unemployment and drivers and vulnerabilities associated with international capital flows.

ISBN 978-92-64-06347-1
January 2011, 344 pages, €96 $125 £77 ¥13 600



OECD Employment Outlook 2011

This 2011 edition of the *OECD Employment Outlook* highlights policy issues related to: the recent economic crisis and the adequacy of income support for the unemployed; social protection and labour markets in emerging economies; earnings volatility; and qualifications mismatch.

ISBN 978-92-64-11422-7
September 2011, 276 pages, €80 $112 £72 ¥10 400

Future Global Shocks: Improving Risk Governance

This report looks at examples of hazards and threats that emerge from the financial world, cyberspace, biological systems and even the solar system, to reflect on what strategic capacities are called for to improve response and resilience to such large scale risks.

ISBN 978-92-64-09520-5
August-2011, 140 pages , €29 $40 £26 ¥3 700

Education at a Glance 2011: OECD Indicators

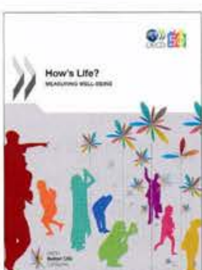
The 2011 edition of *Education at a Glance* enables countries to see themselves in the light of other countries' performance. It provides a broad array of comparable indicators on education systems and represents the consensus of professional thinking on how to measure education internationally.

ISBN 978-92-64-11420-3
September 2011, 498 pages , €75 $105 £67 ¥9 700

Education at a Glance 2011: Highlights

Education at a Glance 2011: Highlights summarises the OECD's flagship compendium of education statistics, *Education at a Glance*. It provides easily accessible data on key measures, including education levels and student numbers, expenditure, class size, hours of instruction, and PISA 2009 findings.

ISBN 978-92-64-11421-0
September 2011, 100 pages, €28 $39 £25 ¥3 600



How's Life? Measuring Well-Being

Every person aspires to a good life. But what does "a good or a better life" mean? This book paints a comprehensive picture of well-being in OECD countries and other major economies by looking at people's material living conditions and quality of life across the population.

ISBN 978-92-64-11161-5 12-
October 2011, 285 pages, €35 $49 £31 ¥4 500

OECD Science, Technology and Industry Scoreboard 2011

The 10th edition of the *OECD Science, Technology and Industry (STI)* Scoreboard builds on 50 years of indicators development, looking at major trends in knowledge and innovation in the global economy.

ISBN 978-92-64-11165-3
September 2011, 128 pages, €65 $91 £58 ¥8 400

Corporate Loss Utilisation through Aggressive Tax Planning

After describing the size of corporate tax losses and the policy issues related to their tax treatment, this report identifies three key risk areas in relation to use of losses for tax purposes: corporate reorganisations, financial instruments and non-arm's length transfer pricing.

ISBN 978-92-64-11921-5
August 2011, 92 pages, €24 $33 £21 ¥3 100

Agricultural Policy Monitoring and Evaluation 2011: OECD Countries and Emerging Economies

This edition of the annual *Agricultural Policy* report covers for the first time both the OECD member countries and selected key emerging economies: Brazil, China, Russia, South Africa and Ukraine. It is a unique source of up-to-date estimates of support to agriculture and agricultural policy.

ISBN 978-92-64-10617-8 21
September 2011, 352 pages, €65 $91 £58 ¥8 400

New publications

www.OECD-iLibrary.org

ECONOMICS

OECD Economic Surveys: Austria 2011
ISBN 978-92-64-09343-0
July 2011, 128 pages
€58 $81 £52 ¥7 500

OECD Economic Surveys: Belgium 2011
ISBN 978-92-64-09328-7
July 2011, 148 pages, €58 $81 £52 ¥7 500

OECD Economic Surveys: Greece 2011
ISBN 978-92-64-09347-8
August 2011, 158 pages, €58 $81 £52 ¥7 500

National Accounts of OECD Countries, Volume 2011 Issue 2: Detailed Tables
ISBN 978-92-64-10693-2
August 2011, 300 pages, €75 $105 £67 ¥9 700

National Accounts of OECD Countries: General Government Accounts 2011
ISBN 978-92-64-10132-6
August 2011, 260 pages, €95 $133 £85 ¥12 300

AGRICULTURE

Evaluation of Agricultural Policy Reforms in Turkey
ISBN 978-92-64-11309-1
October 2011, 126 pages, €30 $42 £27 ¥3 900

Managing Risk in Agriculture: Policy Assessment and Design
ISBN 978-92-64-11609-2
July 2011, 256 pages, €75 $105 £67 ¥9 700

Fisheries and Aquaculture Certification
ISBN 978-92-64-11961-1
October 2011, 100 pages, €24 $33 £21 ¥3 100

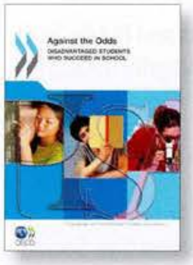
DEVELOPMENT

Aid for Trade at a Glance 2011: Showing Results
ISBN 978-92-64-11423-4
September 2011, 400 pages, €65 $91 £58 ¥8 400

Better Policies for Development: Recommendations for Policy Coherence
ISBN 978-92-64-11594-1
October 2011, 76 pages, €24 $33 £21 ¥3 100

African Central Government Debt 2011: Statistical Yearbook
ISBN 978-92-64-11650-4
July 2011, 180 pages, €50 $70 £45 ¥6 500

EDUCATION



Against the Odds: Disadvantaged Students Who Succeed in School
ISBN 978-92-64-08995-2
July 2011, 200 pages
€39 $54 £35 ¥5 000

Reviews of National Policies for Education: Improving Lower Secondary Schools in Norway 2011
ISBN 978-92-64-11456-2
July 2011, 150 pages, €30 $42 £27 ¥3 900

ENERGY

Coal Information 2011
ISBN 978-92-64-10209-5
September 2011, 540 pages
€165 $231 £148 ¥21 400

Electricity Information 2011
ISBN 978-92-64-10191-3
September 2011, 876 pages
€150 $210 £135 ¥19 500

Natural Gas Information 2011
ISBN 978-92-64-10265-1
September 2011, 650 pages
€165 $231 £148 ¥21 400

Oil Information 2011
ISBN 978-92-64-10472-3
August 2011, 744 pages, €165 $231 £148 ¥21 400

Renewables Information 2011
ISBN 978-92-64-10161-6
August 2011, 492 pages, €110 $154 £99 ¥14 300

Energy Statistics of OECD Countries 2011
ISBN 978-92-64-08987-7
August 2011, 422 pages, €120 $168 £108 ¥15 600

Energy Balances of OECD Countries 2011
ISBN 978-92-64-10307-8
August 2011, 332 pages, €120 $168 £108 ¥15 600

Energy Statistics of Non-OECD Countries 2011
ISBN 978-92-64-10337-5
September 2011, 730 pages
€120 $168 £108 ¥15 600

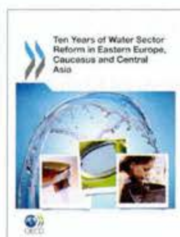
Energy Balances of Non-OECD Countries 2011
ISBN 978-92-64-10335-1
September 2011, 536 pages
€120 $168 £108 ¥15 600

Energy Policies of IEA Countries: Hungary 2011
ISBN 978-92-64-09822-0
July 2011, 146 pages, €75 $105 £67 ¥9 700

World Energy Outlook 2011
ISBN 978-92-64-12413-4
November 2011, 600 pages
€150 $210 £135 ¥19 500

ENVIRONMENT

Invention and Transfer of Environmental Technologies
ISBN 978-92-64-11561-3
September 2011, 256 pages, €76 $106 £68 ¥9 800



Ten Years of Water Sector Reform in Eastern Europe, Caucasus and Central Asia
ISBN 978-92-64-11840-9
September 2011, 148 pages
€32 $44 £28 ¥4 100

OECD Environmental Performance Reviews: Israel 2011
ISBN 978-92-64-11755-6
October 2011, 203 pages, €50 $70 £45 ¥6 500

OECD Environmental Performance Reviews: Slovak Republic 2011
ISBN 978-92-64-12182-9
October 2011, 164 pages, €50 $70 £45 ¥6 500

Water Governance in OECD Countries: A Multilevel Approach
ISBN 978-92-64-11927-7
October 2011, 236 pages, €75 $105 £67 ¥9 700

FINANCE AND INVESTMENT

OECD Guidelines for Multinational Enterprises 2011
ISBN 978-92-64-11528-6
October 2011, 89 pages, €24 $33 £21 ¥3 100

Risk Awareness, Capital Markets and Catastrophic Risks:
ISBN 978-92-64-04659-7
August 2011, 164 pages, €50 $70 £45 ¥6 500

Board Practices: Incentives and Governing Risks
ISBN 978-92-64-11351-0
August 2011, 144 pages, €40 $56 £36 ¥5 200

OECD Investment Policy Reviews: Ukraine 2011
ISBN 978-92-64-11349-7
August 2011, 148 pages, €35 $49 £31 ¥4 500

OECD Code of Liberalisation of Capital Movements 2011
ISBN 978-92-64-11076-2
July 2011, 180 pages, €48 $67 £43 ¥6 200

Bank Competition and Financial Stability
ISBN 978-92-64-12055-6
October 2011, 83 pages, €24 $33 £21 ¥3 100

GOVERNANCE

Making the Most of Public Investment in a Tight Fiscal Environment: Multi-Level Governance Lessons from the Crisis
ISBN 978-92-64-11445-6
September 2011, 198 pages
€50 $70 £45 ¥6 500

Lobbyists, Governments and Public Trust, Volume 2: Promoting Integrity through Self-Regulation
ISBN 978-92-64-08493-3
October 2011, 105 pages, €28 $39 £25 ¥3 600

Together for Better Public Services: Partnering with Citizens and Civil Society
ISBN 978-92-64-11881-2
September 2011, 120 pages, €25 $35 £22 ¥3 200

Estonia: Towards a Single Government Approach
ISBN 978-92-64-10484-6
August 2011, 400 pages, €125 $175 £112 ¥16 200

Towards More Effective and Dynamic Public Management in Mexico
ISBN 978-92-64-11622-1
July 2011, 288 pages, €70 $98 £63 ¥9 100

Greening Public Budgets in Eastern Europe, Caucasus and Central Asia
ISBN 978-92-64-11828-7
September 2011, 142 pages, €35 $49 £31 ¥4 500

M-Government: Mobile Technologies for Responsive Governments and Connected Societies
ISBN 978-92-64-11869-0
October 2011, 150 pages
€35 $49 £31 ¥4 500

Strengthening Latin American Corporate Governance: The Role of Institutional Investors
ISBN 978-92-64-11604-7
July 2011, 76 pages, €24 $33 £21 ¥3 100

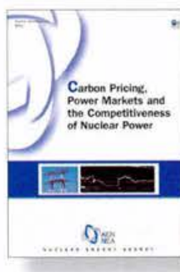
Corporate Governance in Estonia 2011
ISBN 978-92-64-11889-8
September 2011, 70 pages €24 $33 £21 ¥3 100

Corporate Governance of State-Owned Enterprises: Change and Reform in OECD Countries since 2005
ISBN 978-92-64-11951-2
October 2011, 54 pages
€24 $33 £21 ¥3 100

INDUSTRY AND SERVICES

Future Prospects for Industrial Biotechnology
ISBN 978-92-64-11956-7
September 2011, 137 pages
€33 $46 £29 ¥4 200

NUCLEAR ENERGY



Carbon Pricing, Power Markets and the Competitiveness of Nuclear Power
ISBN 978-92-64-11887-4
August 2011, 110 pages, €33 $46 £29 ¥4 200

SCIENCE AND INFORMATION TECHNOLOGY

The Space Economy at a Glance 2011
ISBN 978-92-64-08464-3
July 2011, 116 pages, €29 $40 £26 ¥3 700

Fostering Innovation for Green Growth
ISBN 978-92-64-11991-8
September 2011, 126 pages, €30 $42 £27 ¥3 900

Public Research Institutions: Mapping Sector Trends
ISBN 978-92-64-11949-9
September 2011, 158 pages, €35 $49 £31 ¥4 500

OECD Reviews of Innovation Policy: Russian Federation 2011:
ISBN 978-92-64-11312-1
June 2011, 260 pages, €40 $56 £36 ¥5 200

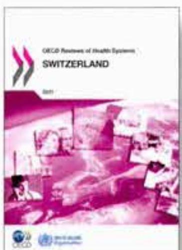
OECD Guide to Measuring the Information Society 2011
ISBN 978-92-64-09598-4
August 2011, 208 pages €59 $82 £53 ¥7 600

The Role of Internet Intermediaries in Advancing Public Policy Objectives
ISBN 978-92-64-11563-7
October 2011, 200 pages, €60 $84 £54 ¥7 800

SOCIAL AFFAIRS – MIGRATION – HEALTH

The Causes of Growing Inequalities in OECD Countries
ISBN 978-92-64-11163-9
November -2011, 400 pages, €75 $105 £67 ¥9 700

A System of Health Accounts
ISBN 978-92-64-11600-9
October 2011, 489 pages, €150 $210 £135 ¥19 500



OECD Reviews of Labour Market and Social Policies: Russian Federation 2011
ISBN 978-92-64-11871-3
October 2011, 195 pages €35 $49 £31 ¥4 500

OECD Reviews of Health Systems: Switzerland 2011
ISBN 978-92-64-12090-7
October 2011, 158 pages €40 $56 £36 ¥5 200

Health Reform: Meeting the Challenge of Ageing and Multiple Morbidities
ISBN 978-92-64-12231-4
October 2011, 123 pages, €21 $29 £18 ¥2 700

International Migration Outlook 2011
ISBN 978-92-64-11260-5
July 2011, 452 pages, €90 $126 £81 ¥11 700

TAXATION

The Multilateral Convention on Mutual Administrative Assistance in Tax Matters: Amended by the 2010 Protocol
ISBN 978-92-64-11544-6
June 2011, 112 pages, €32 $44 £28 ¥4 100

Implementing the Tax Transparency Standards: A Handbook for Assessors and Jurisdictions, Second Edition
ISBN 978-92-64-10723-6
June 2011, 228 pages, €50 $70 £45 ¥6 500

Global Forum on Transparency and Exchange of Information for Tax Purposes Peer Reviews
The following reviews have recently been published. Prices for each review are €36 $50 £32 ¥4 600

- Andorra 2011: Phase 1: Legal and Regulatory Framework
- Anguilla 2011: Phase 1: Legal and Regulatory Framework
- Antigua and Barbuda 2011: Phase 1: Legal and Regulatory Framework
- Austria 2011: Phase 1: Legal and Regulatory Framework
- Bahrain 2011: Phase 1: Legal and Regulatory Framework
- British Virgin Islands 2011: Phase 1: Legal and Regulatory Framework
- Curaçao 2011: Phase 1: Legal and Regulatory Framework
- Liechtenstein 2011: Phase 1: Legal and Regulatory Framework
- Luxembourg 2011: Phase 1: Legal and Regulatory Framework
- Federation of Saint Kitts and Nevis 2011: Phase 1: Legal and Regulatory Framework
- Turks and Caicos Islands 2011: Phase 1: Legal and Regulatory Framework
- United Kingdom 2011: Combined: Phase 1 + Phase 2

Taxation and Employment
ISBN 978-92-64-12059-4
November 2011, 154 pages, €45 $63 £40 ¥5 800

TRADE

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
ISBN 978-92-64-11118-9
August 2011, 64 pages, €24 $33 £21 ¥3 100

Smart Rules for Fair Trade: 50 years of Export Credits
ISBN 978-92-64-11173-8
September 2011, 150 pages, €45 $63 £40 ¥5 800

TRANSPORTATION

Trends in the Transport Sector 2011
ISBN 978-92-82-10359-3
September 2011, 92 pages, €28 $39 £25 ¥3 600

URBAN, RURAL AND REGIONAL DEVELOPMENT

OECD Regions at a Glance 2011
ISBN 978-92-64-10514-0
August 2011, 160 pages, €50 $70 £45 ¥6 500

OECD Regional Outlook 2011
ISBN 978-92-64-11170-7
November 2011, 300 pages €60 $84 £54 ¥7 800

OECD Territorial Reviews: Slovenia 2011
ISBN 978-92-64-12057-0
October 2011, 194 pages, €45 $63 £40 ¥5 800

How's Life?

Have you ever had the feeling that economists and governments speak about wealth and growth in a way that doesn't always chime with your own everyday experience? Take gross domestic product, or GDP. This is the generally accepted way to measure economic growth (or lack of it), but it provides little if any insight into overall levels of life satisfaction. Some activities which increase GDP correspond to a reduction in peoples' well-being (as in the case of higher transport costs due to congestion and long commutes). Also, economic activities such as child care and neighbourly help undoubtedly contribute to well-being but are not captured by GDP.

For years, policymakers (and many economists) have hunted for broader measures of well-being that reflect such notions as work-life balance, personal safety, health, education and poverty. One major example was the Stiglitz-Sen-Fitoussi Commission, established by French President Nicolas Sarkozy in 2008, which the OECD was involved in and which laid out several possible ways forward (see "Progress, what progress?" by Joseph Stiglitz at www.oecdobserver.org).

How's Life? is the first substantial report from the OECD to emerge from this work, by analysing and discussing the ways well-being and progress can be measured. Using factors ranging from quality of jobs to environment, it provides a concrete base for the conceptual issues raised since the OECD's *Better Life Initiative* was launched in May 2011 (see www.oecdbetterlifeindex.org). For instance, indicators in *How's Life?* include those which policy can influence, such as life expectancy or education, but also those which lie beyond normal policymaking, such as life satisfaction or social ties. The report discusses tricky issues, such as how to be objective in comparing highly subjective measures, and comparing well-being across very different countries, particularly when it comes to subjective indicators such as perceived air quality or trust in the justice system. These indicators are not easily comparable, despite influencing people's life satisfaction. Better policies require a solid understanding of what makes better lives, and *How's Life?* is a key link in the learning process; it takes stock of the quality of existing well-being measures, while setting the statistical agenda for improving these indicators in the years ahead.

For more on How's Life, see **http://oe.cd/howislife**

ISBN 978-92-64-11161-5

Banks in the balance

Whether or not you believe they have been reformed enough, few institutions have received as much attention during the current economic crisis as banks.

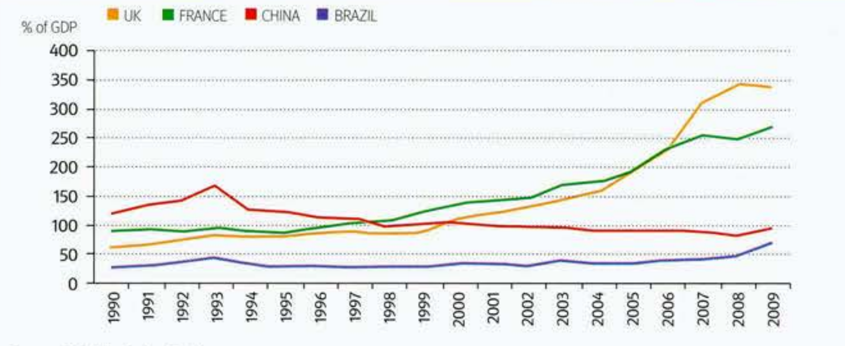
But how much money do they really control and how can their behaviour affect our economies so much?

Total assets of the largest banks as a share of GDP increased rapidly in major OECD countries in the years leading up to the financial crisis, says *Bank Competition and Financial Stability*. In contrast, in emerging economies, which were affected by the crisis to a lesser degree, the asset-to-GDP ratio was stable. In the case of China, the ratio actually decreased ahead of the financial crisis.

The proportional increase in assets of the largest French and British banks is particularly noticeable in the late 1990s and 2000s, with the three biggest British banks holding assets worth almost 340% of the UK's GDP on the eve of the global financial crisis and 260% for the French big three. In 1995, the figure for both countries was less than 80%.

Some of the competitive practices in the banking system (or lack thereof) may have exacerbated the crisis, according to the report, while the authors warn that some government policies—for instance, enforced mergers—may have adverse consequences for competition.

Bank assets
Total assets of three largest banks as % of GDP



Source: OECD/The Banker Database

See www.oecd.org/finance

e-Gov

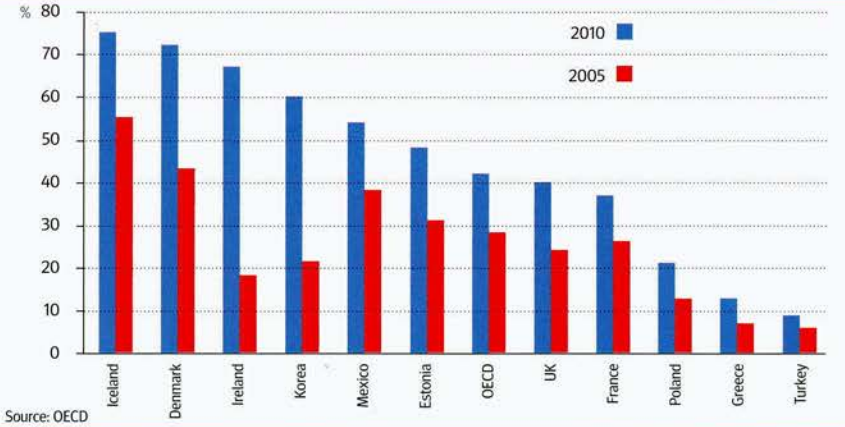
From Occupy Wall Street to the Arab Spring, the Internet has become one of the drivers of popular protests and social dialogue. Also, politicians are use the likes of Twitter and Facebook to stay in touch with their electorates (see page 16). But are public authorities using the Internet enough to improve interactions with the general public?

The online provision of public services has received much investment in recent years, and the number of people using online services has increased accordingly in all OECD countries. This is welcome news as it not only provides greater convenience for users, it also reduces costs for all involved, particularly in the current context of belt-tightening and public sector cuts.

Between 2005 and 2010, the proportion of those aged 16-74 using e-government services increased from 28% to 42% in the OECD area. The leading positions are taken up by the Nordic countries, with over 70% of those in Iceland and Denmark now using the Internet for governmental services. Turkey, Greece and Italy are at the other end of the scale, with usage rates of less than 20%, and little sign of increase in recent years.

Even in the best performing countries, the rate of uptake of e-government services remains lower than expected, particularly in the context of high-speed internet.
More can be done to encourage people to embrace online services, such as by using marketing strategies to raise awareness of their availability.

Government online
Usage of Internet for government services, % of 16-74 year olds



Source: OECD

See www.oecd.org/gov/egov/services

			% change from:				level:	
			previous period	previous year			current period	same period last year
Australia	Gross domestic product	Q2-2011	1.2	1.4	Current balance	Q2-2011	-2.1	-1.3
	Industrial production	Q2-2011	1.2	-3.3	Unemployment rate	Q2-2011	4.9	5.3
	Consumer price index	Q2-2011	0.9	3.6	Interest rate	Q2-2011	5.0	4.7
Austria	Gross domestic product	Q2-2011	0.7	3.5	Current balance	Q2-2011	2.9	3.3
	Industrial production	Q2-2011	1.1	9.0	Unemployment rate	Q2-2011	4.1	4.5
	Consumer price index	Q2-2011	1.5	3.3	Interest rate	Q3-2011	1.6	0.9
Belgium	Gross domestic product	Q2-2011	0.5	2.3	Current balance	Q2-2011	-0.7	0.6
	Industrial production	Q1-2011	2.2	10.8	Unemployment rate	Q2-2011	7.0	8.5
	Consumer price index	Q3-2011	0.5	3.6	Interest rate	Q3-2011	1.6	0.9
Canada	Gross domestic product	Q2-2011	-0.1	2.2	Current balance	Q2-2011	-3.6	-3.5
	Industrial production	Q2-2011	-1.2	1.3	Unemployment rate	Q3-2011	7.2	8.0
	Consumer price index	Q2-2011	1.4	3.4	Interest rate	Q3-2011	1.2	0.9
Chile	Gross domestic product	Q2-2011	1.4	6.5	Current balance	Q2-2011	-1.7	-0.9
	Industrial production	Q1-2011	0.0	11.4	Unemployment rate	Q2-2011	7.2	8.5
	Consumer price index	Q3-2011	0.6	3.1	Interest rate	Q2-2011	5.3	0.0
Czech Republic	Gross domestic product	Q2-2011	0.1	2.2	Current balance	Q2-2011	-3.6	-1.7
	Industrial production	Q2-2011	-0.3	8.9	Unemployment rate	Q2-2011	6.9	7.3
	Consumer price index	Q2-2011	0.6	1.8	Interest rate	Q3-2011	1.2	1.2
Denmark	Gross domestic product	Q2-2011	1.0	1.7	Current balance	Q2-2011	5.6	4.0
	Industrial production	Q2-2011	3.3	3.1	Unemployment rate	Q2-2011	7.3	7.5
	Consumer price index	Q3-2011	-0.1	2.7	Interest rate	Q3-2011	1.2	0.6
Estonia	Gross domestic product	Q2-2011	1.7	8.4	Current balance	Q2-2011	2.5	1.0
	Industrial production	Q2-2011	-0.5	26.2	Unemployment rate	Q2-2011	12.8	17.9
	Consumer price index	Q3-2011	0.9	5.3	Interest rate	Q3-2011	1.6	1.3
Finland	Gross domestic product	Q2-2011	0.6	2.7	Current balance	Q2-2011	0.2	2.6
	Industrial production	Q2-2011	2.8	4.8	Unemployment rate	Q2-2011	7.8	8.5
	Consumer price index	Q2-2011	0.9	3.3	Interest rate	Q3-2011	1.6	0.9
France	Gross domestic product	Q2-2011	0.0	1.7	Current balance	Q2-2011	-2.8	-1.5
	Industrial production	Q2-2011	-0.4	2.2	Unemployment rate	Q2-2011	9.7	9.8
	Consumer price index	Q2-2011	1.1	2.1	Interest rate	Q3-2011	1.6	0.9
Germany	Gross domestic product	Q2-2011	0.1	2.8	Current balance	Q2-2011	4.9	4.9
	Industrial production	Q2-2011	1.9	9.2	Unemployment rate	Q2-2011	6.1	7.2
	Consumer price index	Q2-2011	0.7	2.3	Interest rate	Q3-2011	1.6	0.9
Greece	Gross domestic product	Q1-2011	0.2	-5.5	Current balance	Q1-2011	-11.4	-14.4
	Industrial production	Q2-2011	-6.8	-11.5	Unemployment rate	Q2-2011	16.7	12.1
	Consumer price index	Q2-2011	2.4	3.5	Interest rate	Q3-2011	1.6	0.9
Hungary	Gross domestic product	Q2-2011	-0.0	1.2	Current balance	Q2-2011	2.3	1.0
	Industrial production	Q2-2011	-2.2	4.2	Unemployment rate	Q2-2011	10.9	11.3
	Consumer price index	Q2-2011	1.6	4.0	Interest rate	Q3-2011	6.7	6.1
Iceland	Gross domestic product	Q2-2011	-2.8	2.1	Current balance	Q2-2011	-7.0	-12.0
	Industrial production	Q1-2011	9.7	6.6	Unemployment rate	Q2-2011	6.7	6.9
	Consumer price index	Q2-2011	2.6	3.5	Interest rate	Q2-2011	4.0	7.6
Ireland	Gross domestic product	Q2-2011	1.6	2.3	Current balance	Q2-2011	-0.4	-0.5
	Industrial production	Q2-2011	-1.0	0.1	Unemployment rate	Q2-2011	14.3	13.5
	Consumer price index	Q2-2011	1.3	2.8	Interest rate	Q3-2011	1.6	0.9
Israel	Gross domestic product	Q2-2011	0.9	5.0	Current balance	Q2-2011	-0.9	4.1
	Industrial production	Q2-2011	-1.4	-2.8	Unemployment rate	Q2-2011	5.5	6.5
	Consumer price index	Q2-2011	1.3	4.1	Interest rate	Q3-2011	3.0	1.7
Italy	Gross domestic product	Q2-2011	0.3	0.8	Current balance	Q1-2011	-4.2	-3.5
	Industrial production	Q2-2011	1.3	1.9	Unemployment rate	Q2-2011	8.0	8.6
	Consumer price index	Q3-2011	0.6	2.8	Interest rate	Q3-2011	1.6	0.9
Japan	Gross domestic product	Q2-2011	-0.5	-1.1	Current balance	Q2-2011	1.6	3.3
	Industrial production	Q2-2011	-4.1	-6.9	Unemployment rate	Q2-2011	4.6	5.1
	Consumer price index	Q2-2011	0.2	-0.4	Interest rate	Q2-2011	0.3	0.4
Korea	Gross domestic product	Q2-2011	0.9	3.4	Current balance	Q2-2011	1.1	2.7
	Industrial production	Q2-2011	0.0	6.7	Unemployment rate	Q2-2011	3.4	3.5
	Consumer price index	Q3-2011	1.4	4.8	Interest rate	Q2-2011	3.5	2.5
Luxembourg	Gross domestic product	Q2-2011	0.3	1.9	Current balance	Q1-2011	-2.0	6.8
	Industrial production	Q2-2011	-3.9	-3.3	Unemployment rate	Q2-2011	4.6	4.5
	Consumer price index	Q3-2011	0.0	3.2	Interest rate	Q3-2011	1.6	0.9
Mexico	Gross domestic product	Q2-2011	1.1	3.6	Current balance		..	..
	Industrial production	Q2-2011	0.6	..	Unemployment rate	Q2-2011	5.5	5.5
	Consumer price index	Q3-2011	0.4	3.4	Interest rate	Q3-2011	4.8	5.0

			% change from: previous period	% change from: previous year			level: current period	level: same period last year
Netherlands	Gross domestic product	Q2-2011	0.2	1.8	Current balance	Q2-2011	9.4	5.2
	Industrial production	Q2-2011	-0.8	-1.2	Unemployment rate	Q2-2011	4.2	4.5
	Consumer price index	Q3-2011	0.1	2.6	Interest rate	Q3-2011	1.6	0.9
New Zealand	Gross domestic product	Q2-2011	0.1	0.7	Current balance	Q2-2011	-4.0	-3.3
	Industrial production	Q2-2011	-0.5	2.5	Unemployment rate	Q2-2011	6.5	6.9
	Consumer price index	Q2-2011	1.0	5.3	Interest rate	Q3-2011	2.8	3.2
Norway	Gross domestic product	Q2-2011	0.4	0.3	Current balance	Q2-2011	13.2	12.2
	Industrial production	Q2-2011	-3.1	-8.1	Unemployment rate	Q2-2011	3.3	3.6
	Consumer price index	Q2-2011	0.6	1.4	Interest rate	Q3-2011	3.0	2.7
Poland	Gross domestic product	Q2-2011	1.1	4.5	Current balance	Q2-2011	-2.6	-3.3
	Industrial production	Q2-2011	1.8	7.1	Unemployment rate	Q2-2011	9.5	9.6
	Consumer price index	Q2-2011	1.5	4.5	Interest rate	Q3-2011	4.7	3.8
Portugal	Gross domestic product	Q2-2011	0.0	-0.9	Current balance	Q2-2011	-10.3	-12.4
	Industrial production	Q2-2011	-1.6	-1.6	Unemployment rate	Q2-2011	12.6	12.0
	Consumer price index	Q2-2011	1.4	3.7	Interest rate	Q3-2011	1.6	0.9
Slovak Republic	Gross domestic product	Q2-2011	0.9	3.5	Current balance	Q2-2011	-2.0	-2.2
	Industrial production	Q2-2011	1.6	7.6	Unemployment rate	Q2-2011	13.3	14.5
	Consumer price index	Q2-2011	1.0	3.9	Interest rate	Q3-2011	1.6	0.9
Slovenia	Gross domestic product	Q2-2011	0.1	1.0	Current balance	Q2-2011	-0.4	-2.9
	Industrial production	Q2-2011	0.8	4.9	Unemployment rate	Q2-2011	7.9	7.3
	Consumer price index	Q2-2011	2.2	1.7	Interest rate	Q3-2011	1.6	0.9
Spain	Gross domestic product	Q2-2011	0.2	0.7	Current balance	Q2-2011	-4.2	-5.9
	Industrial production	Q2-2011	-1.4	-1.3	Unemployment rate	Q2-2011	20.8	20.0
	Consumer price index	Q2-2011	1.7	3.5	Interest rate	Q3-2011	1.6	0.9
Sweden	Gross domestic product	Q2-2011	0.9	4.9	Current balance	Q2-2011	6.7	6.5
	Industrial production	Q2-2011	0.0	7.6	Unemployment rate	Q2-2011	7.5	8.6
	Consumer price index	Q2-2011	1.1	3.3	Interest rate	Q3-2011	1.7	0.5
Switzerland	Gross domestic product	Q2-2011	0.4	2.3	Current balance	Q2-2011	12.8	15.0
	Industrial production	Q2-2011	-0.4	2.4	Unemployment rate	Q2-2011	3.4	4.1
	Consumer price index	Q3-2011	-1.1	0.4	Interest rate	Q3-2011	0.1	0.2
Turkey	Gross domestic product	Q2-2011	1.3	8.1	Current balance	Q2-2011	-9.9	-5.0
	Industrial production	Q2-2011	-5.5	7.7	Unemployment rate	Q2-2011	9.2	10.6
	Consumer price index	Q2-2011	2.5	5.9	Interest rate		..	..
United Kingdom	Gross domestic product	Q2-2011	0.1	0.6	Current balance	Q1-2011	-2.5	-2.9
	Industrial production	Q2-2011	-1.6	-0.8	Unemployment rate	Q2-2011	7.9	7.7
	Consumer price index	Q2-2011	1.5	4.4	Interest rate	Q2-2011	0.8	0.7
United States	Gross domestic product	Q2-2011	0.3	1.6	Current balance	Q2-2011	-3.1	-3.3
	Industrial production	Q2-2011	0.1	3.8	Unemployment rate	Q3-2011	9.1	9.6
	Consumer price index	Q2-2011	1.7	3.4	Interest rate	Q2-2011	0.2	0.4
Euro area	Gross domestic product	Q2-2011	0.2	1.6	Current balance	Q2-2011	-0.8	-0.5
	Industrial production	Q2-2011	0.2	4.1	Unemployment rate	Q2-2011	10.0	10.2
	Consumer price index		..	..	Interest rate	Q3-2011	1.6	0.9
Non-members								
[2]Brazil	Gross domestic product	Q2-2011	0.8	3.1	Current balance		..	..
	Industrial production	Q2-2011	-2.9	0.7	Unemployment rate		..	..
	Consumer price index	Q2-2011	1.9	6.6	Interest rate		..	..
[2]China	Gross domestic product		..	..	Current balance		..	..
	Industrial production		..	..	Unemployment rate		..	..
	Consumer price index	Q2-2011	0.5	5.7	Interest rate	Q2-2011	4.7	2.5
[2]India	Gross domestic product	Q1-2010	5.0	11.3	Current balance		..	..
	Industrial production	Q1-2011	0.8	7.7	Unemployment rate		..	..
	Consumer price index	Q2-2011	0.7	8.9	Interest rate		..	..
[2]Indonesia	Gross domestic product	Q2-2011	1.6	6.5	Current balance	Q2-2011	0.3	1.0
	Industrial production		..	..	Unemployment rate		..	..
	Consumer price index	Q3-2011	1.8	4.7	Interest rate	Q2-2011	6.9	7.0
[1]Russian Federation	Gross domestic product	Q2-2011	0.2	3.4	Current balance	Q2-2011	5.4	5.5
	Industrial production	Q2-2011	1.0	4.9	Unemployment rate		..	..
	Consumer price index	Q2-2011	1.5	9.5	Interest rate	Q2-2011	4.7	4.9
[2]South Africa	Gross domestic product	Q2-2011	0.3	3.2	Current balance	Q1-2011	-3.1	-4.4
	Industrial production		..	..	Unemployment rate		..	..
	Consumer price index	Q2-2011	1.9	4.6	Interest rate	Q3-2011	5.5	6.3

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.

..=not available
[1]Accession candidate to OECD
[2]Enhanced engagement programme
Source: *Main Economic Indicators*, October 2011

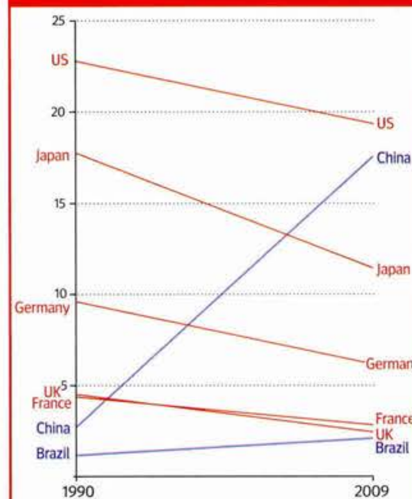
Output shifts

Despite two decades of outsourcing and globalisation, the US remains the world's largest manufacturer. However, its share of world value-added in manufacturing declined from around 22.7% of the total in 1990 to less than 20% in 2009. China's share rose from a minute 2.7% to 17.5% over the same period, taking over Japan, hitherto the world's second largest manufacture, whose share dropped from 17.7% to 11.4% over the two decades.

China's increase was a fillip to the share of emerging markets in general, with BRIIC countries (which as well as China include Brazil, Russia, India, Indonesia and South Africa) accounting for a quarter of value-added in manufacturing in 2009 compared with less than 10% in 1990.

This is in contrast with the fall in the share of several other OECD countries has also fallen, notably in Germany by three percentage points to just over 6% of the total. The EU now accounts for only 17.5%. Two OECD countries that saw slight increases include Australia, whose share edged up to 1% of the total, as it gained from the Asian boom, and Mexico, whose share reached 1.8%, up from 1.3%, reflected this economy's emerging status.

World's top manufacturers
% of world manufacturing value-added, 1990–2009



Source: OECD

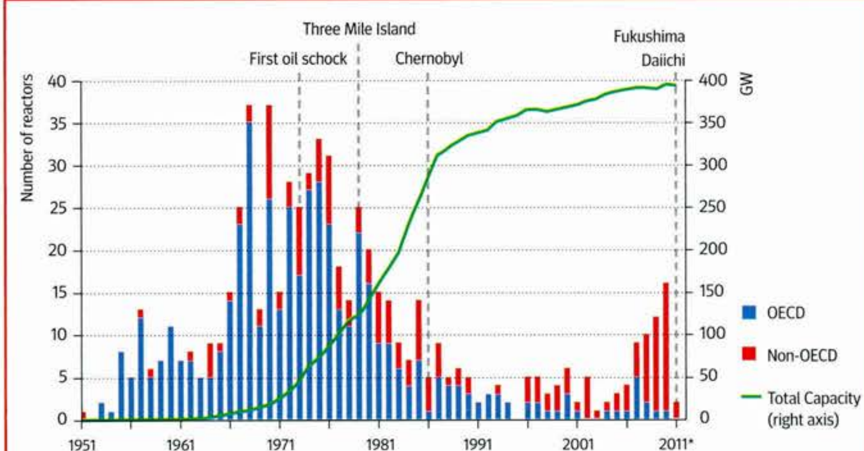
Nuclear power worries

The Fukushima tragedy in Japan in March 2011 has unsettled the nuclear energy outlook. Nuclear power started out almost 60 years ago with the Obninsk plant near Moscow in 1954, but after strong growth in the 1960s and 1970s, the industry declined sharply in the 1980s due to costs, delays and safety concerns after the Three Mile Island accident in the US in 1979, and the Chernobyl accident in Ukraine in 1986. But since the mid-2000s, global nuclear capacity recovered somewhat, reflecting new supply in China, and power uprates and life extensions in some reactors elsewhere. In fact, construction began on 16 new plants in 2010, the largest number since 1980; just one of these was in an OECD country. China accounted for 63% of the construction starts in 2010, followed by Russia, with 13%. In 2010, nuclear power plants supplied 13% of the world's electricity, down from a peak of 18% in 1996. At the start of 2011, a total of 30 countries around the world operated 441 nuclear reactors. Another 17 countries had announced their intention to build reactors, mainly outside the OECD area.

Now, the Fukushima accident has forced many governments to reassess their plans. The IEA, a sister organisation of the OECD, points out that many governments have reaffirmed their commitment to nuclear energy, but most countries with nuclear programmes including Japan, France and the US, have launched safety reviews and "stress tests", while some, including China and Germany, had temporarily suspended approvals for new projects. In sum, the long-term implications for the sector remain uncertain, the IEA warns.

International Energy Agency (IEA), *World Energy Outlook 2011*
ISBN: 978 92 64 12413 4
www.worldenergyoutlook.org

Nuclear reactor construction starts, 1951-2011



Source: IEA, *World Energy Outlook 2011*

*Data as of 31 Aug 2011

BETTER POLICIES FOR BETTER LIVES

OECD Factbook

OECD Factbook is the OECD's annual flagship that presents key data across the full subject range of OECD work.

Each variable is presented in a two-page spread, with definitions, overviews of recent trends, comments on comparability, and indications on where to go for more information on the left-hand side, and tables and graphs showing the actual data on the right-hand side. In some cases, more than one page of charts and graphs are shown. All of the charts and graphs include StatLinks, URLs linking to Excel® spreadsheet files containing the underlying data.

To view the OECD Factbook online, go to: **www.OECD-iLibrary.org/factbook**

To order book and USB memory stick versions, go to our online bookshop and search for "factbook"; **www.oecd.org/bookshop**

To get a version for your iPhone, go to the App Store. Blackberry and other smartphone versions available at: **www.oecd.org/publications/factbook**

OECD 50