

Special edition to the G20 Summit in Brisbane

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The G20's 2% challenge





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Special edition to the G20 Summit in Brisbane

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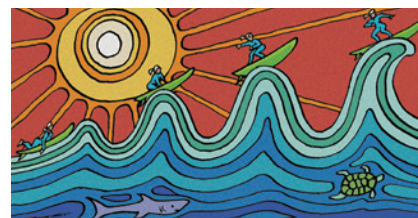
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Readers' views



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Enlargement conundrum

Former Ambassador Seiichiro Noboru urges the OECD to expand by including the BRIICS* ("Serving a new world" in *OECD Observer* No. 298 Q1 2014). Only when these countries adopt OECD best practices can governments and firms enjoy a true level playing field. As the organisation helps aspiring members to adhere with OECD instruments, important reforms can be pushed forward. Accession also strengthens the OECD through introducing new perspectives. But the impasse of the Doha round of trade negotiations highlights the risk of deadlock that can accompany enlargement. Does the conduct of the BRIICS within the World Trade Organization suggest they would co-operate within the OECD, which relies on consensus decisions that are enforced by peer review?

The Noboru report offers the right guidance: new members should be like-minded in terms of commitment to market economy and democratic politics and they should be significant players in the global economy. "Responsible player" is an additional criterion. Only governments that are willing to compromise for a rules-based international order should be offered a seat at the table of the leading think tank and standard-setting organisation. The challenge will be to convince the governments of the BRIICS who meet these criteria, such as Brazil and Indonesia, that it is in their interest to join the OECD. The organisation has long ceased to be a "rich country club" in its own identity, and

now this must change in the perceptions of the world.

Christina Davis, Professor of Politics and International Affairs Princeton University

*BRIICS are Brazil, Russia, India, Indonesia, China, South Africa, and are OECD partner countries.

Unequal well-being

I would point out that the global percentage of the owners of wealth has hardly changed in over a hundred years. Individual prosperity has changed in the west, but that's a different thing. There has been a price to pay for this by the poorest in those societies though. It has taken the form of a transition from poverty and low wages, to what could be describes as wage slavery. The abolition of the gold standard and ever increasing levels of credit have produced several generations of the working populations, living from week to week or month to month, striving to stave off financial meltdown.

As the world financial situation evolves and emerging markets develop, it must reverse this situation if it wants to avoid the continuing violence and unrest, of which this is a big part.

Philip Hodkinson, England, responding on "A long-term view on inequality" on oecdinsights.org, October 2014 <http://oe.cd/KO>

—

The OECD should be congratulated for producing this research, which provides such a wealth of data and insights into the changes in well-being over nearly 200 years. As the paper notes, these dimensions provide

a better view of well-being than one based on GDP per capita alone.

This topic is something Chartered Accountants Australia and New Zealand has recently explored in our publication, *Is policy making measuring up? Rethinking how we measure the success of a nation*. In it we recommend that GDP is reported alongside a measure of well-being, such as the Social Progress Index, when reporting national progress.

We encourage the OECD and other global bodies to provide greater focus on reporting non-GDP based measures alongside GDP per capita when comparing the progress of nations so that this methodology can become more mainstream.

Rob Ward, Head of Leadership and Advocacy, Chartered Accountants Australia and New Zealand, commenting on oecdinsights.org, Mapping the history of well-being, 2 October 2014 <http://oe.cd/KQ>

Twitterings

@abdAndrewG

Canberra world's most #liveable city. @OECD Okay, so which Aust city hasn't been deemed the best place to live? Let's just take it in turns

@ThManfredi

How Was Life? The best database – to my knowledge – on global welfare indicators since 1820. HT e FF @OECD <http://gitvfd.github.io/How-was-life/>

@lambam_sam

@conradhackett @DJGrothe Makes no sense to include (and esp. compare) voter turnout as a criteria for well-being. #oecd #ocde #wellbeing

@GTCost

"@OECD: Will a robot take your job? <http://bit.ly/1xboVhR> #OECD" | no robot can achieve errors consistency of an average economist!

@noevanhulst

Most shocking number of #OECD report Education at a Glance 2014: 15% of 15-29 year-olds in OECD R not in a job nor in education or training!

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Why reform is the right option



National strategies can work, but implementation and leadership will be key

Angel Gurría
Secretary-General of the OECD

“Life is full of alternatives but no choice.” G20 leaders at the summit in Brisbane, Australia, in November should reflect on these words by Australian writer Patrick White, a Nobel Laureate, as they prepare their economic strategies for the years to come.

For despite signs of recovery earlier in 2014, the global economy remains stuck in the “repair shop”. In the OECD’s latest *Interim Economic Outlook* growth forecasts for 2014 and 2015 were revised down for the largest G20 countries—by nearly a quarter of a percentage point compared to our April forecasts. Six years after the start of the crisis, the output gap remains substantial—this is unprecedented, reflecting stubbornly weak demand. Two key cylinders of the global growth engine, trade and investment, remain particularly sluggish and are still not back to their pre-crisis levels. In the euro area, credit continues to shrink, creating a drag on demand. Furthermore, the recovery faces various headwinds, including geopolitical risks.

Such tepid growth means that addressing the jobs gap will be a huge challenge: over 100 million people are unemployed in G20 countries. Particularly worrying is the very high level of youth and long-term unemployment in many countries. Rising unemployment also contributed to the intensification of income inequality experienced during the crisis. Meanwhile, informality remains a drag on labour productivity in emerging economies.

With fiscal and monetary policy room very limited, structural reforms are the only way forward to address these crisis legacies, particularly their “scarring” impact as reflected in lower potential growth.

The OECD’s long-term growth scenarios emphatically warn that without structural reforms, growth will slow across the board until the middle of the century. G20 leaders have no choice: they must develop and implement an ambitious and feasible structural reform agenda.

That means doing all they can to eliminate structural bottlenecks to investment, competition, trade and jobs, as the Australian G20 presidency has rightly emphasised. This would also help unlock private investment, including in infrastructure, a priority of the Australian presidency.

To get unemployment down and boost inclusive growth, governments must invest in people’s skills, push activation programmes and equip people for the world of work. They must make labour markets more adaptable, affordable and productive for employers, and more dynamic and rewarding for employees.

Moreover, in a challenging demographic context, policymakers must clear away barriers to enable more people to join the workforce, particularly women. The Australian G20 presidency’s 25X25 target to reduce the gender gap in employment by 25% by 2025 would add some 126 million women to the G20’s workforce, boosting real GDP by between 1.2% and 1.6% over the period.

Reforms for boosting competition in product markets, facilitating trade and enhancing the efficiency of trade-enabling services are also essential.

These policy requirements are, by and large, captured in the 1,000 reform commitments from the National Growth Strategies submitted by G20 members. The OECD and the International Monetary Fund (IMF) were asked by the G20 to assess the impact of those strategies and whether their commitment can deliver an additional 2% growth by 2018. We also helped identify priorities that can yield the best results for each country. Our verdict is two-pronged: yes, the strategies can work, but implementation and leadership will be key.

Our progress on global tax matters shows how important leadership is. As US President Barack Obama remarked: “The work on tax is the G20 at its best.” Everyone understands that fairness and transparency in tax are fundamental for a thriving, trustworthy and inclusive economy. Major firms, for instance, should not be able to use the blind spots of the global economy to avoid paying taxes by gaming tax legislations and shifting their profits to low-tax jurisdictions. Governments will gradually stop these practices, thanks to the OECD/G20 Base Erosion and Profit Shifting (BEPS) project.

In September the OECD presented G20 finance ministers with the first package of measures agreed under BEPS, including country-by-country reporting by multinational enterprises, guidance for revising transfer pricing in the area of intangibles and a framework for taxation in the digital economy.

The G20 has enjoyed major advances in fighting tax evasion and non-co-operative jurisdictions as well. G20 finance ministers promptly endorsed the common global standard for the automatic exchange of information that we presented in September. Already more than 60 countries, including developing ones, have committed to implementing the Global Standard, and 45 countries have agreed to start implementation as early as 2017.

These measures are paying off: in five years, some €37 billion has been identified from voluntary disclosure programmes targeting offshore evasion involving just 24 countries. More is expected. This rapid progress shows what can be achieved when political leadership, close co-operation and technical excellence join forces for a common good.

The Australian G20 presidency must be commended for setting an ambitious agenda and I urge successor presidencies to maintain momentum. In today’s uncertain world, the G20 can provide the leadership needed to make the right choice to end the crisis and help forge better policies for better lives.

www.oecdobserver.org/angelgurría

www.oecd.org/about/secretary-general

Australia and the G20

From commitments to outcomes

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We are 90% of the way towards our [additional growth] goal

Joe Hockey
Australian Treasurer

Over the past few years we have witnessed some challenging times. When Australia took the reins of the G20 presidency nearly a year ago, the global economy was still recovering from one of the most severe recessions of modern times.

Against this backdrop, we determined that our G20 year would focus on practical actions to lift growth and create jobs. We also resolved to shore up the resilience of the global economy by building a stronger and safer financial system, and enhancing the transparency and fairness of the international tax system.

But lifting global growth requires a global effort, and to this end we set ourselves a challenge in Sydney in February: to raise collective GDP by an additional 2% by 2018. Our ambitious growth strategies will deliver better quality investment and structural reforms in key areas of employment, trade and competition.

By September G20 members had put forward over 900 measures that would together achieve 1.8% additional growth. We are 90% of the way towards our goal, but we will need to do more and intensify our efforts if we are going to reach our aim of 2%.

Our commitments will, however, be meaningless if we do not translate them into outcomes. To this end, we will hold each other to account by monitoring implementation and carrying out peer reviews. The OECD, the International Monetary Fund (IMF) and other international organisations will provide important input into this process.

Fostering more investment in infrastructure has been central to our growth strategies. I am very proud that the G20 has agreed to a Global Infrastructure Initiative. The initiative includes members' individual commitments to improve domestic investment climates, as well as collective actions to facilitate the development of infrastructure as an asset class, improve project planning and preparation, and reduce information asymmetries. The Global Infrastructure Hub will help us deliver specific elements of this important, multi-year initiative. The private sector, development banks and international organisations have been telling us they want this mechanism to tackle the infrastructure challenge.

On the resilience side of our agenda, we have largely completed our policy response to the vulnerabilities revealed by the financial crisis. We have delivered on key aspects of our core commitments to improve the resilience of financial institutions, the address

problem of "too big to fail" companies, tackle shadow banking risks, and foster more transparency in derivatives markets. With these reforms we will deliver a safer financial system, which will also support economic growth. From here we will focus on implementation of our commitments, and monitoring new and emerging risks.

On tax, we have a very ambitious agenda to address the global problem of tax avoidance and evasion. The OECD has been critical in driving this agenda.

We have made strong progress on 7 of 15 action items under the two-year G20/OECD Base Erosion and Profit Shifting (BEPS) Action Plan. This work will not only help secure revenue bases, but will also bring international tax rules into the 21st century and ensure they keep up with the changing business models of multinational companies.

We have also endorsed the Common Reporting Standard on the automatic exchange of tax information. This will give our tax authorities the information they need to identify and deal with tax cheats. At our meeting in Cairns, we resolved to swiftly implement the standard and called on all financial centres to do the same.

We will also continue our work with developing countries to ensure that they, too, benefit from the tax agenda.

It is clear that over the past year we have made great strides in addressing the common challenges we face.

For Australians, we truly do live in the "lucky country", with 23 years of uninterrupted economic growth. But, like others, we face considerable challenges. Our economy is going through one of the biggest transformations in its history. The growth led by investment in resources projects is shifting to broader-based drivers of activity in the non-resources sectors.

Faced with this transition, we have been working hard to underpin domestic growth with policies that support fiscal sustainability, promote business confidence, and create the right environment for businesses to invest and succeed.

While we are starting to realise the benefits of our work, with recent data showing a pick-up in economic growth, we can't rest on our laurels. Australia, and indeed the world, must continue the work of putting global growth on a secure trajectory. That is what our G20 agenda is designed to do.

It has been an honour for Australia to hold the G20 presidency in 2014, and for me personally to co-chair the G20 Finance Ministers' and Central Bank Governors' meetings. I am truly encouraged by what we have achieved. Now we must maintain the momentum in the years ahead and make our reform agenda a reality. This is the real battle, and this is what will make a clear difference to the lives of our citizens.

References

www.G20.org <http://www.treasury.gov.au> www.oecd.org/australia



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http://www.toyota-global.com/events/dream_car_art_contest/



News brief

Information exchange against tax evasion endorsed

The new OECD/G20 standard on automatic exchange of information was endorsed by all OECD and G20 countries in Berlin on 29 October. A status report on committed and not committed jurisdictions will be presented to G20 leaders during their annual summit in Brisbane, Australia on November 15-16.

Fifty-one jurisdictions translated their commitments into action during a massive

signing of a Multilateral Competent Authority Agreement that will activate the automatic exchange of information, starting as soon as September 2017. They agreed to establish a reporting process based on peer reviews to ensure effective implementation of automatic exchange. Developing countries were invited to join the endeavour, with an initiative launched to raise awareness in Africa.

“We are making concrete progress toward the G20 objective of winning the fight against tax evasion,” OECD Secretary-General Angel Gurría said, announcing the breakthrough in Berlin. www.oecd.org/tax/transparency

The good old days



Henri Cartier-Bresson exhibition at Shanghai, 2005
© Lu Jiu/AFP

People's well-being has improved around the world since the early 20th century, and more than just incomes per head, according to new research. *How Was Life? Global Well-Being since 1820* shows that, with the exception of sub-Saharan Africa, countries have generally become more equal with each other in terms of well-being, but the record in terms of income inequality is less impressive. Income inequality fell from the late 1800s until around 1970, but then began to rise markedly.

Nevertheless, people are generally much better off than they were in the past: wages of manual workers globally have increased some eight-fold in real terms since 1820, while GDP per capita has risen 10 fold.

To find out more about how life was in your country, visit the interactive website at <http://gitvfd.github.io/How-was-life>

Economy

GDP in the OECD area grew by 0.4% in the second quarter of 2014, up from 0.2% in the previous quarter. Stockbuilding was the main contributor, with 0.3 percentage points. Geographically, growth rebounded to 1% in the US, following a contraction of 0.5%, and remained relatively strong in the UK at 0.8%. Growth contracted by 1.7% in Japan and 0.2% in Italy, while remaining flat in France. In the EU growth fell from 0.2% to 0.1%.

Meanwhile, the OECD's **composite leading indicators** for October, which anticipate turning points in activity, point to a mixed outlook, with weakening growth in the euro area and stable growth elsewhere.

OECD-area **inflation** rose by 1.8% in the year to August 2014, compared with 1.9%

Soundbites

Lawn-term water planning

In Nevada, Las Vegas has paid out \$200 million over the last decade for homes and businesses to pull out their lawns. It will get worse.

Eduardo Porter, *International New York Times*, 16 October 2014

Dim perspectives

Progress is not a straight line. It's a permanent zigzag, and there is no utopia at the end of the rainbow.

Robert J. Samuelson, in *Charleston Daily Mail*, 9 October 2014

All of the policies introduced in Europe have led to worsening public finances.

Joseph Stiglitz, in *Le Monde*, 8 October (our translation)

“This was pretty much as we'd expected: bad. There's basically minuses in everything—private consumption down 5%, housing with a double-digit drop, and capex [capital expenditure] is also down.”

Yuichi Kodama, economist at Meiji Yasuda Life Insurance, via Reuters, 13 August 2014

“We have a lot to worry about, whether it's the crisis in Ukraine, developments in Gaza or the outbreak of Ebola.”

Makoto Kikuchi, Chief Executive of Myojo Asset Management, via Reuters, 13 August

in July. Excluding food and energy, the OECD annual inflation rate was stable in August, at 1.9% for the fourth consecutive month.

Unit labour costs in the OECD area rose by 0.5% in the second quarter of 2014. In the US, labour costs slowed from 2.3% to 0.1% quarter-on-quarter, while in the euro area they rose by 0.4%, as labour productivity fell to -0.2% for the first time since 2012.

Merchandise trade was stable across the world's major economies during the second quarter of 2014, with exports rising 1.5% and imports falling 0.8%. There were divergent patterns across countries. In Canada imports and exports rose by 4.9% and 4.7%, by 2.7% and 2.2% in the US and by 1.1% and 0.4% in the UK. An import decline of 4.1% outpaced an export growth of 2.9% in China. In Japan, both

Country roundup

Turkey should rebalance growth through monetary and financial policies that keep inflation, exchange rates and credit levels on sustainable paths, according to the latest *OECD Economic Survey of Turkey 2014*. www.oecd.org/turkey/

Italy should step up its efforts to help immigrants and their children integrate into society and learn the skills they need to improve their job prospects and earnings, according to *Jobs for Immigrants: Labour market integration in Italy*. www.oecd.org/italy

France needs to push on with full implementation of the structural reforms it adopted as they would boost potential annual economic growth by one third, or 0.4 percentage points per year over ten years, according to *Structural reforms in France: Impact on growth and options for the future*. www.oecd.org/france

Action taken by many **European countries** to return their public finances to health are beginning to pay off but continued effort is needed, as joblessness remains high, and youth unemployment in some countries has risen above 30%. www.oecd.org/eu/

On 13 October **Monaco** committed to strengthen international tax co-operation, thereby becoming the 84th jurisdiction participating in the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. www.oecd.org/countries/monaco/

Brazil must build on the positive momentum started with its new Corporate

imports and exports fell by 7.8% and 0.5%, respectively.

The **unemployment rate** in the OECD area stood at 7.3% in August 2014, down 0.1% from the previous month. Some 44.4 million people were out of work, 5.5 million less than at the peak in April 2010. The unemployment rate was stable in the euro area, at 11.5%, but fell by 0.3 percentage points in Italy to 12.3%. There was also a 0.3 percentage point decrease in Australia to 6.1%.

For latest updates on economic statistics, see www.oecd.org/std/statisticsnewsreleases.htm.



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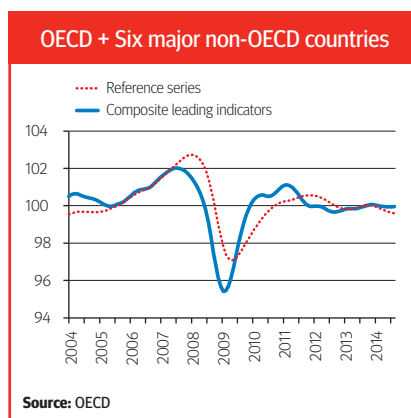
President Hollande meets IGO chiefs at the OECD

French president, François Hollande, visited the OECD on 17 October for economic discussions with the heads of major international governmental organisations, hosted by the OECD Secretary-General, Angel Gurría. From left to right are Guy Ryder of the International Labour Organisation, Jim Yong Kim of the World Bank, President Hollande, OECD Secretary-General Gurría, Christine Lagarde of the International Monetary Fund, and Roberto Azevêdo of the World Trade Organization. For more on the meeting, see <http://oe.cd/KL>.

Liability Law and its first indictments in one foreign bribery case to investigate and prosecute more proactively foreign bribery, says the OECD Working Group on Bribery. <http://www.oecd.org/brazil/>

To ensure a sustained recovery **Spain** must fully implement on-going structural reforms, as well as further measures to improve productivity and competitiveness, according to the latest *OECD Economic Survey of Spain 2014*. www.oecd.org/spain/

Iceland must balance growth in power and tourism industries with nature conservation, according to the new *OECD Environmental Performance Review of Iceland 2014*. www.oecd.org/iceland/



Regional inequality widens

Living standards continue to diverge within many economically advanced countries as poorer regions struggle to catch up with richer ones, a new report says. In fact, half of the 34 OECD countries have seen the income gap between their best-off and worst-off regions widen since the 2008 crisis.

The *OECD Regional Outlook 2014* shows that for 10 OECD countries, over 40% of the national rise in unemployment since the crisis was concentrated in one region, with some of the starkest inequalities showing up in big cities. See <http://oe.cd/IS>

Company cars exhaust taxes

Advanced economies are pushing up carbon emissions and pollution by under-taxing company cars, according to new OECD research. The study finds that this amounts to an average annual subsidy per car of €1,600, ranging from just €57 in Canada to €2,763 in Belgium, and the total cost across the 28 countries examined is estimated at €26.8 billion of foregone tax revenues for 2012. <http://oe.cd/KI>

Ebola watch

A new webpage has been opened to help understand and monitor progress in addressing the Ebola virus outbreak which has struck western Africa and preoccupied global public opinion in recent months. Run by the Sahel and West Africa Club at the OECD, the website looks at the history and geographical concentration of the outbreak, the cross-border challenges, the international response and political initiatives, and a list of references for further reading: www.oecd.org/swac/ebola.htm

Plus ça change...

"For the first time the employment situation of young people places them in the category of disadvantaged persons – along with immigrants, women, elderly workers, ethnic minorities, etc."

"The problem of young people's entry into working life" in Issue No 77, September-October 1975.

Observer

Australia's G20 Presidency and the OECD:

Joining forces to address the challenge of stronger growth

Gabriela Ramos, OECD Chief of Staff and G20 Sherpa



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The Australian G20 presidency has made a critical and decisive contribution to reinforcing the effectiveness and impact of the Group of 20 (G20). Under Australia's chairmanship, the work of the G20 has gained in coherence and strength, which should reinforce our joint efforts to boost and sustain future growth. Our organisation is proud to have contributed significantly to these achievements.

Building on the outcomes of the Russian presidency and the Saint Petersburg summit, the Australian presidency has entirely refocused the agenda of the G20 on the need to reignite growth and strengthen the ongoing—but still shaky—recovery by focusing on four priority areas: competition, trade, investment and jobs. This agenda has been very welcome and, one year on, is still (unfortunately) very relevant: the four cylinders of growth which the OECD Secretary-General cites in our editorial—investment, trade, credit and emerging market economies—are still running at low speed and below past trends. Most importantly, perhaps, the social cost of the crisis has become unbearable, undermining the confidence and trust of citizens in everything from governments to markets, businesses and institutions at large. There are still 100 million unemployed in G20 countries

and twice as many jobseekers globally. Youth unemployment is sky high and the number of young NEETs (not in employment, education or training) has risen by 5%, or 2 million people, since 2007. These ugly scars represent the social and human tragedy of mass unemployment. Moreover, the gap between rich and poor is at its highest level in 30 years.

Stronger growth: An overarching policy principle and goal

In this context, strengthening and further developing the growth narrative elaborated by the Russian presidency, was essential. But the Australian presidency went a step further: growth became the overarching principle behind the entire technical and political G20 process. Coupled with a rigorous streamlining of the G20's burgeoning activities, this approach resulted in an extremely robust, coherent and focused growth-oriented G20 agenda.

This result was essentially achieved by crafting comprehensive National Growth Strategies. Australia's was, in fact, the first presidency to systematically organise the convergence of the different G20 work streams—macroeconomic and structural policies, taxation, financial regulation, trade, employment, investment, etc.—

into holistic growth strategies aimed at harnessing all available sources of growth and at activating the full range of policy levers. This approach went a long way towards breaking the silos, which were compartmentalising and isolating the various G20 channels of work from one another, by bringing the various pieces of the “growth jigsaw” together into a transversal, coherent and effective economic agenda.

The National Growth Strategies, which will be endorsed by G20 leaders at the Brisbane summit and which will form the backbone of the Brisbane Action Plan for Growth and Jobs, encapsulate, in accordance with specific national circumstances and idiosyncrasies, all the relevant growth-enhancing policy “ingredients”: supporting demand, as well as strengthening safety nets and targeted support, for the most vulnerable; raising

“The OECD was a major force behind the quantum leap achieved in the realm of international taxation

productivity by bolstering competition in product and services markets; streamlining the regulatory environment; enhancing the efficiency of trade-enabling services and facilitating trade; and removing obstacles to investment, while promoting more inclusive labour markets, by activating employment policies to boost participation, addressing unemployment and investing in people's skills and education.

Ambitious and quantified policy commitments

But the innovative approach engineered by the Australian presidency does not simply boil down to the enhancement of processes within the complex G20 architecture. It is also, and perhaps most importantly, about raising ambition and stepping up commitments. A step-change in the approach was the endorsement by finance ministers, at their meeting in February in Sydney, of a key measurable objective: to achieve, thanks to ambitious

but realistic reforms, 2% additional growth by 2018 over a baseline scenario, as defined in October 2013.

This was quite simply a strategic masterstroke! Having a specific, well-defined, quantitative growth commitment and objective over the medium term focused minds, provided momentum and direction and galvanised members' efforts.

We “crunched the numbers” to make a robust case for reducing the gender gap

It also enhanced the public visibility of the G20. The 2% target became a powerful catalyst for ambitious commitments by countries in the framework of their National Growth Strategies. In other words, it became both the cornerstone of the G20 architecture and the touchstone for its efforts.

The OECD, a pivotal partner

The OECD has made key contributions to Australia's efforts and initiatives. The OECD, jointly with the International Monetary Fund (IMF), identified the policy gaps in G20 countries hindering the achievement of strong, sustainable and balanced growth, estimated the upside growth scenarios—the 2% additional output—to be achieved by closing those gaps, and assessed the contribution of the almost 1,000 policy commitments submitted by G20 members to reach the 2% objective. This was both considerable and complex work. But it paid off: taking into account, among other elements, our analysis and recommendations, G20 members made tremendous efforts to beef up their strategies. According to joint OECD/IMF estimates, those efforts, if fully implemented, will make a difference and will get us very close indeed to the 2% ambition.

If the growth target has become the cornerstone of the G20 architecture, the work and results achieved in the various G20 work streams—employment, trade and investment, in particular—has provided

the essential “building blocks”. In all of these areas, the OECD has made decisive contributions.

We “crunched the numbers” to make a robust, evidence-based case for reducing the gender gap in female labour market participation by 25% by 2025: our estimates show that this would lift productivity by reaping the full potential of women's impressive educational achievements, qualifications and skills of recent decades and yield an additional 1.2% to 1.6% output growth over the period. This “25 x 25” strategic objective was endorsed by labour and employment ministers at their meeting in Melbourne in September, and G20 leaders will most probably follow suit in Brisbane.

Our approach to trade, through the lens of global value chains, resulted in a discussion on a better understanding of international trade dynamics and influenced G20 policy exchanges in this area. We will continue to explore and deepen our analysis of how countries can make best use of these changing value chain patterns. Our contributions on long-term and infrastructure investment financing by institutional investors were also acknowledged and will constitute a major component of the agenda of the forthcoming Global Infrastructure Hub.

Last but not least, the OECD was a major force behind the quantum leap achieved in the realm of international taxation. Tax base erosion through aggressive tax planning and avoidance, as well as tax evasion, constitutes a serious risk, not only to public revenues but also to tax sovereignty and tax fairness in all G20 countries. It is fundamentally unfair and economically inefficient that citizens in the OECD pay an average top personal income tax rate of 43%, while some multinationals pay as little as 1% or 2%. G20/OECD outputs in those areas—the seven Base Erosion and Profit Shifting (BEPS) action points and the full Common Reporting Standard for Automatic Exchange of Information—will represent major deliverables at the Brisbane summit

and a key contribution to the economic resilience agenda, alongside our work in these areas with developing countries, as well as on food security.

Excellence and policy relevance

The reliance of the Australian presidency on our contributions was once again testimony to the technical excellence and policy relevance of OECD work, and to the dedication, availability and responsiveness of its staff and experts. I would also like to pay a glowing tribute to former Deputy Secretary-General Pier Carlo Padoan for his leading role, since 2009, as our G20 finance deputy and chief economist and thank Deputy Secretary-General Rintaro Tamaki for taking over with talent and dedication when Pier Carlo Padoan was appointed Italy's finance minister earlier this year. Let me also extend a warm welcome to our new chief economist, Catherine Mann, who will now take on this important job.

Let me finally express my personal appreciation for the remarkable progress achieved by a very dedicated, stout and forward-looking G20 Australia team, led by Heather Smith and Christopher Langman—a former ambassador to the OECD!—in the Sherpa Track and Barry Sterland in the Finance Track. The G20 Australia team has achieved great progress by emphasising the concrete measures that G20 countries must commit to in order to boost growth and jobs. The OECD is proud and honoured to have been a partner to Australia and to have contributed to significant policy changes and reforms that will benefit the entire world.

We look forward to putting our unique expertise and first-class policy analysis at Turkey's disposal for its presidency and to inform and support its priorities—inclusive growth, development, SME development—and thus help the G20 to build a more prosperous global economy, and dynamic, inclusive societies.

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Australia's G20 presidency: Bringing benefits for everyone

Heather Smith, Australian Sherpa to the G20



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Each G20 presidency faces its own challenges. A presidency must respond to global economic conditions, it must build on previous work, and it must seize opportunities to progress with reforms where members can reach consensus.

As we headed into Australia's presidency, we knew that the forum was at a point of transition. If we wanted the G20 to remain the premier international forum for economic co-operation, we needed to deliver substantive outcomes, communicate these clearly and have G20 members commit to actions that will make a difference to the global economy.

In Brisbane, we want leaders to have the discussions needed to achieve real and lasting growth. But our access to leaders' time is very limited. This is why Australia has kept a tight agenda based around the aims of promoting stronger economic growth and better employment outcomes, particularly through boosting investment and trade; building a more resilient global economy that is better able to deal with

threats to global stability; and ensuring that the world has institutions relevant to the 21st century.

While we haven't been working in crisis conditions, we continue to face a difficult global economic outlook. The International Monetary Fund and the OECD have revised their global forecasts for 2014 and 2015, and the World Trade Organization has recently lowered its global trade forecasts.

Against that background, we have achieved much this year. G20 members have brought forward over 900 new measures to bring us within reach of the G20 aim to increase output by more than 2% over the next four years. We have made good progress on addressing the global infrastructure gap, with the G20's commitment to a Global Infrastructure Initiative that puts in place a multi-year agenda to increase the quality of investment in infrastructure worldwide.

The OECD's work has been valuable in revealing that the way we trade today is

changing, and that our policies need also to change in order to most benefit from the emergence of global value chains. Many of the G20's reform measures will help to lower the cost of trading for business by streamlining customs procedures, reducing regulatory burdens and enhancing the efficiency of services.

We have strong support for action on increasing women's participation in the workforce, with the recommendation by G20 labour and employment ministers for leaders to endorse the goal of reducing the current gap in participation between

We need to be accountable for the commitments we have made in 2014

men and women in G20 economies by 25% by 2025. This could bring well over 100 million women into the labour force, and contribute to stronger and more inclusive growth.

On tax, working closely with the OECD and in consultation with developing countries, the G20 has also made good progress on ensuring that businesses and individuals meet their legitimate tax obligations. We have taken steps to ensure the transparency, integrity and fairness of the international tax system, including by endorsing a Common Reporting Standard for the automatic exchange of information between national tax authorities.

There are challenges ahead. Some issues will remain difficult domestically for G20 members. This is where the political will of leaders, and support by their constituents, is essential. This is why Australia, on behalf of the membership, has actively sought the views of business, civil society, labour, youth and thought leaders. They have made valuable contributions.

We have also been talking to non-G20 countries this year about how the G20's work is important and relevant to them—particularly to developing countries. Developing and emerging economies now

contribute the bulk of global economic growth. For this reason, the G20 is committed to strong, sustainable and balanced growth, to which developing countries can contribute, and from which they can benefit.

We need to be accountable for the commitments we have made in 2014, and will put in place measures to ensure transparency in delivering the actions each G20 member has identified in its growth strategies. We know that the legitimacy of the G20 as the world's premier global economic forum depends on having the support of the citizens in every country, because G20 actions are ultimately aimed at bringing benefits to everyone around the world.

The world will be looking to the Brisbane summit for outcomes that make a real difference. The summit will bring all our efforts together. Leaders will issue the

Brisbane Action Plan that will feature our growth strategies and steps to implement the measures to achieve our growth goal.

Australia has made a concerted effort to ensure the G20 has a long-term impact on global economic challenges by focusing on lifting growth and creating quality jobs. We've worked to build trusting relationships between groups and between individuals, because relationships built on trust provide the foundation for co-operation. In doing so, we hope that we have been able to improve the overall effectiveness of the G20 and to hand over to Turkey a forum focused on implementation, to address the things that matter most.

It has been a privilege for Australia to host the G20 in 2014. We believe in the importance of the forum, which is why we have worked hard to deliver outcomes at the Brisbane summit.

What we achieve in Brisbane will be testament to the efforts of all G20 members, guests and partners who have worked with us in a true spirit of co-operation towards shared objectives. The work of the international organisations, particularly the OECD, has been critical to our understanding of the problems we face and to assess our progress. I am thankful for their significant contribution to the G20 endeavour.

I am very proud to have been G20 sherpa during Australia's presidency. I am confident that when leaders return home after the summit, real progress will have been made. For all those who have been a part of Australia's G20 presidency, I want to say thank you for showing the world the contribution that we can make to issues that matter to people everywhere.

www.g20.org/about_g20/sherpa_dr_heather_smith



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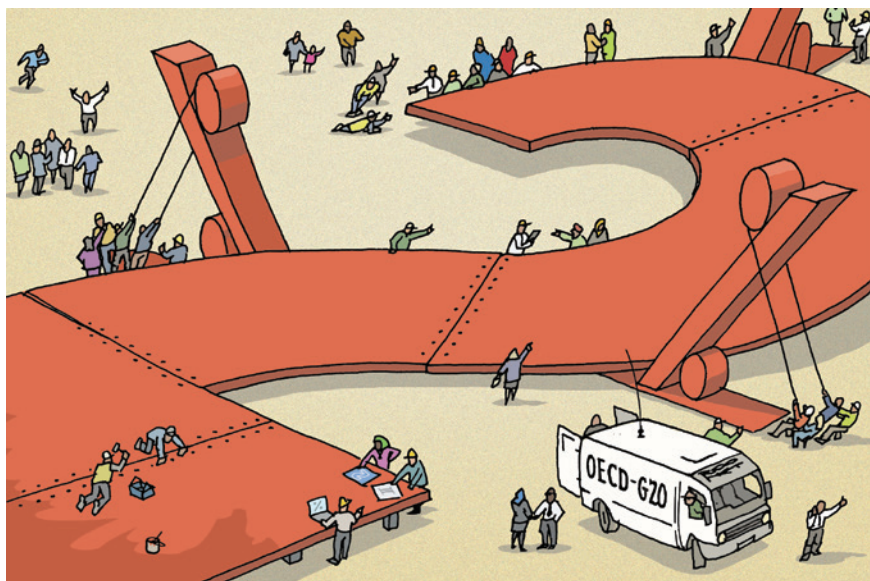
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Raising global growth: Why the G20 is “going structural”

Catherine L. Mann, OECD Chief Economist



G20 countries are taking action to lift growth in the world economy. Will their commitments be enough?

The first G20 leaders' summit was called in 2008 to tackle the global financial crisis. Since then, the G20 has faced disappointing growth and too few good jobs—economies are operating in low gear.

The recovery has fallen short of delivering the G20's objective of stronger, more sustainable and balanced growth. Global growth remains modest and has often disappointed relative to forecasts. Unemployment is high and real incomes of many households are struggling to get back to pre-crisis levels. Investment is depressed in many countries. Trade growth has been weak by historical standards.

Demand-side policies have some room for manoeuvre, but space is limited for monetary and fiscal policy in many economies. For all countries, the challenge is to pursue structural reforms to raise growth and create jobs in a sustainable and inclusive way.

The 2014 Australian presidency of the G20 focused on four priority policy areas to boost growth: employment, trade,

investment and competition. The OECD has worked closely with the G20 to define these priorities, as well as identify the policies and best practices required to maximise the benefits of the reform process, particularly in areas such as labour market policies, in order to open the door for institutional investors to finance infrastructure and advance the trade facilitation agenda.

G20 finance ministers in February 2014 set an ambitious collective goal to raise GDP by 2% by 2018 compared with the October 2013 forecast from the International Monetary Fund (IMF). This would add more than \$2 trillion (€1.6 trillion) to the global economy and create millions more jobs. Setting a clear quantitative target for reforms underlines the seriousness of G20 countries to work together to raise growth.

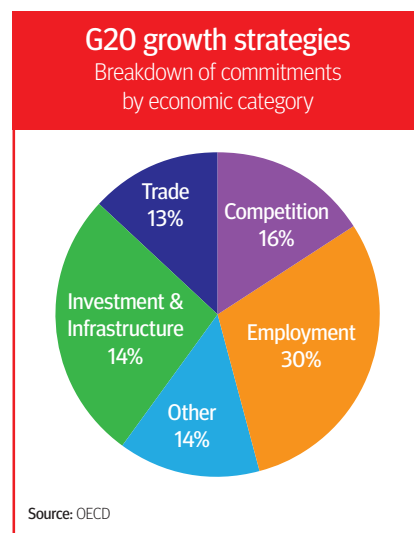
The 2% goal was not just plucked out of the air. It is based on joint OECD and IMF analysis of how much countries could realistically be expected to achieve through reforms. Roughly speaking, it is premised on all G20 countries reforming at the same pace as the most active reformers in the past decade. G20 countries have worked together

and undertaken peer review to prepare national Comprehensive Growth Strategies for the Brisbane summit in November to achieve the 2% collective goal. These bring together macroeconomic and structural policies to give a coherent “package” of measures to boost growth.

Considering structural reforms alone, countries' national strategies include almost 1,000 individual reform commitments, according to OECD analysis, a great expansion compared to previous G20 presidencies (see bar chart). This reflects the more serious

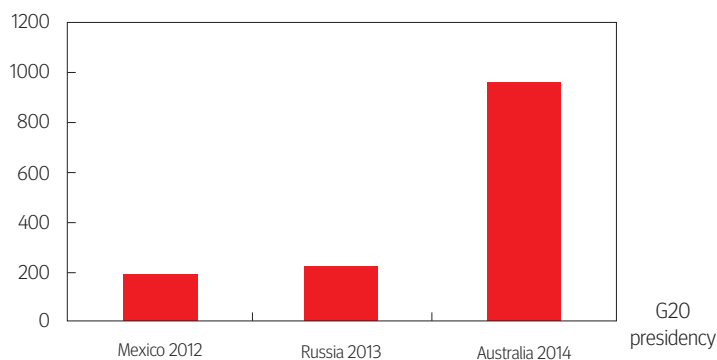
Structural reform isn't a finite list of measures with an end-date

way in which G20 countries have been working together to raise the ambition of their structural reforms and to achieve a lasting recovery. Of course, reforms needs and “packages” vary widely across countries. For the G20 as a whole, reforms are planned across many areas (see pie chart), including active labour market policies and investment in skills; mobilising long-term investors to support infrastructure investment; trade facilitation measures; and reducing regulatory barriers to competition.



G20 commitments

Number of structural reform measures, G20 presidency



Source: OECD

Some countries have embarked on ambitious reform programmes, not least major countries such as China, France, Italy, India and Japan. Recent estimates from the OECD for the impact of reforms in France suggest that reforms under way could boost GDP by around 1.5% over the next five years, including measures to reduce labour costs and streamline the government administration. Recently announced measures, including an easing of restrictive regulations in some sectors such as professional services, would add another 2% to GDP if carried through.

Peer review by G20 countries that focuses on policy and performance can play an important role in encouraging countries to be more ambitious in their reform agendas. Compared with previous G20 exercises, the national Comprehensive Growth Strategies outlined at the Brisbane summit are more concrete. As a consequence, international organisations including the OECD can better evaluate what countries are doing and identify where policy action may need to be stepped up.

As the long experience of peer review at the OECD shows, holding each other to account is not only good for transparency, but also leads to progress. During the course of this year, peer dialogue led

many G20 countries to widen their structural reform agenda and to deepen their commitments.

The question is, have G20 countries delivered on their collective goal? The OECD and IMF were tasked to assess whether commitments embodied in the Comprehensive Growth Strategy add up to achieve the 2% goal. This is an ambitious task given the range of country-specific reform measures and economic state of the art. The OECD's modelling draws heavily on a framework developed for the flagship annual publication, *Going for Growth*.

It is clear that G20 countries have made great progress towards their objective. The OECD and IMF estimates suggest that measures that can be quantified would yield an extra 1.8% of G20 GDP in 2018. The true figure may be higher, given that some commitments are hard to quantify.

This is a significant step. However, it is also incomplete. Three big challenges remain.

First, the reform commitments must be implemented. And, indeed, many measures still need to be legislated. There will be many implementation difficulties and political challenges. Future G20

presidencies must monitor commitments and the G20 countries need to encourage each other to stay the course and not lose momentum.

Second, global growth has continued to disappoint. Even reaching the 2% goal would leave GDP lower than what the G20 was aiming for when the target was set in February. In short, countries may need to work harder just to stay in the same place. Supply-side reforms such as competition and skills would be more effective in a strong demand environment. In this regard, all the flexibility available in the macropolicy domain should be used to support structural reforms.

Third, structural reform isn't a finite list of measures with an end-date. It is an on-going process to build more productive, inclusive and sustainable economies for our citizens. The G20 has outlined other opportunities; for example, policies to bring more women into the labour force could create tens of millions of additional jobs in the coming years (especially in emerging countries), as well as enhance the capacity of those economies to grow overall.

The OECD stands ready to continue contributing its expertise and experience to the G20 and its members with regard to monitoring and quantifying the implementation of reforms. With G20 countries accounting for close to 90% of global GDP, achieving further progress in lifting growth and setting forth a sustainable recovery matters for us all.

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Jobs, unemployment and government action

The world economy is still suffering from the strains of the longest crisis of modern times, and nowhere is this more evident than in the high unemployment numbers. Over 100 million people are out of work in the G20 countries, with joblessness at historically high levels in several of them. Long-term and youth unemployment, and low female participation, pose particular challenges. Even in countries where recovery has begun to take hold, the reduction in joblessness has been frustratingly slow, and all too often achieved via low-skill, low-paying jobs. Resilient, inclusive and smart societies need more.

Policymakers have a key role to play in introducing the reforms and measures needed to improve labour markets and bring unemployment back down. In this OECD Observer Roundtable, we asked a cross-section of ministers:

“What actions are you taking to create more and better jobs in your economy?”

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Australia

Creating an environment for new jobs

Eric Abetz, Australian Minister for Employment, and Chair of the 2014 G20 Labour and Employment Ministerial Meeting



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Priorities for Australia, like many other countries, centre on supporting sustained economic growth and improving labour market conditions, recognising that it is businesses which create jobs, not government. The Australian government has been working with our G20 partners to lead international action on these issues, and is implementing policies which aim to increase Australia's growth potential and create an economic environment where 2 million new jobs can be generated over the next ten years.

In recognition of the private sector's central role in driving growth, the government's economic strategy is focused on improving

opportunities for businesses, including by strengthening their ability to compete internationally. Our priorities include undertaking fiscal consolidation at a

Australia's market-driven public employment services are being restructured

measured pace, redirecting government spending to quality infrastructure investment, and implementing reforms which foster innovation and entrepreneurship.

The government is also working to reduce tax and regulatory burdens on business. This includes cutting red and green tape, abolishing inefficient taxes (such as the carbon and mining taxes) and reducing the company tax rate. We are also improving the operation of Australia's workplace laws through reforms to restore balance in the workplace relations system.

As part of its strategy to address growth in unemployment, the government is improving the performance of Australia's employment services system. Australia's market-driven public employment services are being restructured to deliver better outcomes for jobseekers and have a greater focus on the principle of mutual obligation. Changes to the services system will strengthen the incentives for providers to deliver high quality assistance by

refocusing payments on employment outcomes, setting clear expectations for jobseekers and improving the support available to employers. Young people are also being provided with stronger incentives to enter employment or education.

Like many countries, Australia is facing demographic challenges. To limit the impact of population ageing and support economic growth, the government is encouraging more people to participate in the workforce. Our strategies include gradually extending the Age Pension age and adjusting eligibility conditions for the Disability Support Pension and family payments. In addition, the government is committed to implementing a new paid parental leave scheme, which will encourage increased female participation.

To improve productivity, the Australian government is also taking steps to encourage skills development. Our strategy has a focus on meeting employers' skill needs, and includes further deregulation of the university system and additional support for vocational education.

These reforms will provide long-term benefits for Australians and demonstrate the government's commitment to delivering on the outcomes of Australia's G20 presidency.

Further information on the G20's outcomes for 2014 is available at www.g20.org.

Germany

A multidimensional strategy

Andrea Nahles, Federal Minister of Labour and Social Affairs



Creating more jobs in sectors such as high technology does not suffice. More jobs are not just a matter of quantity, but quality, too. And more jobs have to be absorbed by the labour market and the workforce. In Germany we are therefore pursuing a multidimensional approach that is reflected within our G20 Employment Plan and Growth Strategy.

We are focusing on individually and effectively activating employment policies and labour market institutions that help improve the supply side and the demand side, and better match skills with labour market needs.

We proactively engage in effective social dialogue, which is indispensable for social cohesion and sustainable economic growth.

We continue to strengthen our automatic stabilisers, such as our social security systems. Most recently, we have adopted a new pension reform package that better takes into account long-term contributions to pension schemes and better rewards time spent raising children. In addition to that, the reform improves social security for those on disability pensions and provides additional funds for rehabilitation measures.

We are focusing on fair remuneration, such as with the first-ever legal minimum wage, which was recently adopted in Germany, and provides a decent salary that cannot be undercut to almost 4 million workers in the low-income sector.

With our Joint German Occupational Safety and Health (OSH) Strategy, we aim to reduce job-related illnesses and enhance the psychological health of workers.

As companies create jobs, we have to constantly facilitate their access to credit and boost entrepreneurship, particularly for start-ups.

Against the background of the demographic change, we are implementing a skilled labour concept to help prepare the long-term unemployed for their reintegration into the labour market through individual consultancy and coaching programmes. And we are promoting the labour participation of women beyond part-time work, by providing better childcare facilities and innovative working time arrangements to help them balance work and family life.

Finally, we are improving the prerequisites for our successful dual system of apprenticeships by strengthening the school-to-work transition, particularly for young people with learning difficulties, through targeted, individually tailored mentoring programmes.

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Korea

Towards a 70% employment rate

Lee Ki-kweon, Minister for Employment and Labour, Korea



The Korean government has set the employment rate, rather than the growth rate, as a top priority of the national agenda in order to meet public expectations for “happiness through work.” This shows that the government

has embarked on a paradigm shift under which all policies are reviewed from the perspective of job creation. To this end, the

A feature of the employment roadmap is to create more jobs by promoting the creative economy and reducing working hours

Roadmap to achieve a 70% Employment Rate was introduced in June 2013. It is a strategic plan for job creation that sets the ambitious goal of increasing the employment rate to 70% by 2017.

A salient feature of the employment roadmap is to create more jobs by promoting the creative economy and reducing working hours. The Korean government also strives to create high-quality part-time jobs and promote Korean apprenticeship training programmes in order to enhance the employability of the economically inactive population, especially young people and women.

Improving the quality of jobs is as important as creating jobs. We are implementing policy measures to make working conditions better for non-regular workers and to narrow the gap between employees of main contractors and subcontractors.

As a result, in quantitative terms, the employment rate has reached a record high of 65.2% (annual average between January and August). The quality of employment has also improved, with a growth of new regular employees.

Considering the rapid ageing of the population and the changing industry structure, reaching an employment rate of 70% will be essential to ensuring sustainable growth and welfare. In order to achieve the goal, the Tripartite Jobs Pact among labour, management and the government was signed in 2013. On the basis of such social dialogue, the Korean government will make continued efforts to create more and better jobs.

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Spain

Delivering clear results

Fátima Báñez, Minister of Employment and Social Security



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Spain has introduced a profound and comprehensive set of measures since 2012 in order to improve its labour market regulation and employment policies. These measures are starting to deliver clear results. In the second quarter of 2014, employment showed year-on-year growth for the first time after 23 consecutive quarters of job destruction. More than 400,000 jobs were created in Spain between April and June 2014. Most importantly, Spain is creating employment while GDP is growing at just 1% a year.

The 2012 labour reform has been the cornerstone for the transformation of the Spanish job market. Based on the “flexicurity” model, the reform

The 2012 labour reform has been a cornerstone for the transformation of the Spanish job market

transformed collective bargaining to bring it closer to ground, rationalised employment protection legislation and bet on internal flexibility to avoid dismissals. It also introduced temporary measures to foster permanent contracts, such as a one-year probationary contract for small and medium-sized enterprises linked to generous hiring subsidies or, more recently, a social security flat tax rate of €100 for new permanent contracts. Both are helping

to fight duality in the labour market. The modernisation of active labour market policies must complement the development of a new legal framework. Spain is now focusing on building a new institutional architecture to better co-ordinate and programme regional actions, in a new result-oriented approach that conditions funding to the regions on results measured by a set of indicators. A best practice sharing programme has also been developed, as well as new activation tools, such as a national website with vacancies that merge public and private opportunities in a single portal. We are counting on the private sector and on new technological tools, such as social media networks, to bring such mediation to a new level.

Furthermore, we are focusing on giving more opportunities to young people through the European Youth Guarantee and the National Strategy for Entrepreneurship and Youth Employment, which includes over 100 measures. Training is also fundamental in our long-term strategy to give real opportunities to the unemployed and tackle skills mismatch. We believe that creating quality employment is the best social policy.

Visit www.empleo.gob.es

United States

Creating broadly shared prosperity

Thomas E. Perez, US Secretary of Labor



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The US economy, having emerged from the depths of the Great Recession, is in the middle of a robust recovery. September was the 55th consecutive month of private-

sector job growth, with the unemployment rate falling to its lowest level since July 2008. With new investments in energy and education, by reforming our health care system, reducing our deficit and more, we have laid a foundation for future growth.

But we have to do more. We want to raise our national minimum wage, which is one of the lowest among OECD countries as a percentage of median wage. By fixing our broken immigration system, we could add \$1.4 trillion (€1.1 trillion) in GDP over the next two decades. And by upgrading our infrastructure, we can create good jobs

Paid family leave is one issue where we can and must do more

while facilitating the flow of commerce domestically and internationally. All of this requires legislative action, and we are hopeful the US Congress will work with the Obama administration on these initiatives that will accelerate the pace of growth.

Paid family leave is one issue where we can and must do more. When I represented the US government at the G20 Labour and Employment Ministerial in September, it opened my eyes to how far behind the rest of the world we lag on this issue. Helping more people balance the job they need with the family they love is not just the right thing to do; there's also a profound economic impact.

Labour force participation in the US has been declining, including among women. Paid family leave would help more women return to work. Indeed, if so-called prime-age women (ages 25-54) in the US participated in the labour force at the same rate they do in Canada, it would increase GDP by 3.5%, and that would translate into \$500 billion in additional economic activity.

We've emerged from the worst economic crisis of our lifetimes, but I am eager to do even more to create broadly shared prosperity and an economy that works for everyone.

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What an inclusive recovery needs is more, and better, jobs

Stefano Scarpetta, Director, OECD Directorate for Employment, Labour and Social Affairs



Time progresses inexorably. Six years have already elapsed since the onset of the global financial crisis, and employment in many countries is still far below its pre-2008 levels. Even for people who still have jobs, working conditions have deteriorated. Until recently, we were decrying a jobless recovery, but now the data suggest that growth itself may be fading in several countries. The conversation has become one of job losses among family and friends, as everyone feels exposed to cutbacks at work, falling wages, falling activity, insecurity, and the task of simply trying to make ends meet.

There has been some good news though: unemployment in the OECD countries finally fell below the 8% mark where it had been stuck for three years, easing to 7.3% of the labour force in August 2014. Youth unemployment, which reached record high levels in some countries, is also declining, albeit very slowly. The unemployment rate is projected to continue dropping slightly throughout 2015.

But more effort is needed. Almost 45 million people are still recorded as unemployed—11.9 million more than just before the crisis—and an unknown number of people have disappeared

from the labour force because they have given up looking for work. More than 100 million people are unemployed in the G20 countries, with many more under employed in precarious jobs and jobs with low productivity. At the same time, joblessness is becoming more entrenched with over 16 million people out of work for over a year in the OECD area. That means one in three job seekers, rising to half of all jobseekers in the European Union. Labour market conditions vary significantly across advanced economies, and even more with respect to the large emerging economies: over 60% of job-seekers are long-term unemployed in South Africa, for instance. All countries face the same challenge of strengthening the pace of job creation and, wherever possible, improving the quality of jobs.

But job scarcity and high unemployment are not the only hardships in this ongoing crisis. Many of those who kept their jobs have also encountered hard times, as the OECD's *Employment Outlook 2014* shows. On average, the crisis squeezed the growth rate of average real wages (that is, wages adjusted for inflation) down to about 1-2% in the G20 and other advanced economies. This modest growth is attributable almost entirely to emerging economies, particularly China, while wage growth in advanced economies

has been fluctuating around zero and actually negative since 2009, notably in countries like Greece, Spain, Italy and the UK. This downward adjustment in wages has helped to contain the pace of job losses in troubled firms and sectors. It has also helped some euro area countries in particular to restore competitiveness. But there comes a point when further cuts can no longer save or create jobs, but can create further hardship instead. Not only do people reduce their spending, even on necessities, but with inflation close to zero in several advanced countries, squeezing real wages inevitably means cutting into nominal wages too: people

“A major concern is the loss of income among low-paid workers and their families

will actually get less cash from one month to the next.

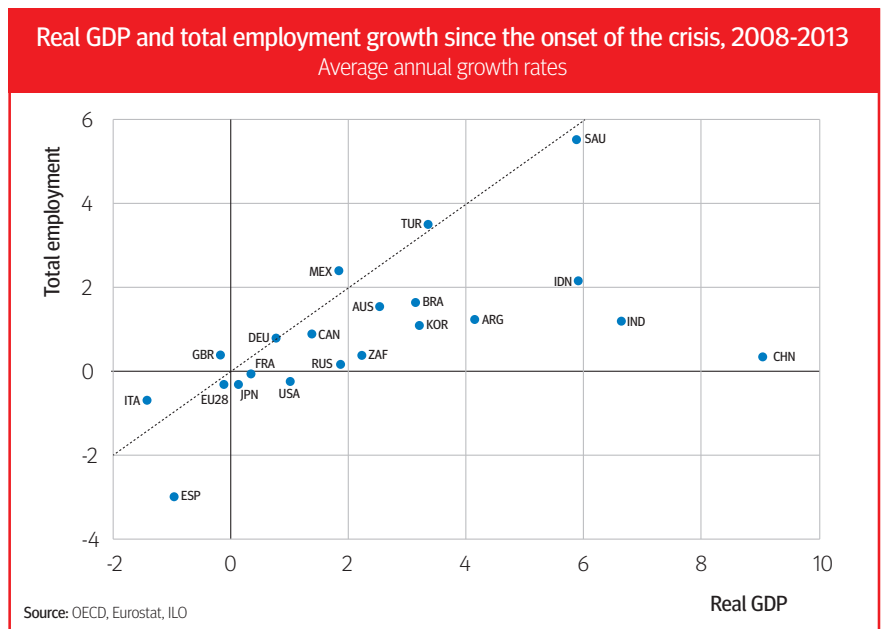
What is more, wage moderation only makes sense if firms in turn reduce prices and boost their competitiveness. This hasn't always happened, so policymakers need to make sure that lower wages do not bolster higher profit margins (so-called market rents) but, rather, are transferred to consumers. This requires more effort to boost competition in the markets for goods and services, notably via product market reforms.

A major concern is the loss of income of low-paid workers and their families, with single parents, often women, taking the toll. A statutory minimum wage may be part of the solution. This now exists in 26 OECD countries and a number of emerging economies and, if set at an appropriate level, can help underpin the wages of low paid workers with little if any adverse effect on employment, as countries like Brazil have shown and simulations of a planned increase in the US minimum wage suggest. More progressive taxation of income can also ensure that those doing best in the economy pay their fair share. Policymakers can also look to

examples of a number of countries that have introduced, or recently scaled up, in work benefit schemes to support low paid workers and reduce household income inequality.

While getting people back to work is a key priority for policymakers around the world, attention should also be paid to job quality and career prospects. In the two decades leading up to the global economic crisis, non-regular employment—that is, all forms of employment that do not benefit from a permanent or open-ended contract, and including a variety of fixed-term, “atypical” and often precarious jobs—has become more widespread in the OECD area. And while job losses in the downturn were concentrated among those with these non-regular jobs, largely young people, women and the low skilled, many of the new jobs created in the recovery have also been non-regular: in Spain almost 90% of jobs created in 2011-12 were fixed-term contracts, as were between 70% and 80% of those created in Portugal, France, the Netherlands and Italy. In the emerging economies too, after an encouraging period of decline in informal employment there has been a stabilisation, if not a worrying pick-up. Indeed, such jobs in these countries are already the norm for most workers in the large informal sector, which accounts for about one-third of total employment in Turkey and China, about half in Argentina and Mexico, and up to more than three-quarters in India.

Unfortunately, as the *Employment Outlook* shows, these non-regular or informal jobs are often not the automatic stepping stone to permanent, more stable and productive work that many people claim. In Europe, fewer than half of temporary workers, many of them women and young people, actually moved into a permanent contract three years later, and in countries like France, Italy or Spain the proportion is around 20%. Too often, workers on these jobs either get pushed out of the workforce, continue with a



sequence of short-term contracts or stay in the informal sector.

Nor do these contracts create the labour flexibility sought in these countries: on the contrary, they reinforce protection of regular contracts, and extra vulnerability for non-regular ones. The evidence shows that non-regular employees get far less training too. Allowing non-regular employment to continue rising, with worse conditions, could lead to a deterioration of human capital, lower productivity, and an unfair and ineffective labour market. A number of countries, such as Spain (see *Employment Roundtable*), Portugal and Italy have already initiated reforms to address this, and other governments should follow suit.

Improving labour markets for all relies not only on policymakers, but also on people and their own individual capacities. What can today’s employees and future employees do to better their own chances? Getting the right skills at the right time can influence a person’s employment status and salary. Early on in a career, the field-specific skills gained from studying matter more. But later

on, more generic skills have a stronger impact on hourly wages. For young people, education is the biggest cause of differences in hourly earnings, though gaining practical experience also plays an increasingly significant role. Yet the evidence suggests that few young people seem to combine work and study, which points to a role for policymakers, and fortunately there are best practices in OECD and G20 countries for them to follow.

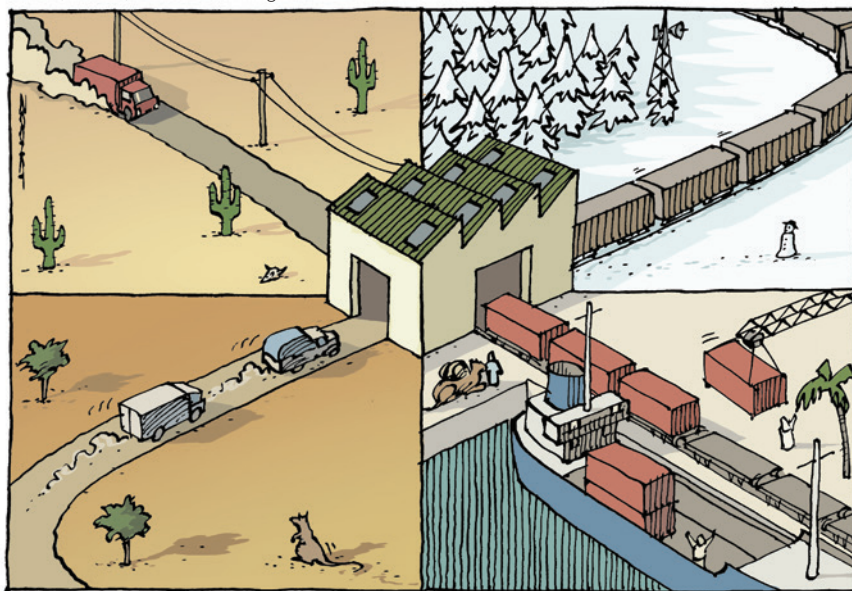
Adults, even those in work, also need incentives and support to adapt their skills and make sure they can maintain, if not improve, their employability. We must turn life-long learning into a reality, with appropriate policies and the strong involvement of employers and other social partners. After all, investment in human capital throughout people’s working lives is the best way to secure the future prosperity and well-being of nations.

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For more articles by Stefano Scarpetta, see www.oecdobserver.org.

How world trade can spur a recovery

Ken Ash, Director, OECD Trade and Agriculture Directorate



A little over a year ago the OECD and the World Trade Organization (WTO) launched Trade in Value-Added (TiVA), a new database on trade measured in value-added terms. The evidence that we have unlocked using TiVA has begun to revolutionise our understanding of what is happening in global trade, investment and production. Take global value chains (GVCs), which are a dominant feature of the global economy today. Goods produced in the European Union (EU) and exported to the United States may include raw materials from China and Malaysia, and use services from Japan and India. Goods and services are no longer produced by a firm in one country and sold to consumers in another; production is fragmented around the world, while components cross borders multiple times as value is added to output along the way.

Why does this matter to policymakers?

First, inefficient customs and other border procedures impose unnecessary costs on traders every time an import or an export crosses a border: OECD estimates that a 1% reduction in these trade costs would generate benefits of about US\$40 billion. The WTO Trade Facilitation Agreement (TFA), reached in Bali, offers an immediate opportunity to reduce these

unnecessary costs. More recent OECD analysis estimates that trade costs could be reduced by as much as 15% in some countries if the TFA is implemented. It is in every country's interest to act now (see chart below).

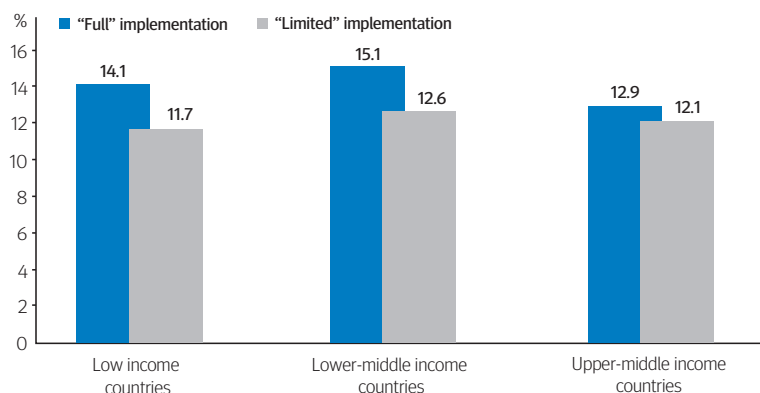
Second, most trade today is in intermediate inputs—over 50% of goods trade and almost 75% of services trade. Firms rely on access to world-class inputs in order to increase their productivity

growth, to improve their competitiveness, and to export successfully. In today's interconnected world it is important not only to avoid introducing new forms of protectionism, but also to begin winding back restrictive measures to help firms get on with importing and exporting. Doing so can stimulate business activity and economic growth.

Third, OECD analysis also shows that services sectors play a vital role in well-functioning GVCs. In fact, they account for 80% of employment, 75% of GDP, and 50% of value-added exports in emerging and advanced economies. Services, from finance to logistics, also provide essential contributions to competitive manufacturing sectors. The new OECD Services Trade Restrictiveness Indices (STRI) allow the world's major services suppliers to benchmark their performance against global best practices and to identify opportunities to perform better (see chart on next page).

Finally, we need to recognise that participation in GVCs is not automatic and some less developed countries and smaller firms are at risk of being left behind. Effective flanking policies to accompany trade and investment opening are essential. The nature of these

TFA potential trade cost reductions by income group



Source: OECD

policies varies by country, its stage of development, its resource endowments, and so on. But there is at least one common element: investments in people, in education and skills, in active labour market policies that match labour supply with demand, and in adequate social safety nets for those facing difficulties in adjusting. Trade opening creates potential

Firms rely on access to world-class inputs for their productivity growth, to improve their competitiveness, and to export successfully

opportunities, and wider structural policy reforms can help turn this potential into reality. Sector-specific support policies, by contrast, are often aimed at “picking winners”, tend to distort international competition and have not been very successful.

For all of these reasons the OECD strongly supports the G20’s efforts to better integrate trade and investment as essential elements of a strong, balanced and sustainable framework for inclusive growth, more and better jobs, and widespread development.

Looking beyond national structural policy reforms and the G20 process itself, the

WTO plays the central role in ensuring a well-functioning, rules-based, multilateral trading system. This is clearly the “first best” option for boosting trade, growth and jobs.

But because progress in trade negotiations at the WTO remains stalled, many countries are turning their attention to plurilateral and regional trading arrangements (RTAs) as second-best options for opening markets. The OECD has examined the nature of existing RTAs and finds that many go beyond multilateral rules on investment, movement of capital and persons, competition and state-owned enterprises, e-commerce, and anti-corruption. There is a notable trend towards adopting such “WTO-plus” commitments by an increasingly representative number of WTO members. This greater degree of convergence of interests augurs well, at least from a technical perspective, for the possibility of also adopting these commitments on a multilateral basis. Recent mega-initiatives, such as the Transpacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP), and the Regional Comprehensive Economic Partnership (RCEP) among ASEAN countries, also have the potential to address essential trade

policy questions across a much wider geographical scope.

Whether on a unilateral, regional or multilateral basis there is widespread interest in doing more to ensure that trade, investment and complementary policies can contribute a much-needed stimulus to global economic activity. But that interest needs to be turned into policy action.

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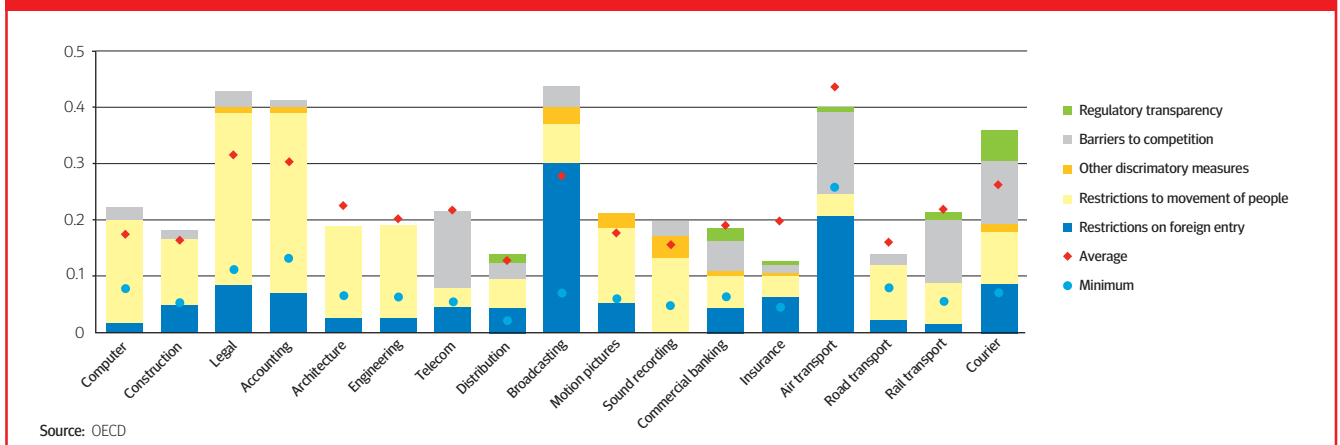
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Services Trade Restrictiveness Indices (STRI) sample country



Source: OECD

Forging a gender-balanced economy



Only a fine performance: Actress Judy Davis in the 1979 film adaptation of *My Brilliant Career*

Getting more women into work is a priority goal of G20 policy, but gender inequality is a barrier. To overcome this, the OECD, ILO and others have identified ways forward.

“I am only a woman!” declares Sybylla Melvyn with deliberate irony, in the Australian classic novel, *My Brilliant Career*. When Miles Franklin wrote the novel in 1901, aged just 19, she was embarking on her own career path, and though successful, like Sybylla, she encountered many social, economic and cultural hurdles along the way.

Today, though far more women go out to work than a century ago, female participation in the workforce remains below that of male in all G20 and OECD countries. Yet millions more women could and would work if hurdles were removed and the conditions were made right for them to do so.

Policymakers are taking notice. In its G20 programme Australia believes that by reducing the gender gap in employment by 25% by 2025, over 100 million women would join the workforce in G20 countries, boosting GDP growth by up to 1.6%.

The G20 now wants national growth strategies to incorporate measures to

promote much greater gender equality, from access to quality education, to finance and productive, rewarding jobs. Fostering female labour market participation features at the heart of many G20 priorities, for instance, as part of the structural reforms initiatives and the G20 Task Force on Employment on the integration of under-represented populations.

Both the OECD Recommendation on Gender Equality in Education, Employment and Entrepreneurship and International Labour Organization (ILO) maternity conventions and recommendations support these goals (see references).

But, merely increasing labour force participation among women is not enough: women should never be subjected to discriminatory low pay, or be involuntarily confined to part-time employment or menial, vulnerable jobs. To ensure women are fully integrated in society and the workforce, policymakers must overhaul their rules and overturn social and cultural attitudes as well.

The gender gap in labour force participation is wide. For the working-age population it narrowed from an average of 23 percentage points across

the OECD area in 1990 to 13 percentage points in 2012; among the G20 countries the range is quite wide, with a low of 7 percentage points in Canada, more than 20 percentage points in the likes of Italy, Japan and Korea, and well over 50 percentage points in India and Saudi Arabia. Since 2000, female employment rates have increased in most countries and, by 2012, reached 60% or more in half of the G20 countries. Nevertheless, gender employment gaps were wider than 10 percentage points in 15 G20 countries.

Data show that women are less likely to work full-time than men in all countries, or progress in their careers. They show that young women are more likely to be categorised as neither in employment, education or training (NEETs) than their male counterparts, particularly in India, Mexico and Turkey.

The wage gap between men and women is substantial too, in part because many women work in welfare, education, health care and administrative jobs, and are over-represented in informal employment, particularly in emerging economies. However, even when there is no obvious reason wage gaps for men and women in the same job can exist.

Women are widely regarded as excellent entrepreneurs—some women have remarked with humour that a Lehman Sisters would never have collapsed—yet make up only 25% of business-owners with employees in G20 countries. Women rarely own large businesses and their average earnings from self-employment are up to 60% lower than for men.

Looking at the educational performance of boys and girls, and younger men and women, it is hard to believe that these gender gaps exist at all. Girls aged 15 outperform boys in reading competency and lag behind in mathematics, but to a much lesser extent than boys lag behind in reading. And women between the ages of 25 and 34 are more likely to have a tertiary degree than men in the same age group. However, gender differences persist in

choice of study, with too few women in sciences, for instance.

A way forward

Gender gaps are conditioned by a mixture of economic and socio-cultural factors, and narrowing these gaps demands a range of bold measures. Fortunately, there are plenty of examples of good practice which the OECD has documented for countries to emulate, and these can be found in the references below. A report by the OECD, with the International Monetary Fund (IMF), ILO and World Bank, identifies four broad areas for policy action.

First, policymakers should introduce legal measures to eliminate unequal treatment in the labour market.

Discrimination against women is all too commonplace in OECD and G20 countries, even though discrimination based on gender, maternity, paternity and family responsibilities is against the law in most OECD and G20 countries. Where it is not, policymaker should establish clear legislative frameworks. All countries should ensure the law is applied evenly, and that women and men are treated equally, with restrictions removed on hiring women for some occupations, even manual jobs, for instance. The principle of equal pay for equal work or for work of equal value should also be upheld by law, and insisted upon in collective bargaining. Governments can help by setting voluntary targets, and encourage private initiatives to promote more women in decision-making positions, for instance. Pressure for change can be maintained via monitoring, labour inspection, equality commissions and the courts. Publishing data on discrimination helps to keep track of changes and to hold feet to the fire.

Second, governments should build an enabling environment for gender equality in labour markets to take hold. Measures to ensure a female-friendly labour market include maternal health services, covering prenatal, childbirth, postnatal and reproductive health. Girls must have equal access to the same good-quality education

as boys, equal rights and opportunities to complete schooling and to enter all higher education courses, and afforded proper guidance as to their field of study and career path.

Measures that help both women and men to reconcile work and family life are also essential. There are examples of good practices in some OECD countries, such as employment-protected paid maternity

“Women should never be subjected to discriminatory low pay, or be involuntarily confined to part-time employment or menial, vulnerable jobs

and paternity leave for everyone, including informal workers. Policymakers should also ensure good-quality early childhood education and care services.

Family-friendly workplace support, including for nursing mothers, quality part-time employment options and flexibility with regard to working time, would also help.

Third come measures to make work pay, improve the quality of jobs and reduce the informal labour market. A country's tax/benefit system can dissuade women from going out to work, but should be designed so that men and women have broadly the same financial incentives to go out to work and have the same level of coverage. Minimum wages and social security coverage for low-paid part-time workers should be enhanced, while cash transfers, such as earned income tax credits, can encourage more women to join the labour force.

Policies are needed to improve employment conditions, and increase access to training, including for informal self-employed workers and domestic workers.

Fourth, policymakers should introduce measures to promote entrepreneurship.

A range of actions is required, from ensuring equal access to finance, markets and advice, to establishing gender-neutral legal frameworks for business. Governments should improve conditions for small and medium-sized firms for men and women, and encourage microfinance for informal businesses. They should also conduct awareness-raising campaigns and support training programmes.

The factors underlying the persistency of the female labour market disadvantage must and can be challenged, and while women and men can work together to effect change on the ground, government leadership can make the difference.

This year marks the 60th anniversary of Miles Franklin's death. What more fitting tribute than for G20 countries under the presidency of Australia, a pioneer in giving women the right to vote and be elected, to underline their commitment to reducing gender inequality so that women everywhere might have a shot at their own brilliant careers?

Rory J. Clarke

For more information on gender issues, contact Willem.Adema@oecd.org.

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Visit www.oecd.org/gender.

Visit www.ilo.org/gender.

G20 should fix the world's economy for the working people!

John Evans, General Secretary, Trade Union Advisory Committee (TUAC) to the OECD



As G20 leaders look distraught at a global economy that is faced with weak growth, high unemployment and rising income inequality, they should repeat to themselves that this is not inevitable. The International Monetary Fund (IMF), while putting out another downward revision of growth forecasts, admitted that recovery is too slow and fragile, while recognising the problem of income inequality. The OECD, in its reports on *New Approaches and Economic Challenges (NAEC)* and its 2014 *OECD Employment Outlook*, acknowledges that rising inequality affects economic growth and social cohesion, sapping trust in markets and institutions.

In the years since the crisis, Labour 20 (L20) has been calling for a move away from austerity. If the G20 governments want to meet the target agreed by finance ministers of achieving 2% GDP growth in the next five years, they will need to shift their strategies. Change is the only way to close the crisis-induced jobs gap by creating the 81 million jobs needed by 2018. This is a reality test. It needs clear answers.

L20 modelling shows that a mix of wage increases and investment in infrastructure in G20 countries can create up to 5.84% more growth and 33 million jobs compared to business as usual. The world economy, in aggregate, is wages-led—that is, the more you pay people the more they will spend on goods and services. In contrast, every one percentage point decline in the wage share leads to a decline in global GDP by 0.36 percentage points.

Low wages, low skills and precarious jobs will not lead to sound economic recovery.

The G20 must shift away from the thinking that says the path to growth is cutting wages and maximising short-term business profit. In short, the world needs a pay rise.

We need to invest. Invest in good jobs, invest in sustainable infrastructure projects and invest in our youth. It is not acceptable that a quarter of young people cannot find work for more than \$1.25 a day.

Trade unions have been constantly calling for measures for inclusive growth, including strengthened workers' rights, minimum wages, collective bargaining and social protection floors. We need to enable women and young people to participate in secure jobs, and provide those young people with support and training with the scaling up of quality apprenticeships.

In the same vein, pro-growth policies need to push for more productive investment through 1% of GDP invested in infrastructure in every country. Investment, including workers' pension funds, must be on the basis of the G20/OECD High-Level Principles on Long-Term Investment.

There will be no jobs or growth on a dead planet either. G20 leaders need to commit to an ambitious and fair share in reducing emissions to ensure the success of the UN Climate Conference in Paris in November 2015. Moreover, agreement on Just Transition strategies will be crucial to protect the livelihoods and jobs of workers.

We also look to the G20 for determined action on "safer workplaces", so we can prevent another disaster like that of Rana Plaza, Bangladesh, in 2013 when a substandard garment factory collapsed, killing over 1,000 workers. Social upgrading in Global Value Chains (GVCs) is not a given: the OECD Guidelines on Multinational Enterprises could help drive progress in helping firms and their workers to benefit from GVCs. Production in developing and middle-income countries that is sustained through precarious labour and re-compensation beyond the living wage is not acceptable. Working families are looking to the G20 to take on this responsibility.

Finally, efforts to prevent multinational corporations from shifting their profits around different jurisdictions, regardless of where their activity is located, to avoid taxation must be supported. The Base Erosion and Profit Shifting (BEPS) Action Plan launched in 2013 shows that institutional drive and political momentum can produce concrete results at the G20 level. However, the current plan has some weaknesses to be addressed, including the need to allow for public disclosure of country-by-country tax reporting by multinationals, to institutionally support the participation of developing countries in the process, and to address the taxation of shadow banking and private pools of capital through collaboration with the Financial Stability Board (FSB).

The same commitment as with the BEPS plan should apply to the current jobs, inequality, climate change and investment crises. A Brisbane Action Plan is essential and needs to include national job creation and investment targets, and be followed up in consultation with social partners.

The L20 will hold its own summit in Brisbane, two days prior to the G20 leaders' meeting. We are calling on leaders to put an end to years of stagnation and bring about the type of structural policies for jobs-rich, sustainable investment that workers can support.

The world needs that pay rise—now!

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See also www.tuac.org

Business and the G20

Momentum for reform must be a priority

Bernhard Welschke, Secretary-General of the Business and Industry Advisory Committee to the OECD (BIAC)



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BIAC has been advising the OECD for over 50 years on policies that should lead to private sector-led growth, and has been actively involved in the B8 and B20 process since its inception.

This year we took part in the taskforces of the Australian B20, notably the groups on trade and human capital, as well as the cross-cutting working group on anti-corruption. We see the G20 as an important forum for global economic governance and the OECD as a thought leader for many G20 projects. BIAC, working with the B20, strongly supports the global mission of the OECD and the current G20 focus on growth.

Global economic recovery, following the recent financial and economic crisis, is still uneven and fragile. In many economies, this corresponds with a lack of structural reforms across product and labour markets. Now that the G20 governments are looking for ways to increase their collective GDP by 2% in 2018, the implementation of structural reforms is more vital than ever.

A disconnect between promises and action is part of the public perception of the G20. Business understands that some of the G20 work will need time to be implemented and to show results. But the momentum for reform must be a top priority for governments if they want to lead their economies to rising sustainable growth. A recent BIAC survey among member business organisations around the world shows that structural reforms and relief from the growing regulatory burden are high on the business agenda in G20 countries and beyond. So are measures to stop protectionism for trade and investment, including much needed efforts to promote international regulatory co-operation.

Reforms related to employment and labour markets are equally important for more growth and more productive economies. A second survey, prepared by BIAC together with the International Organization of Employers (IOE), shows that the implementation

of labour market commitments that were made at the G20 Labour Ministerial in 2013 in Moscow is still insufficient. As the survey shows, it is of particular concern that government action in a number of countries has limited and not allowed for more multiple forms of work. Speaking to the G20 labour ministers in

A disconnect between promises and action is part of the public perception of the G20.

September 2014 in Melbourne, BIAC's chair, Phil O'Reilly, pointed to the importance of employment strategies that are inclusive and flexible, including schemes to improve the skills of the workforce, and measures to promote gender equality.

At the Australian B20 summit in July, participants finalised key recommendations to the Australian G20 presidency, focusing on reforms for human capital and skills, trade and investment, infrastructure, and the fight against corruption. The recommendations were jointly delivered to Prime Minister Tony Abbott, and BIAC is now working with the Australian B20 to ensure that governments give these recommendations due consideration. On behalf of the global business community, BIAC continues to be deeply engaged in consultations concerning the Action Plan on Base Erosion and Profit Shifting (BEPS), a key project for the G20 and the OECD that should come to a conclusion during the Turkish G20 presidency in 2015. A successful outcome of the BEPS project should be an improved international tax framework that encourages, not hampers, trade and investment across borders. A workable Common Reporting Standard is another important element to promote consistency across international taxation regimes. BIAC is pleased that the OECD and governments recognise the need for efficient, effective and administrable regimes to implement the standard.

BIAC enjoys a broad mandate from members and observer organisations in OECD and G20 countries, and can offer expertise in many areas currently discussed at the G20. We continue to believe that the OECD is in a unique position to advise the G20 on efficient markets, competitiveness, investment and sustainable growth. We also believe that the growth commitment of the Australian G20 cannot be achieved without due consideration of the B20 recommendations. Now, we have high expectations for the Turkish presidency of the G20 and B20, and we trust that investment will be high on the agenda. At the B20 summit in Sydney, we pointed to the need for continuity and consistency of the G20 process. With the support of its members, BIAC is prepared to provide balanced and focused input for the B20 in Turkey and to support the OECD work for better policies, better business and better lives.

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Combating BEPS and making sure we have fair tax systems: An OECD/G20 venture

Pascal Saint-Amans, Director, OECD Centre for Tax Policy and Administration, and Raffaele Russo, Head of the OECD Base Erosion and Profit Shifting (BEPS) project



In September the OECD presented its first package of recommendations to the G20 for an international approach to stopping artificial tax base erosion and profit shifting. Seven recommendations were proposed as part of the 15-point BEPS Action Plan.

Ensure the coherence of corporate income taxation at the international level, through new model tax and treaty provisions to neutralise hybrid mismatch arrangements (Action 2 in the 15-point plan).

The basic idea behind hybrids is to have the same entity or transaction treated differently by different countries to avoid paying tax. By playing off one country's tax system against another, the company doesn't pay tax anywhere.

Realign taxation and relevant substance to restore the intended benefits of international standards and to prevent the abuse of tax treaties (Action 6).

"Treaty shopping" is the most common form of treaty abuse. It generally refers to arrangements through which a person who is not a resident of one of the two states that concluded a tax treaty attempts to obtain benefits that the treaty grants to residents of these states. OECD and G20 countries have all agreed to reject treaty-shopping practices.

Assure that transfer pricing outcomes are in line with value creation, notably in the key area of intangibles (Action 8).

Most world trade actually takes place within multinational enterprises, for example, the headquarters in Germany paying a subsidiary in India to carry out research or manufacture components. This payment has to be at arm's length to ensure that profits (or losses) are allocated among the different parts of the group in a fair and sound manner. Easy in many cases, it may

get extremely difficult, and subject to manipulation, when we are talking about intangibles, like famous brands, patents, algorithms or the like. New guidance has been developed to align the transfer pricing rules with such modern businesses.

Improve transparency for tax administrations and increase certainty and predictability for taxpayers through improved transfer pricing documentation and a template for country-by-country reporting (Action 13).

Countries have agreed that companies should report on a country-by-country basis certain key information, such as assets, sales and number of employees. This will provide tax administrations with a broad picture of where profits are made and allocated for tax purposes.

Address the challenges of the digital economy (Action 1).

The digital economy can exacerbate BEPS risks due to the importance of intangibles, the mobility of users, network effects and multi-sided business models. It's hard to say where certain activities or assets "are" for tax (and other) purposes. The ability to centralise infrastructure at a distance from the market and sell into that market from a remote location, generates potential opportunities to achieve BEPS, for example when local activities are fragmented to avoid taxation. One year from now, an agreement will be reached so that this will not be possible anymore.

Facilitate swift implementation of the BEPS actions through a report on the feasibility of developing a multilateral instrument to amend bilateral tax treaties (Action 15).

Many domestic and international rules to address double taxation of individuals and companies originated from principles developed by the League of Nations in the 1920s. The *OECD Model Tax Convention* serves as the basis for the negotiation, application and interpretation of over 3,000 bilateral tax treaties in force around the world. But without a mechanism for swift implementation, changes to model tax conventions will only widen the gap between these models and the content of actual tax treaties.

Counter harmful tax practices (Action 5).

The OECD published a report on *Harmful Tax Competition: An Emerging Global Issue* in 1998, but 15 years later, concerns about the "race to the bottom" on the mobile tax base are as relevant as ever. To counter harmful tax practices more effectively, this action commits the Forum on Harmful Tax Practices (FHTP) to revamp their work, a priority being to improving transparency, with the obligation to exchange information on rulings related to preferential regimes.

Extract from blog originally published at www.oecdinsights.org, 29 September 2014. For full article, see <http://oe.cd/lm>.

Visit our website at www.oecd.org/tax/beps.htm.

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New leadership for growth

Interview: Dennis George, FEDUSA General Secretary, South Africa



©Dennis George

Although South Africa has had an impressive track record among emerging economies, it has recently hit economic difficulties. We asked FEDUSA General Secretary, Dennis George, what have been the effects, and what steps the G20 and South African government must take to return to the path of healthy growth.

OECD Observer: How concerned are you about the condition of the world economy?

The Federation of Unions of South Africa (FEDUSA) is concerned about the fact that global economy faces significant challenges as the world economic outlook is fragile and uneven, and tampering in the US could shift the flow of funds from emerging economies, thereby creating instability in South Africa. Tampering could see sharper levels of volatility and could even undermine emerging economies like South Africa. The South African economic performance has weakened since the beginning of 2014 and this has compelled, Finance Minister Nhlanhla Musa Nene to reduce the GDP growth outlook to 1.4% in 2014. The South African economy has faced serious headwinds of low economic growth, high unemployment, unstable labour relations, inflationary pressures, and deteriorating fiscal and current account deficits.

The slowdown in GDP growth has underscored the structural weakness and constraints in the South African economy. The structural constraints, such as electricity supply, skills shortages and inadequate transport, but also poor labour relations and the lack of support for collective bargaining, can only be addressed through a new leadership paradigm within government, business, labour and civil society. The central concept of the eradication of poverty, inequality and unemployment needs to be tackled urgently in South Africa. Higher inclusive economic growth and quality job creation are required immediately, and the private sector should play a more proactive role through investment to enhance the labour-intensity of growth.

What impact is it having on South Africans?

With reference to the Statistics South Africa report, a slight decrease in the unemployment rate from 25.5% to 25.4% in the third quarter of 2014. However the unemployment rates alone do not reveal the full picture of the state of the South African labour market. The duration of unemployment also matters, particularly in South Africa where workers only receive limited

unemployment benefits as a source of income. In this respect, an increased proportion of long-term unemployed reflects the structural problems in the labour market, and creates a risk that workers may become less committed to the labour market, and therefore suffer from skills erosion and reduced employability.

In South Africa approximately 5.1 million people are unemployed with 1.7 million people classified as short-term unemployed, three months to one year, and 3.3 million people classified as long-term unemployed, one to five years. This, in turn, can have adverse effects on the broader economy in the short run by depleting aggregate demand through reduced consumption, while also reducing trends of inclusive economic growth in the long run.

What priority action do you think must be taken by G20 generally and by South Africa?

It is critical for the social partners in South Africa to jointly address the structural constraints in the economy to generate investment and thereby create quality jobs through the scaling up of apprenticeships, and learning and skills programmes, specifically for the long-term unemployed and women workers. The consultative framework should include a new leadership

It is crucial for South African companies to look to sub-Saharan Africa for new opportunities

approach through constructive social dialogue, trust and collaboration to develop sustainable multipliers within the context of a re-negotiated social accord. It is therefore crucial to ensure the formalisation of work through sectorial minimum wages, labour rights and social protection floors, to create a deeper middle class and fair income distribution. Spatial development is critical to create employment where people reside and reduce the transport costs for workers.

South Africa is a country with huge potential to support the green economy and rural development in order to redirect migration from cities to rural areas, and the government should invest in infrastructure to crowd-in private sector investment. The low demand in the European Union, Japan and the US, the traditional export markets of South Africa, puts huge constraints on exports as a driver of economic growth. Therefore it is crucial for South African companies to look to sub-Saharan Africa for new opportunities to increase exports and to strengthen growth. This is in light of recent strong growth in the exports of manufacturing products to the Southern African Development Community. The re-regulation of the financial sector and the banning of transfer pricing could protect the South African tax base, reduce the budget deficit and stabilise public debts.

Visit www.fedusa.org.za.

Brisbane



Kayaking, Brisbane River, Brisbane



It's no secret that Brisbane is alive with excitement. Its flair is for the original, its entertainment is fresh and youthful, it thrives with laneway markets, fine food restaurants and open air cafes. Urban villages populate inner city precincts where you can stroll with the warm breeze on your bare arms. It's a city where the air is filled with optimism and a sense of adventure is heavy on the ground. Discover world-class contemporary art, cultural and sporting highlights. And, of course, it's about a long-standing love affair with the outdoors. From pristine beaches to lush mountain hideaways on the Scenic Rim, from a gently winding river to the aquatic paradise of Moreton Bay, Brisbane truly is a place where feeling alive comes naturally.

queensland.com

Europe's deflation risk

The OECD does not see deflation taking hold in the euro area, but the risk has risen.

Consumer prices are now barely rising in the euro area. Could the current low positive rate of inflation give way to a period of deflation, and if so, why would that matter?

Euro area inflation has been falling steadily for three years (chart), confounding the expectations of financial markets and economic forecasters. In September 2014, the euro area inflation rate was just 0.3% year on year, and inflation rates were negative in six euro area countries, three of which recorded falling consumer prices for the third month in a row. Persistent economic slack and the recent decline in energy prices were largely to blame, though structural reforms to boost competition and regain competitiveness in peripheral countries also contributed.

Clearly, the risk that consumer price inflation will slip into negative territory has risen, and the consequences of such an outcome could be serious. The worry is that deflation would aggravate the weakness of demand in the euro area, in several ways.

First, falling prices mean that real interest rates (nominal rates adjusted for price increases) can get stuck at excessively high levels as monetary policy is constrained by the zero lower bound.

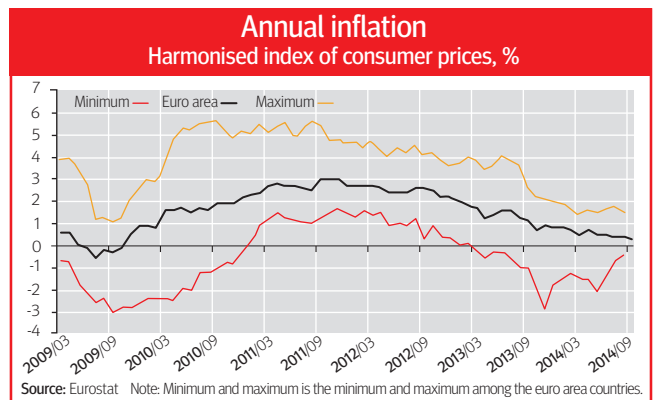
Deflation also raises the real value of a given nominal stock of debt, so the burden of debt for public and private borrowers increases, while wealth is shifted to creditors. As creditors often save much of their extra real income while borrowers typically have higher propensities to spend, the result is generally lower total spending.

Moreover, with prices expected to fall, deflation may also encourage consumers to postpone their spending.

Finally, negative inflation generally means that necessary adjustments in relative real wages between sectors or regions can only be achieved via widespread cuts in nominal wages. Such reductions tend to occur only when economic conditions are very depressed, as people become more concerned about keeping their jobs than maintaining their wage.

Deflation is not unknown in the OECD area. The most recent major example is Japan, which was mired in deflation for over one and a half decades, and where inflation has only recently moved back into positive territory. Switzerland has also had negative annual inflation for much of the past three years. In the euro area, Greece, Ireland, Portugal and Spain all experienced periods of falling prices during the crisis, which, together with sharply lower commodity prices, helped push inflation briefly below zero in the euro area as a whole.

The current risk of euro area deflation represents a greater economic threat than the earlier transitory episode in a context of plunging commodity prices. In fact, low inflation is already having a negative impact. Given that countries in the euro area have a shared currency and cannot use the nominal exchange rate as an instrument to reduce external imbalances between the member states, necessary adjustments have to take place via differential



growth in nominal wages and prices. But when nominal wage increases are very low throughout the euro area, a country can only achieve a reduction in its relative wage level via falling nominal wages. And, as already noted, nominal wage reductions tend only to be possible in very depressed economic conditions. It is no coincidence that the largest drops in wages to date have occurred in economies like Greece and Spain where unemployment has risen to extremely high levels.

Very low inflation also makes fiscal consolidation more politically difficult. Some countries are freezing nominal expenditure as a way of achieving real spending cuts via inflation, but such moves yield only limited budgetary gains in a low-inflation environment.

Despite the risks, the OECD does not expect the euro area to fall into deflation. The European Central Bank (ECB) is committed to using unconventional instruments within its mandate to avoid a prolonged period of low inflation, and the measures it has announced since June should help. The ongoing shift in monetary policy in the United States, combined with a move towards greater easing in the euro area, has already resulted in a depreciation of the euro against the dollar, and such depreciation puts upward pressure on the price level in Europe. In addition, the drag on demand from fiscal consolidation is now easing. As demand strengthens, inflation should turn back up towards the ECB's target range, although it is likely to remain well below that target for some time yet.

But if deflation is not the OECD's central scenario, complacency would be misplaced. True, long-term inflation expectations have appeared well-anchored around the ECB's definition of price stability. However, the experience of Japan in the 1990s, when similar measures of long-term inflation expectations consistently failed to predict deflation 5-10 years ahead, is sobering. As actual inflation fell, long-term expectations did adjust downward, but even once deflation had taken hold in Japan, expectations about future inflation were still (wrongly) positive. The longer that actual inflation remains far below 2%, the more likely it is that long-term expectations will become de-anchored from the ECB's objective, making it even more difficult to return to the target range.

Visit www.oecd.org/eco/outlook/economicoutlook.htm.

How to stop wasting food



Neil Barrett
Group Vice President
Sustainable Development
Sodexo

Each year about one-third of all the food produced globally ends up wasted even as hundreds of millions of people go hungry.

Every day, 980 million people go hungry, but it is not a problem of scarcity. More than enough food is produced for everyone on the planet and for the foreseeable future—in fact, it is estimated that food wasted in the United States and Europe alone could feed the world three times over. Yet one in five people are going hungry and efforts to increase agricultural production threaten to accelerate climate change. Both are unnecessary.

The real problem is that production, distribution, preparation and consumer food waste results in approximately one-third of all food produced for human consumption lost or wasted every year (1.3 billion tonnes). What can people do to reduce food waste?

As a quality of life service provider, serving 75 million consumers every day, Sodexo is tackling food waste on several fronts, encompassing all aspects of food production and distribution as well as communication and awareness campaigns targeted at both employees and consumers. By focusing its waste reduction efforts on the processes within its sphere of influence, Sodexo's 428,000 employees contribute to the effort and allow us to track our performance and progress.

Given its position in the value chain and the breadth of its economic activity, Sodexo is well placed to contribute to more efficient consumption. Because of its overview of the food chain, from farm

to consumer to garbage can, we are able to take a holistic view of all aspects of food waste, ensuring that efforts to reduce waste in one area do not generate waste in another.

Industry-wide collaboration across the value chain is an important prerequisite for establishing where waste principally occurs and where innovation is best introduced. Participation in business and government fora, where collaboration, sharing of good practices and innovation are “institutionalised” as a way of ensuring mutual company benefits and food waste reduction, is necessary and important.

In addition to food waste, our clients and consumers have always been interested in food safety, quality, traceability and consistency of product along the value chain which can extend over continents and oceans. For example, farmed fish wasted on a plate in London, that

“Collaboration across the value chain is important prerequisite for establishing where waste principally occurs

was farmed in Scotland, grown with fish meal, including fish caught off the coast of South America in an unsustainable fashion, can deprive coastal Peruvians/Ecuadorians of protein and local livelihoods.

How can we empower consumers to act, tell them the impact they're having, make them feel good about their contribution? Annually, Sodexo organises a programme called WasteLESS Week involving thousands of consumers from corporate employees to teachers and students at all levels, on the subject of food waste. Sodexo's WasteLESS Week has one simple message at its heart: less waste means a better quality of life for everyone. Through the use of personal empowerment, WasteLESS Week helps people to understand the linkage between their actions and quality of life in their community, engaging employees, consumers and clients.

There can be no more fundamental quality-of-life outcome than a world in which 100% of the food produced for human consumption is consumed, and where people everywhere have adequate food to meet their needs.

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QUALITY OF LIFE SERVICES

Australia's economy

Philip Hemmings, OECD Economics Department



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The Australian economy has been one of the OECD's best performing economies, though it now faces some major challenges.

Australian income per head is among the highest in the OECD area, even after taking the cost of living into account. In recent years, living standards have been boosted by booming commodity prices and export volumes that have strengthened the Australian dollar's buying power overseas and have prompted massive investment in new resource processing capacity, as witnessed by major deals with Japanese

energy companies to build liquid natural gas processing plants. Unemployment is also relatively low.

Australia scores admirably in broader well-being indicators too, such as community life, civic engagement and health (see page 32).

But the commodity boom has peaked. Prices in the key exports sectors of coal and iron ore have been heading down, weakening the terms of trade and the value of the Australian dollar. Furthermore, business investment is falling as the resource-sector investments

approach completion. Australia will therefore have to adjust towards other economic activities, such as tourism and other services aimed at the Asia-Pacific region, spurred by a more competitive exchange rate.

Australia's booming house prices in some urban areas raise concerns of a possible correction, as has happened in some other OECD economies. High

Australia has high income per head and scores well on well-being indicators

house prices are a mixed blessing for the Australian economy. On the one hand they have been prompting new housing construction, a welcome offset to the shrinking resource sector, and making households more confident about spending. On the other hand, high prices raise questions of affordability and a risk of macroeconomic impacts if prices fall rapidly. Understandably, the central bank and the financial regulators are keeping a close eye on developments.

In sum, there is a risk that the adjustment towards non-resource sectors may not be smooth. Within the range of possible outcomes the most difficult scenarios are likely to be triggered by an external development. For instance, precipitous falls in commodity prices might prompt a very sharp exchange-rate depreciation, with investors consequently selling off Australian assets. This challenging situation might then be made worse if non-resource sectors do not move fast enough to take advantage of the favourable conditions created by the lower exchange rate. Being prepared for such eventualities means having substantial fiscal fire power to withstand a downturn and to bolster recovery if needs be. Therefore, while Australia's fiscal deficit and public debt compare favourably internationally, the government's objective of a budget surplus by the early 2020s is welcome.

This policy will also help Australian

policy makers address longer-term issues. Population ageing is one. Although it is not as rapid in Australia as in some

Challenges and uncertainties lie ahead in the wake of the mining boom

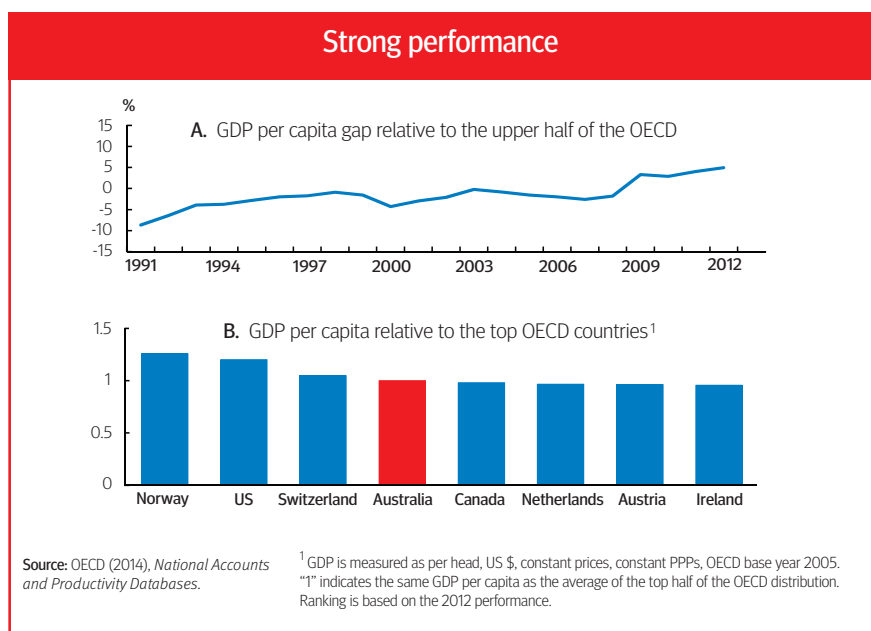
other OECD countries, ensuring adequate retirement income and paying for ever expanding health care will be challenging.

Raising average living standards over the long run in Australia will require broad-based shifts up the productivity ladder, with policy helping through steady and determined efforts to bring about improved macroeconomic and structural conditions for business, better workforce skills, and further improvement to public-service efficiency.

However, raising average living standards is not sufficient to ensure inclusive growth. On inequality and relative poverty, Australia is middle ranking. In particular, despite several decades of policy attention, there are still wide socio-economic gaps between Australia's indigenous peoples and the rest of the population. Indigenous Australians, about 3% of the population, have a life expectancy about 10 years lower than for the population as a whole, and have an employment rate more than 25 percentage points lower.

Australia faces several environmental challenges. Climate-change is of particular significance in Australia because of threats to plant and animal life, and risks to agricultural production. The authorities are addressing this and are finalising a replacement greenhouse-gas reduction mechanism for the repealed carbon tax. Furthermore, much of the population lives in urban or extensive suburban areas planned around car-based transport, resulting in traffic congestion, local air pollution and energy use. Australia also faces challenges in assuring water supply and mitigating risks from drought.

Australia is on the whole well equipped to deal with these problems. The



institutional frameworks and processes for good policy making are well established, and pragmatic economic thinking usually drives policy reforms.

In many areas, Australia is at the leading edge of policy. On the jobs front, for instance, it was among the first to use incentive-based contracts with private-sector employment agencies to help the unemployed get back into work. But there are areas where Australia should improve. Take infrastructure, for instance. Shortfalls in transport infrastructure are prominent and, more broadly, ensuring efficient use of existing investments is a challenge. There is also room to improve education outcomes; for example, Australia's score in OECD PISA test, which compares the performance of 15-year-old pupils internationally, is above the OECD average, but falls short of top-ranking countries.

The forthcoming *OECD Economic Survey of Australia*, assesses progress on these fronts. It summarises developments in monetary and fiscal policy and in structural reforms in several areas. In addition, the report takes an in-depth look at Australia's tax and transfer system; for instance, it explores avenues for a

more growth friendly tax mix. Roles and responsibilities in the federal system also come under the spotlight. In particular, spending in Australian states far exceeds revenues collected from their own tax bases, the difference being made up by large transfers from central government (some with conditions attached). This imbalance helps drive national agendas, but implies less autonomy for the states.

Australia's economy has shone brightly in recent years. It was one of the very few OECD countries that escaped a recession in the global financial crisis of 2008-09 and has exploited its geographical position and mobilised resources to build trade and investment relations in Asia. With the right economic policies, Australians can look forward to an even brighter future in the years ahead.

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The “Happy Country”



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Australia is known as the “lucky country” with its sunny climates, beautiful beaches and relaxed lifestyle. But did you know that it is also a “happy” country, at least according to well-being measures?

In fact, Australia scores above average in almost all of the 11 well-being dimensions measured by the OECD Better Life Index. It does exceptionally well on the environment and health. Australians breathe some of the cleanest air, with far less of the tiny particulate matter that gets into the deepest part of the lungs than in many other countries—a PM10 level of only 13.1 micrograms per cubic metre, as opposed to the average of 20.1 micrograms for the OECD. They can expect to live up to 82 years of age, compared with an average of 80 years in the OECD. And as well as being healthy, they score highly on civic engagement, thanks largely to the compulsory voting system: 93% of Australians turned out to vote in the

most recent general elections, the highest percentage in the OECD.

Australia’s regions are also happy. In fact, according to the OECD’s new Regional Well-Being, all eight Australian states rank among the best 20% of all 362 regions studied around the world in civic engagement, environment and income. And Canberra, the Capital Territory, ranks first in Australia, beating the other regions in six of the nine well-being dimensions. Even the low-performing regions still fare better than the OECD average in most of the well-being indicators.

But it is not a perfect score sheet. There is wide inequality between the Australian regions, especially in health and safety where the country ranks fourth and fifth worst in terms of disparities. Education is also a problem in some regions, as the share of workers with at least a secondary diploma living in the lowest performing Australian regions is 8 percentage points lower than the OECD average.

Perhaps the most surprising result of all is Australia’s low score in work-life balance. More than 14% of Australian employees work for more than 50 hours per week, much more than the OECD average of almost 9%. This hardly squares with the country’s reputation for an easy and leisurely lifestyle, a fact that has been picked up by the Australian users of the Better Life Index, ranking work-life balance as the most important factor for a better life.

Has Australia always been happy?

A recent OECD report, *How Was Life?*, shows that even in the 19th century, Australia was already the place to be. Along with western Europe, Canada and the United States, Australia profited greatly from the technological changes unleashed by the Industrial Revolution. As expected for a newly formed British colony, it had one of the lowest GDP per capita in the developed world of 1820, but was already flourishing in other aspects of well-being. Australians at the time were taller than people in Europe, reflecting better nutrition and less disease. Australia was, and still is, one of the safest places to live, even when involved in conflicts, such as the Second World War. And even back then it was one of the best countries for gender equality, as women in Australia were among the first in the world to gain the right to vote, and did not suffer from the wide gender gap in education that was present in most other developed countries up until the 1950s.

In short, while the sun and beaches probably contribute to Australians’ happiness, they have many other reasons to feel happy about their country.

Justin Dupré-Harbord

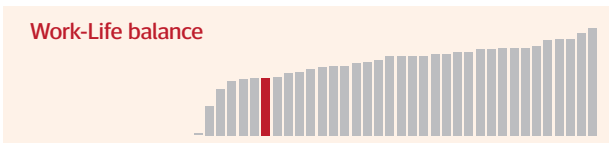
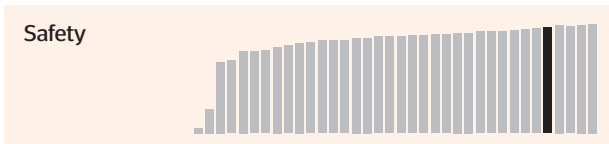
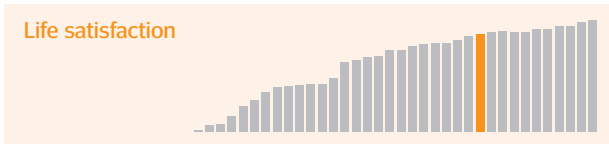
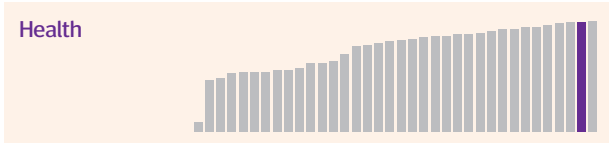
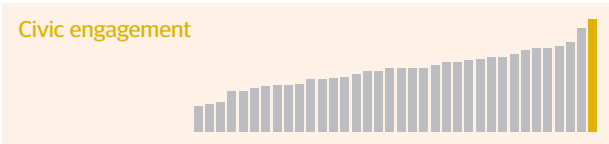
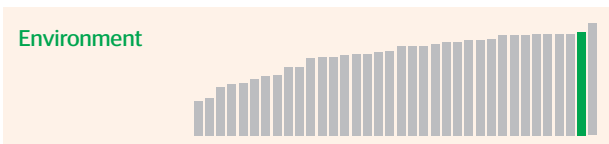
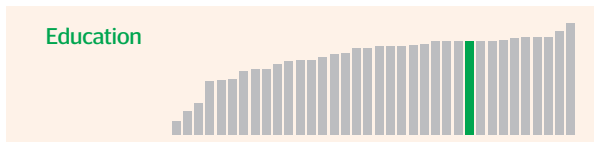
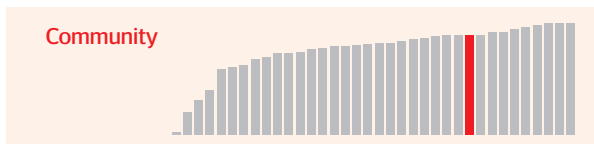
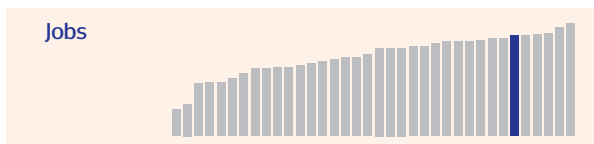
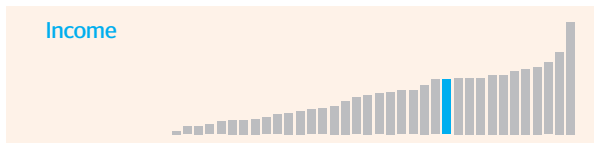
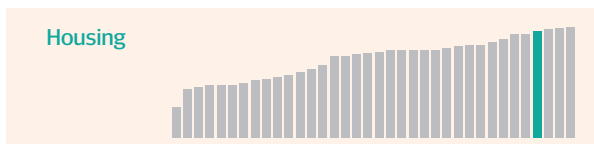
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Well-being in Australia

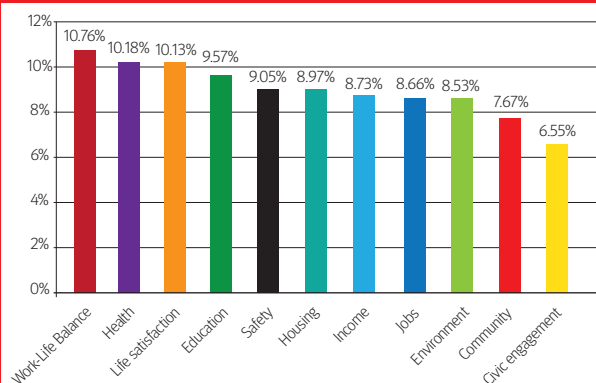
Australia's country ranking in the 11 well-being dimensions

Ranking out of 36 countries



See www.oecdbetterlifeindex.org/

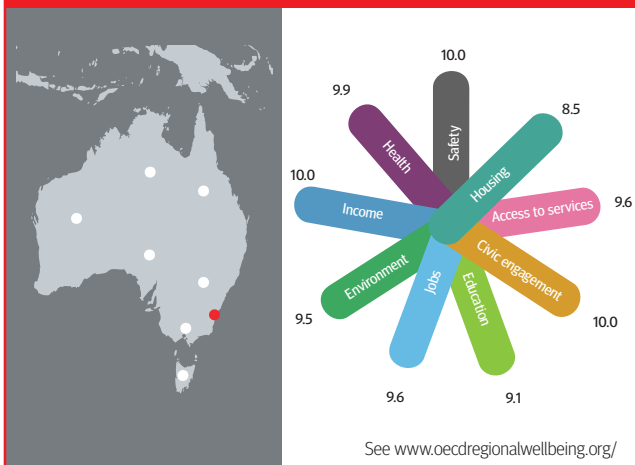
Ranking of well-being topics by users of the Better Life Index in Australia



Australian users give greater importance to work-life balance, health and life satisfaction.

Well-being in Canberra (Australian Capital Territory)

Score out of 10



See www.oecdregionalwellbeing.org/

Australia and Asia: The power of proximity

Tim Harcourt, JW Nevile Fellow in Economics at the University of New South Wales (UNSW)
Australian School of Business, Sydney*



Australia has established itself as a G20 force in Asia-Pacific, and is now embarking on a new wave of engagement in the Asian Century.

Nearly half a century ago, Geoffrey Blainey's *The Tyranny of Distance* argued that Australia's geographical position shaped our psychological attitudes. The long distance between Australians and our colonial forebears in Europe, and also the United States, made us unsure of our future economic prosperity.

At about the time Blainey was writing, Donald Horne's *The Lucky Country* described a resource-rich Australia that lacked the intellectual confidence to make the most of its natural endowments. Singapore's long-standing Prime Minister Lee Kuan Yew also famously warned that Australia risked becoming the "poor white trash of Asia", and advised that vast natural mineral wealth was neither necessary nor sufficient for long-term prosperity.

By the 1960s, however, Japan had already replaced the UK as Australia's major trading partner, and the long journey towards greater engagement with the Asia-Pacific had begun. In fact, Australia's economic relationship with Asia over the past half-century can be seen in terms of four overlapping "waves", culminating with the rise of trade in services. This latest wave

is still in motion, and is part of a story that has seen Australia succeed in replacing the tyranny of distance with the power of proximity.

The first wave: Black Jack's shore break in Japan, 1957-72

In 1957, just 12 years after the end of the Second World War, Australian Trade Minister John "Black Jack" McEwen signed a commercial agreement with Japan. This agreement gave Australia a head start in Asia, and launched the Australian tradition of bipartisan support for increased trade engagement with the region. There followed a flurry of trade and, later, investment between Japan and Australia, notably in iron ore, coal and natural gas. By 1966 Japan was a key trading partner and had transformed itself from a nation devastated by war into a huge and affluent global economy.

The second wave: Reaching out to China, 1972-82

As Japan re-entered the world economy, followed closely by Korea and a handful of other rapidly expanding Asian economies, China remained closed to the outside world with little economic engagement beyond its borders. However, Australian relations with China warmed considerably after Gough Whitlam visited Beijing as leader of the opposition in 1971 and formally established diplomatic

relations as prime minister in 1972. It is in part thanks to this early wave, which complemented subsequent gestures, such as Australia's support for China's entry into the World Trade Organization (WTO) two decades later, that China now regards Australia as a key economic partner.

The third wave: Breaking down the tariff wall, 1983-2008

Lee Kuan Yew's admonitions from Singapore came back to haunt Australia in the recession of 1982-83 when, despite a resource boom, the economy was stagnating beneath double-digit unemployment and inflation, a situation that was common throughout OECD countries at the time. In response, government reforms opened up the

Modern agribusiness could help Australia move further up the value chain from a "mining boom" to a "dining boom"

Australian economy and oriented it even more towards Asia. Moreover, it achieved this while maintaining social harmony through the so-called accord with the Australian Council of Trade Unions (ACTU). A mix of market and social policies was unleashed: the Australian dollar was floated, financial markets were reformed, and universal health care and a pension scheme were introduced alongside education reforms aimed at boosting productivity.

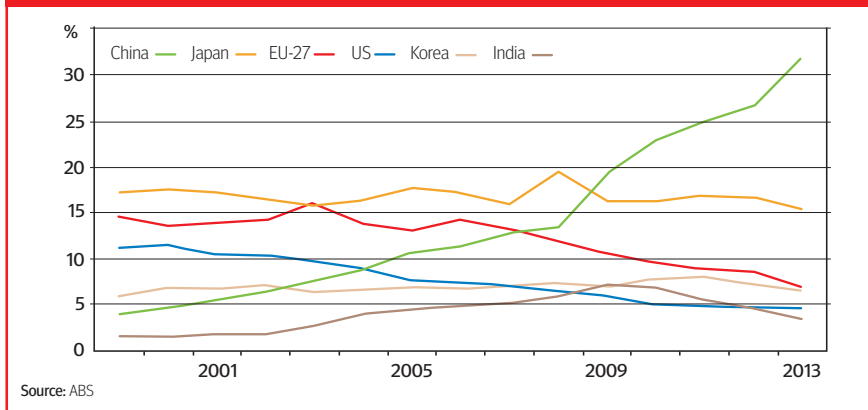
As for trade, the tariff wall that had kept Australia isolated for a century was dismantled. Australia supported the trade liberalisation espoused by the General Agreement on Tariffs and Trade (GATT) and its successor, the WTO, and helped launch the Asia-Pacific Economic Co-operation (APEC) group.

The fourth wave: Global engagement in the Asian Century

Now Australia is on its fourth wave of engagement with Asia. In terms of trading partners, China has overtaken Japan in a further realignment of the global economic

Australia's exports by destination

Annual, share of total values



Australia's economic relationship with Asia has taken many twists and turns, as we have grappled with the changing economic landscape of the region. By taking on these challenges and actively engaging with our Asian neighbours, we have become one of the world's most open and successful economies. And as Australia hosts the G20 summit in Brisbane, there are some early signs from this fourth wave that we are really starting to benefit more than ever from the power of proximity in the Asian Century.

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order that will again alter Australia's trade. The emergence of several Association of Southeast Asian Nations (ASEAN) states, in addition to China and India, will shape this new phase of engagement.

The fourth wave will be different for Australia. First, we have established platforms in ASEAN, China and India, from which we can approach the new frontier markets that are opening up in places like Laos, Cambodia and Myanmar in the Mekong Delta (an area that also forms part of the OECD's Southeast Asia Regional Programme), and Mongolia and Kazakhstan in Central Asia.

Second, while our larger companies have already formed strong relationships in Asia, the nature of global supply chains and open regionalism means that Australian small and medium-sized enterprises (SMEs) will become increasingly enmeshed. Currently 7 out of 10 of our top SME exporter destinations are in Asia.

Third, services will now play a more important role in this new wave. Mining and agriculture—what Australians call “rocks and crops”—will continue to provide the lion's share of our export revenue to Asia, but our points of engagement with Asia will expand as the services trade promotes broader and deeper people-to-

people relationships. Second tier cities in China, like Chongqing and Chengdu, are full of Australian architects and engineers, as are parts of India, Mongolia, Kazakhstan and Southeast Asia. Australia is also well-placed to respond to higher food demand by increasing the export orientation of Australian crops. Modern agribusiness is also about services, and could help Australia move further up the value chain from the “mining boom” to the “dining boom”.

In short, goods exports build a platform that enables the services trade to grow throughout the region and bring with it opportunities for investment, niches for SMEs, and richer global and regional integration.

There will be challenges as Australia pursues the fourth wave of Asian engagement, not least its exposure to shocks and its greater reliance on the ups and downs of demand in China. After all, proximity brings its own pressures. But there are also opportunities. Take climate change, for instance: this poses a serious threat to all our economies, though it also represents an opportunity for Australian environmental services exporters, especially those engaged in sectors like green construction, transport and infrastructure in China, India and Indonesia.

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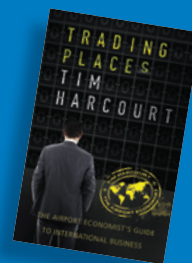
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Australia and the OECD

Argument, persuasion and accession

Peter Carroll, Tasmanian School of Business and Economics, University of Tasmania

Australia is not a founding member of the OECD, which was created in 1961. Rather, its decision to seek membership was only taken after ten years of intermittent debate.

The Australian Treasury and, more cautiously, its Department of External Affairs (DEA) pushed hard for Australia to apply to join the OECD from the outset. But prudence reigned, as some worried that membership, at least for the foreseeable future, would damage Australia's best interests, especially as regards trade. After all, Australia enjoyed good support among developing countries in the General Agreement on Tariffs and Trade (GATT) in the push for greater access for agricultural products to OECD markets, which joining the "rich country club" might endanger. Opponents also felt that

Australia's own protectionist economic policies did not square with the OECD's support for freer international trade.

Nor was Robert Gordon Menzies, then prime minister, initially enthusiastic about OECD membership. Certainly, the advice and the influential views of John "Black Jack" McEwen, his deputy prime minister and the leader of the Country Party, as well as McEwen's Department of Trade, led him not to rush in. In 1960, for example, the cabinet had agreed with McEwen's view that the time had not yet been reached for Australian membership of the OECD. Australia's hesitation was further fuelled by the British announcement of its decision to apply for membership of the European Economic Community (EEC), which it filed in 1961. This came as a great shock to the Menzies government. The

DEA warned that with British membership of the EEC the Commonwealth was likely to decline and eventually disappear. But it also implied a need to reconsider the extent to which the British representation of Australian interests in organisations such as the newly formed OECD, as well as within the EEC, could be relied upon, should its European application be successful. Such reconsideration might have suggested that one way of minimising the dependence on British representation would precisely be for Australia to gain membership of the OECD, but this was not proposed at this time.

On 21 February 1963 the prime minister was informed that the Japanese government was keen to gain full membership of the OECD and that there might be an opportunity for Australia to apply. Suddenly, there were clearer political and economic advantages for Australian membership too. But McEwen and the Department of Trade still opposed OECD membership, arguing that Australia had to prioritise membership of the Economic Commission for Asia and the Far East (ECAFE) region in the UN General Assembly and not jeopardise its relations with Southeast Asian countries, especially in the context of GATT negotiations over agriculture. However, McEwen had already done much to support closer Australian trade relations with Japan, and his opposition to OECD membership would later soften somewhat.

Five main advantages

From 1964 to 1965 the DEA, with Treasury support, again initiated moves to win cabinet backing for OECD membership. Five main advantages of membership were put forward. The first was that it would ensure that Australia's interests would be considered in the "principal Western forum where international financial and economic matters of high importance to us are now discussed". The second was the value of membership of the Development Assistance Committee, described as "one of the most effective activities of the

the OECD OBSERVER

OECD MINISTERIAL COUNCIL 1971 OPTS FOR REINFORCEMENT OF CO-OPERATION AUSTRALIA - THE NEW MEMBER COUNTRY THE GREEN REVOLUTION IN PERSPECTIVE ADVANCE NOTICE OF ANTI-POLLUTION MEASURES A NEW LOOK AT INFLATION



Australia's Deputy Prime Minister Doug Anthony signs the accession agreement to the OECD, with US Secretary of State William P. Rogers and OECD Secretary-General Emile Van Lennep



“Australia will only join the OECD over my dead body”: John McEwen (left), quoted in 1968, seen here at the 1967 OECD ministerial meeting with Deputy Prime Minister John R Marshall, Minister of Overseas Trade, New Zealand

OECD”, membership of which would help “make the Australian aid effort better known”. The third argument in favour was that membership would provide valuable access to OECD work in a range of areas, notably science policy and agriculture. The fourth was the opportunity membership would provide for helping to turn Australia into an “insider”, in what it was felt was becoming an increasingly institutionalised global environment for the conduct of economic and political relationships. The fifth advantage was trade, and the opportunity membership of the OECD’s Trade Committee would bring.

Still the government chiefs remained unconvinced, though they agreed to seek membership of the DAC and to leave open the question of an application for full membership. A successful bid for membership of the DAC was made in 1965, following the cabinet decision, with Australia taking up membership in 1966; it was no coincidence that Japan initially had joined the DAC before joining the OECD in 1964, a fact of which Australian officials were well aware.

By 1968 McEwen was still holding a hard line, telling Philip Flood, Australia’s representative on the DAC, that “Australia will only join the OECD over my dead body”. However, Treasury and the DEA, with the backing of their ministers, successfully pressed for a reconsideration

of the merits of OECD membership in 1969, stressing the valuable learning experience that DAC had provided. With Menzies having retired in 1966, Black Jack had lost a vital ally and, in addition, his officials were now advising, though cautiously, in favour of OECD membership. Hence, while he would not support membership, he would not oppose it either. This was a step forward, and moves for an application commenced.

US caution

However, now that Australia had overcome its internal divisions and made up its mind to join the OECD, would the OECD itself agree to its membership?

As it happened, all OECD members proved to be immediately supportive, except the United States, the organisation’s largest member country. US officials cited several reservations, which all boiled down to concerns that an Australian application would open a floodgate of other, far more sensitive, applications from countries whose like-mindedness and development levels were in question. Intensive Australian lobbying commenced, supported by the British government, and the United States was soon won over. Formal discussions as to the terms and conditions of Australian membership commenced in July 1970. The OECD Council invited the Australian government to join on 24 May the following year, and

on 7 June 1971 Australia formally became a member country of the OECD.

Australia would provide the OECD with a member that had increasingly strong links with countries in Southeast and East Asia, particularly Japan, and that from the onset pressed strongly for the OECD to develop greater links with countries in the area, notably China. It played an important role, for example, in supporting Korea’s successful accession to the OECD in 1996, and in promoting strong and continuing ties with Asia-Pacific Economic Cooperation (APEC). Combined with its membership of the G20, Australia is now established as an important bridge between the OECD and Asia at a time when new markets in the region could benefit from the organisation’s support and know-how.

Professor Carroll is currently completing work on two books, *Australia and the OECD*, and *Global Health Governance and the OECD*, publication expected in 2015. He can be contacted at Peter.Carroll@utas.edu.au

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2/3 JUNE
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OECD FORUM 2015

OECD Forum 2015 will take place on 2-3 June in Paris alongside the main OECD Ministerial meeting on 3-4 June.

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Fukushima's lessons in recovery



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Eight giant balloons from Japan floated in the shadow of the Eiffel Tower on the weekend of 30 August, a reminder of one of the worst natural disasters of recent times—and of the determination of survivors to rebuild their region.

The balloons were raised by students taking part in the OECD Tohoku School, an innovative educational project launched in northeast Japan following the devastating earthquake and tsunami of March 2011. Over the past two and a half years, around 100 young people from schools in Tohoku, the region around Fukushima, have been working together to plan an event in Paris to show off their region and to demonstrate its recovery.

“It’s not just adults who are working to help our region prosper, it’s students too,” explains Yurina Sato from Yanagawa Junior High School in Fukushima prefecture. “It’s a strong message to local people that we are moving forward.”

The results of the students’ work were on display at the Eiffel Tower ceremony. Over two days, the students staged an ambitious set of activities on the Champ de Mars in central Paris that

reflected on the earthquake and tsunami on 11 March 2011, and the nuclear accident at the Fukushima Daiichi plant, and looked forward to Tohoku’s rebuilding.

Visitors also had a chance to sample the region’s culture, including an energetic “deer dance”—a traditional performance that’s taken on a new significance since the disaster. The elaborate costumes and drums used in the dance survived the disaster unscathed and are now presented as a symbol of the region’s resilience.

But it was the future that dominated many of the student projects. A team from the Yanagawa school worked with a local producer to create a new line of fruit jellies, which they’ve started retailing in their area. “We’ve sold at least 8,000,” says Yurina. “We want to help local industry in our region.”

Unsurprisingly, the region’s energy needs were on many minds. Kaoro Kanno is one of a group of students from Adachi High School that worked on measuring radiation levels around the school and on exploring possibilities for renewable energy. “The disaster was a turning point,” Kaoro says. “We have to do something now. We thought that if we miss this chance, then who will do it?” Students at Kaoro’s school have been working on using hot springs in the area as an energy source, and are hoping their experiments will lead to the creation of a real source of sustainable energy.

As well as teaching the students valuable new skills, the OECD Tohoku School may also have lessons for Japanese education. The project challenges traditional styles of teaching and learning by putting students in the driving seat. “In this project, it is students who are taking the initiative, not teachers, not the school,” explains Chikato Nakamura. “It’s a big difference.”

Chikato is on the team from Iwaki city that came up with the idea of raising the balloons above the Champ de Mars. Walking under them, he explained that the four blue balloons, hoisted to over 21 metres, represented the height of the tsunami surge in his area. Against them, the four red balloons represented the determination of Tohoku’s people to recover from the disaster.

Chikato is hopeful not only about his region’s prospects, but also about the project’s impact on other Japanese schools: “I think Japanese education should do more project-based learning,” he says. “When you study just with a pen and paper, it’s not really learning. Doing actions outside the classroom is really important.”
Brian Keeley

Many thanks to Saki Kinnan of Osaka University for help with translation.

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New chief economist appointed—



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Catherine L. Mann has joined the OECD as the new chief economist. Reporting to the secretary-general, Ms Mann's appointment will reinforce the OECD's commitment to identifying and promoting better policies for better lives around the world. She replaces Pier Carlo Padoan, who became Italy's Minister of Economy and Finance in February 2014, and took up her post in October.

"Catherine is the right person at the right time to be our chief economist," OECD Secretary-General Angel Gurría said on announcing the news in September. "Her appointment is particularly critical at a moment when our economies continue to suffer from the legacies of the crisis, and when we need to identify new sources of growth for the years to come."

Ms Mann, a US citizen, holds a doctorate in economics from the Massachusetts Institute of Technology (MIT) and a bachelor's degree in economics from Harvard University. She has had a distinguished career in the public sector and academia. Her previous post was as Rosenberg Professor of Global Finance at Brandeis University and from 1997 to 2011 was a senior fellow and visiting fellow at the Peterson Institute for International Economics. Ms Mann has served as a senior economist at the Council of

Economic Advisors in the White House and worked in the vice president for development economics/chief economist's office at the World Bank. Ms Mann spent 13 years on the Federal Reserve Board as a Senior Economist and Assistant Director. Her written work includes: *The Globalisation of Venture Capital*; *Offshore Outsourcing and the Globalization of Services*; *External imbalance: costs and consequences of unsustainable trajectories*; *Supply Chain Logistics*, *Trade Facilitation*, and *International Trade*.

Ms Mann is the second woman in the history of the OECD to hold the position of chief economist, after Sylvia Ostry, who headed the OECD Economics Department in 1979-1983. She will also serve as OECD representative at the deputies' meetings of the G20 Finance Track.

For more on Chief Economist Catherine L. Mann, see <http://oe.cd/KF> and www.clmann.com.

—as new deputy secretaries-general join the organisation



©OECD/Michael Dean

Finland's former Prime Minister, Mari Kiviniemi, and former state secretary at Germany's Federal Ministry for Economic Affairs and Energy, Stefan Kapferer, have been appointed as deputy secretaries-general of the OECD.

Ms Kiviniemi and Mr Kapferer will support OECD Secretary-General Angel Gurría in



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his strategic objective of increasing the impact and relevance of OECD work, as well as strengthening the organisation's outreach efforts with emerging economies and contributing to the public policy challenges of assuring strong inclusive growth, jobs, equality and trust.

Ms Kiviniemi was Finland's prime minister from 2010-2011. She had previously been minister of public administration and local government; trade and development; and European affairs. She has been a member of parliament since 1995.

In Germany Mr Kapferer's managerial responsibilities covered industrial policy, external policy, innovation and small and medium-sized companies at the Federal Ministry for Economic Affairs and Energy. He previously served as state secretary in the Federal Ministries of Economics and Technology in 2011-13 and Health in 2009-11, where he was instrumental in developing and implementing the German government's reform and competitiveness agenda.

Ms Kiviniemi and Mr Kapferer replace Pier Carlo Padoan, who became Italy's minister of economy in February 2014, and former Belgian prime minister, Yves Leterme, who was appointed secretary-general of the Stockholm-based International Institute for Democracy and Electoral Assistance in June 2014.

For more on the OECD deputy secretaries-general, see <http://oe.cd/KD>.

Recent speeches by Angel Gurría



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

Smart Investment in Regions and Cities

6 October 2014

Opening remarks by Angel Gurría at the OPEN DAYS 2014 European Week of Regions and Cities in Brussels, Belgium

By Africa, For Africa: Industrialisation and Integration for Inclusive Growth

6 October 2014

Remarks delivered at the 14th International Economic Forum on Africa. Paris, France

OECD International Forum on Open Government

30 September 2014

Welcoming remarks. OECD Headquarters, Paris

BEPS 2014

16 September 2014

Speech launching the deliverables. Paris, France

Latvia on the path to OECD membership

12 September 2014

Remarks delivered at Stockholm School of Economics in Riga, Latvia

The Riga Conference: Adjusting the global economy to reflect political challenges

12 September 2014

Remarks at the Riga Conference in Riga, Latvia

OECD 2014 Economic Survey: Spain

8 September 2014

Remarks delivered at the survey launch in Madrid, Spain

OECD Employment Outlook 2014

3 September 2014

Speech delivered at the report launch of the 2014 *Employment Outlook* in Paris, France

Tohoku Cherry Tree Planting Ceremony

2 September 2014

Remarks delivered at ceremony in Paris, France, to mark the Tohoku School initiative following the 2011 Fukushima tragedy in Japan

International Forum on Public Employment Policies

25 July 2014

Speech by Angel Gurría, OECD Secretary-General, Madrid, Spain

G20 Trade Ministerial Meeting

19 July 2014

Speech by Angel Gurría, OECD Secretary-General, at the G20 Trade Ministerial Working Lunch in Sydney, Australia

B20 Panel: The next wave of global investment: what and where?

18 July 2014

Remarks delivered at the B20 Summit in Sydney, Australia

Presentation of the OECD/WTO/WB publication *Global Value Chains: Challenges, Opportunities and Implications for Policy*, with Andrew Robb, Minister for Trade, Australia

17 July 2014

Remarks by Angel Gurría, OECD Secretary-General. Sydney, Australia

Addressing policy impediments to private investment in African infrastructure

15 July 2014

Remarks delivered at the OECD-AfDB Seminar in Paris, France

Ambassadors

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Mr Marten Kokk, Estonia

Ms Berglind Ásgeirsdóttir, Iceland

Mr Chris Barrett, Australia

Mr Yves Haesendonck, Belgium

Ms Ingrid Brocková, Slovak Republic

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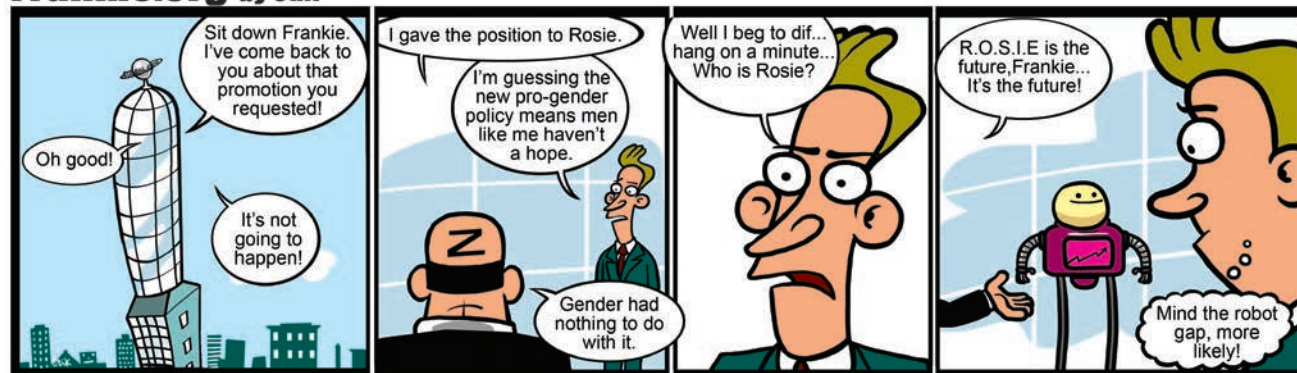
Ms Maria Francesca Spatolisano

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/newsroom/upcomingevents, which is updated regularly.

OCTOBER		NOVEMBER		2 Statistics release: Consumer Price Indices.	
2-3	Global Forum on the Knowledge Economy. Tokyo, Japan.	4	Statistics release: Consumer Price Indices.	9	International Anti-Corruption Day.
6	14th International Economic Forum on Africa: "By Africa, for Africa?" Industrialisation and Integration for Inclusive Growth. Paris, France.	12-13	Conference Innovating the Public Sector: from Ideas to Impact. Paris, France.	2015	
7-8	New World Forum. Paris, France.	13	Statistics release: Harmonised Unemployment Rates.	JANUARY	
9	Statistics release: Harmonised Unemployment Rates.	13-14	Green Growth and Sustainable Development Forum 2014: Addressing the social implications of green growth. Paris, France.	21-24	World Economic Forum Annual Meeting. Davos-Klosters, Switzerland
9-10	G20 Finance Ministers and Central Bank Governors Meeting. Washington DC, United States.	15-16	G20 Leaders Summit. Brisbane, Australia.	MARCH	
10-18	6th Africa Forum. Kampala, Uganda.	25	Launch of: <i>Economic Outlook, Volume 2014 Issue 2.</i>	8	International Women's Day
15-17	Women's Forum Global Meeting 2014. 10th Edition. Deauville, France.	DECEMBER		22	International World Water Day
21-24	16th International Anti-Corruption Conference (IACC). Tunis, Tunisia.	1-12	United Nations Climate Change Conference. 20th session of the Conference of the Parties (COP 20). Lima, Peru.	APRIL	
28-29	7th Meeting of the Global Forum on Transparency and Exchange of Information for Tax Purposes. Berlin, Germany.	1-2	Migration Forum. Paris, France.	12-15	World Water Forum, Korea
				JUNE	
				2-5	OECD Week
				OCTOBER	
				20-30	Global Forum on Competition
				NOVEMBER-DECEMBER	
				30 Nov-	UN Climate Change Conference (21st
				11 Dec	Conference 25 of the Parties, COP). Paris, France

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Mapping the history of well-being



Overall, well-being has improved over the past two centuries, but not always in the ways or for the reasons we might have thought. The Industrial Revolution

sometimes meant workers were worse off and worse fed than before, for example.

How Was Life? Global Trends in Well-Being since 1820, looks at 10 dimensions of well-being from 1820 to the present day: real wages, educational attainment, life expectancy, height, personal security, political institutions, environmental quality, income inequality and gender inequality, as well as economic growth in the form of gross domestic product (GDP) per capita.

Various new methods were used to measure these dimensions back until 1820. For example, for health, height was used as well as life expectancy, as it is a good indicator of general health and nutrition, particularly in childhood.

Using literacy and data on years in education, the authors found that while only 20% of people in the world were able to read in 1820, by 2000 the figure was 80%. The rising trend in education followed trends in GDP fairly closely.

But in other cases the relationship between well-being and GDP was perhaps more surprising. Life expectancy, for example, continued to improve around the world even when GDP per capita stagnated, due to advances in medical technology and its spread across the globe. Overall, life expectancy around the world more than doubled between 1880 and 2000, from below 30 years to almost

70, and today in OECD countries it is up to 80 years on average.

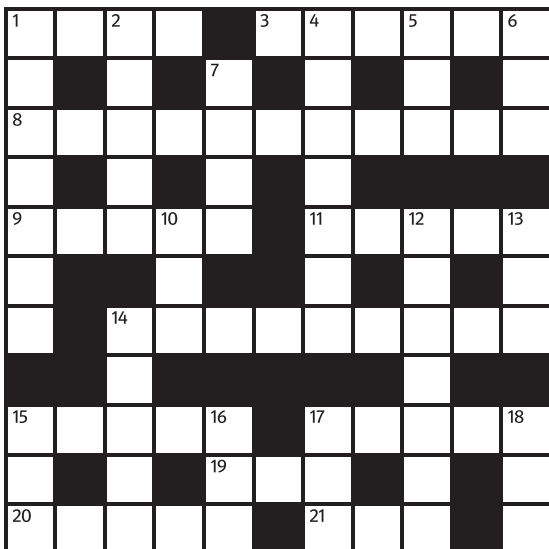
Income inequality generally fell from the end of the 19th century until about 1970, but then it rose again. Taking the full range of indicators covered in the report into account reveals that before the 1970s global inequality in well-being was higher than global inequality in GDP per capita, but since the 1970s the reverse has been true. The trouble is if income inequality continues to widen, gains in well-being may become harder to uphold.

Van Zanden, Jan Luiten., et al. (eds.) (2014), *How Was Life?: Global Well-Being since 1820*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264214262-en> and oe.cd/j6

See also *How's Life? Measuring Well-Being*, OECD 2013, <http://oe.cd/E5> and

How's Life in Your Region? Measuring Regional and Local Well-Being for Policy Making, October 2014 <http://oe.cd/lR>.

OECD Observer Crossword No 3, 2014



Across

- 1 All-time great Brazilian soccer player
- 3 Moral choices made in life and in business matters
- 8 Open business dealings and procedures
- 9 Brisbane's playing this role for G20
- 11 Fix firmly
- 14 Honesty
- 15 Bondi _____
- 17 Assists in a crime
- 19 ODA measures it
- 20 Follows, as of laws and instructions
- 21 Collect information covertly

Down

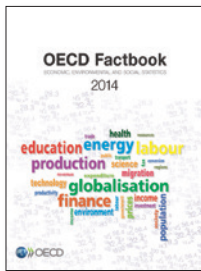
- 1 Made a sales presentation
- 2 They may be concessional
- 4 Following the source and path of financial transactions, for example
- 5 Summer drink cooler
- 6 Be in session
- 7 Functions
- 10 Bronze in the sun
- 12 OECD adopted a convention against this unethical business activity
- 13 Follows night
- 14 Reputation
- 15 Résumé
- 16 Owns
- 17 Sponsored messages
- 18 Wall Street watchdog, for short

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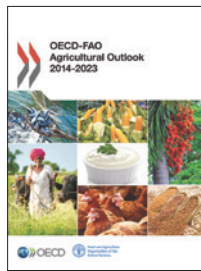


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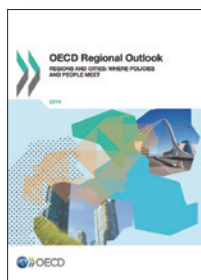


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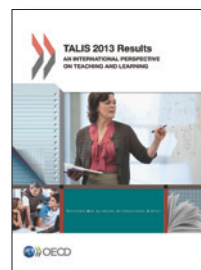


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	Australia	Gross domestic product	Q2-2014	0.5	3.1	Current balance	Q2-2014	-12.8	-12.9
		Industrial production	Q2-2014	-0.4	4.7	Unemployment rate	Q2-2014	5.9	5.6
		Consumer price index	Q2-2014	0.5	3.0	Interest rate	Q2-2014	2.7	2.9
	Austria	Gross domestic product	Q2-2014	0.2	0.9	Current balance	Q1-2014	1.5	3.1
		Industrial production	Q2-2014	-0.9	0.2	Unemployment rate	Q2-2014	5.0	4.7
		Consumer price index	Q2-2014	1.0	1.8	Interest rate	Q2-2014	0.3	0.2
	Belgium	Gross domestic product	Q2-2014	0.1	1.0	Current balance	Q1-2014	-0.2	-5.0
		Industrial production	Q2-2014	0.6	3.4	Unemployment rate	Q2-2014	8.5	8.4
		Consumer price index	Q2-2014	-0.3	0.4	Interest rate	Q2-2014	0.3	0.2
	Canada	Gross domestic product	Q2-2014	0.8	2.5	Current balance	Q2-2014	-10.9	-15.0
		Industrial production	Q2-2014	0.8	4.5	Unemployment rate	Q2-2014	7.0	7.1
		Consumer price index	Q2-2014	1.3	2.2	Interest rate	Q2-2014	1.2	1.2
	Chile	Gross domestic product	Q2-2014	0.2	2.1	Current balance	Q1-2014	-2.0	-3.1
		Industrial production	Q2-2014	-3.3	-1.5	Unemployment rate	Q2-2014	6.2	5.9
		Consumer price index	Q2-2014	1.6	5.1	Interest rate	Q2-2014	3.9	5.0
	Czech Republic	Gross domestic product	Q2-2014	0.3	2.5	Current balance	Q2-2014	-1.9	-1.0
		Industrial production	Q2-2014	0.2	5.8	Unemployment rate	Q2-2014	6.2	6.9
		Consumer price index	Q2-2014	0.1	0.2	Interest rate	Q2-2014	0.4	0.5
	Denmark	Gross domestic product	Q2-2014	0.2	1.1	Current balance	Q2-2014	5.3	5.8
		Industrial production	Q2-2014	0.6	0.8	Unemployment rate	Q2-2014	6.4	6.9
		Consumer price index	Q2-2014	0.4	0.6	Interest rate	Q2-2014	0.3	0.3
	Estonia	Gross domestic product	Q2-2014	1.1	2.9	Current balance	Q1-2014	-0.1	0.0
		Industrial production	Q2-2014	3.3	2.5	Unemployment rate	Q2-2014	7.5	8.3
		Consumer price index	Q2-2014	0.3	0.0	Interest rate	Q2-2014	0.3	0.2
	Finland	Gross domestic product	Q2-2014	0.2	-0.1	Current balance	Q1-2014	-0.4	-0.5
		Industrial production	Q2-2014	0.5	-1.9	Unemployment rate	Q2-2014	8.6	8.1
		Consumer price index	Q2-2014	0.2	0.9	Interest rate	Q2-2014	0.3	0.2
	France	Gross domestic product	Q2-2014	0.0	0.1	Current balance	Q1-2014	-6.7	-13.2
		Industrial production	Q2-2014	-0.5	-2.1	Unemployment rate	Q2-2014	10.2	10.3
		Consumer price index	Q2-2014	0.4	0.6	Interest rate	Q2-2014	0.3	0.2
	Germany	Gross domestic product	Q2-2014	-0.2	1.3	Current balance	Q1-2014	68.6	65.0
		Industrial production	Q2-2014	-0.9	1.5	Unemployment rate	Q2-2014	5.0	5.3
		Consumer price index	Q2-2014	0.2	1.1	Interest rate	Q2-2014	0.3	0.2
	Greece	Gross domestic product		..	..	Current balance	Q2-2014	0.4	0.2
		Industrial production	Q1-2014	2.4	0.5	Unemployment rate	Q2-2014	27.1	27.6
		Consumer price index	Q2-2014	1.2	-1.5	Interest rate	Q2-2014	0.3	0.2
	Hungary	Gross domestic product	Q2-2014	0.8	3.7	Current balance	Q4-2013	1.4	0.3
		Industrial production	Q2-2014	3.5	10.3	Unemployment rate	Q2-2014	8.0	10.4
		Consumer price index	Q2-2014	0.2	-0.2	Interest rate	Q2-2014	2.8	4.6
	Iceland	Gross domestic product	Q2-2014	-1.2	2.2	Current balance	Q1-2014	0.0	0.1
		Industrial production	Q2-2014	-5.0	-1.7	Unemployment rate	Q2-2014	5.1	6.1
		Consumer price index	Q2-2014	0.9	2.3	Interest rate	Q2-2014	6.1	6.2
	Ireland	Gross domestic product	Q2-2014	1.5	6.5	Current balance	Q1-2014	3.0	3.2
		Industrial production	Q1-2014	3.8	2.8	Unemployment rate	Q2-2014	11.7	13.7
		Consumer price index	Q2-2014	0.8	0.4	Interest rate	Q2-2014	0.3	0.2
	Israel	Gross domestic product	Q2-2014	0.4	2.2	Current balance	Q2-2014	2.2	1.7
		Industrial production	Q2-2014	-3.9	-0.6	Unemployment rate	Q2-2014	6.1	6.7
		Consumer price index	Q2-2014	0.4	0.8	Interest rate	Q2-2014	0.7	1.5
	Italy	Gross domestic product	Q2-2014	-0.2	-0.2	Current balance	Q1-2014	7.9	-0.1
		Industrial production	Q2-2014	-0.5	-0.1	Unemployment rate	Q2-2014	12.5	12.2
		Consumer price index	Q2-2014	0.2	0.4	Interest rate	Q2-2014	0.3	0.2
	Japan	Gross domestic product	Q2-2014	-1.8	0.0	Current balance	Q2-2014	6.3	18.7
		Industrial production	Q2-2014	-3.6	2.4	Unemployment rate	Q2-2014	3.6	4.0
		Consumer price index	Q2-2014	2.5	3.6	Interest rate	Q2-2014	0.2	0.2
	Korea	Gross domestic product	Q2-2014	0.5	3.5	Current balance	Q2-2014	23.6	19.4
		Industrial production	Q2-2014	-0.9	1.2	Unemployment rate	Q2-2014	3.7	3.1
		Consumer price index	Q2-2014	0.3	1.6	Interest rate	Q2-2014	2.7	2.7
	Luxembourg	Gross domestic product	Q1-2014	0.8	3.8	Current balance	Q1-2014	0.6	0.6
		Industrial production	Q2-2014	-0.1	8.8	Unemployment rate	Q2-2014	6.1	5.8
		Consumer price index	Q2-2014	0.5	0.9	Interest rate	Q2-2014	0.3	0.2
	Mexico	Gross domestic product	Q2-2014	1.0	2.7	Current balance	Q2-2014	-7.1	-5.7
		Industrial production	Q2-2014	0.9	..	Unemployment rate	Q2-2014	5.0	5.1
		Consumer price index	Q2-2014	-0.1	3.6	Interest rate	Q2-2014	3.7	4.3

			% change from:			level:			
			previous period	previous year		current period	same period last year		
	Netherlands	Gross domestic product	Q2-2014	0.7	1.1	Current balance	Q4-2013	24.7	25.6
		Industrial production	Q2-2014	3.7	-2.0	Unemployment rate	Q2-2014	7.0	6.6
		Consumer price index	Q2-2014	0.8	1.0	Interest rate	Q2-2014	0.3	0.2
	New Zealand	Gross domestic product	Q2-2014	0.5	3.3	Current balance	Q4-2013	-0.7	-1.8
		Industrial production	Q2-2014	-1.1	2.7	Unemployment rate	Q2-2014	5.6	6.4
		Consumer price index	Q2-2014	0.3	1.6	Interest rate	Q2-2014	3.4	2.6
	Norway	Gross domestic product	Q2-2014	0.9	1.8	Current balance	Q2-2014	12.4	14.3
		Industrial production	Q2-2014	-1.1	0.2	Unemployment rate	Q2-2014	3.3	3.5
		Consumer price index	Q2-2014	0.7	1.8	Interest rate	Q2-2014	1.8	1.8
	Poland	Gross domestic product	Q2-2014	0.6	3.3	Current balance	Q1-2014	-0.8	-3.0
		Industrial production	Q2-2014	-0.2	3.4	Unemployment rate	Q2-2014	9.2	10.5
		Consumer price index	Q2-2014	0.0	0.3	Interest rate	Q2-2014	2.7	2.9
	Portugal	Gross domestic product	Q2-2014	0.3	0.9	Current balance	Q2-2014	-0.1	1.0
		Industrial production	Q2-2014	1.6	1.5	Unemployment rate	Q2-2014	14.4	16.9
		Consumer price index	Q2-2014	1.0	-0.3	Interest rate	Q2-2014	0.3	0.2
	Slovak Republic	Gross domestic product	Q2-2014	0.6	2.4	Current balance	Q1-2014	0.5	0.5
		Industrial production	Q2-2014	-0.8	4.9	Unemployment rate	Q2-2014	13.4	14.3
		Consumer price index	Q2-2014	0.2	-0.1	Interest rate	Q2-2014	0.3	0.2
	Slovenia	Gross domestic product	Q2-2014	1.0	2.8	Current balance	Q2-2014	0.7	0.7
		Industrial production	Q2-2014	1.8	3.8	Unemployment rate	Q2-2014	9.5	10.5
		Consumer price index	Q2-2014	1.5	0.6	Interest rate	Q2-2014	0.3	0.2
	Spain	Gross domestic product	Q2-2014	0.6	1.2	Current balance	Q2-2014	-5.6	1.3
		Industrial production	Q2-2014	0.6	2.3	Unemployment rate	Q2-2014	24.7	26.2
		Consumer price index	Q2-2014	1.0	0.2	Interest rate	Q2-2014	0.3	0.2
	Sweden	Gross domestic product	Q2-2014	0.7	2.6	Current balance	Q2-2014	7.5	9.2
		Industrial production	Q2-2014	-1.4	-0.6	Unemployment rate	Q2-2014	8.0	8.0
		Consumer price index	Q2-2014	0.6	0.0	Interest rate	Q2-2014	0.6	0.9
	Switzerland	Gross domestic product	Q2-2014	0.0	1.1	Current balance	Q4-2013	14.3	15.1
		Industrial production	Q4-2013	-1.0	-1.2	Unemployment rate	Q2-2014	4.4	4.2
		Consumer price index	Q2-2014	0.5	0.1	Interest rate	Q2-2014	0.0	0.0
	Turkey	Gross domestic product	Q2-2014	-0.5	2.5	Current balance	Q2-2014	-9.3	-17.5
		Industrial production	Q2-2014	-0.9	2.6	Unemployment rate	Q1-2014	9.1	8.5
		Consumer price index	Q2-2014	2.6	9.4	Interest rate	..	..	..
	United Kingdom	Gross domestic product	Q2-2014	0.9	3.2	Current balance	Q1-2014	-30.6	-27.3
		Industrial production	Q2-2014	0.3	2.1	Unemployment rate	Q2-2014	6.3	7.7
		Consumer price index	Q2-2014	0.7	1.7	Interest rate	Q2-2014	0.5	0.5
	United States	Gross domestic product	Q2-2014	1.1	2.6	Current balance	Q2-2014	-98.5	-106.1
		Industrial production	Q2-2014	1.3	4.2	Unemployment rate	Q2-2014	6.2	7.5
		Consumer price index	Q2-2014	1.2	2.1	Interest rate	Q4-2013	0.0	0.2
	European Union	Gross domestic product	Q2-2014	0.2	1.2	Current balance	..	..	..
		Industrial production	Q2-2014	0.0	1.3	Unemployment rate	Q2-2014	10.3	10.9
		Consumer price index	Q2-2014	..	0.7	Interest rate	..	..	..
	Euro area	Gross domestic product	Q2-2014	0.0	0.7	Current balance	Q4-2012	51.7	17.2
		Industrial production	Q2-2014	-0.1	0.8	Unemployment rate	Q2-2014	11.6	12.0
		Consumer price index	Q2-2014	..	0.6	Interest rate	Q2-2014	0.3	0.2
Non-members									
	¹Brazil	Gross domestic product	Q2-2014	-0.6	-0.8	Current balance	Q2-2014	-19.6	-19.9
		Industrial production	Q2-2014	-1.9	-4.2	Unemployment rate	..	..	..
		Consumer price index	Q2-2014	2.0	6.4	Interest rate	..	..	..
	¹China	Gross domestic product	..	..	Current balance	Q2-2013	54.2	58.1	
		Industrial production	..	..	Unemployment rate	..	..	..
		Consumer price index	Q2-2014	-0.4	2.2	Interest rate	Q2-2014	4.6	4.7
	¹India	Gross domestic product	Q2-2014	1.2	5.9	Current balance	..	..
		Industrial production	Q2-2014	2.0	4.3	Unemployment rate	..	..
		Consumer price index	Q2-2014	2.5	6.9	Interest rate	..	..
	¹Indonesia	Gross domestic product	Q2-2014	1.2	5.1	Current balance	Q4-2013	-3.5	-7.3
		Industrial production	..	..	Unemployment rate	..	..	..
		Consumer price index	Q2-2014	0.4	7.1	Interest rate	Q2-2014	8.5	5.7
	Russian Federation	Gross domestic product	Q1-2014	-0.3	0.7	Current balance	Q2-2012	22.7	23.4
		Industrial production	Q2-2014	0.9	1.6	Unemployment rate	..	..	..
		Consumer price index	Q2-2014	2.6	7.6	Interest rate	Q2-2014	8.8	7.4
	¹South Africa	Gross domestic product	Q2-2014	0.2	1.1	Current balance	..	..
		Industrial production	..	..	Unemployment rate	..	..	..
		Consumer price index	Q2-2014	2.0	6.6	Interest rate	Q2-2014	5.8	5.1

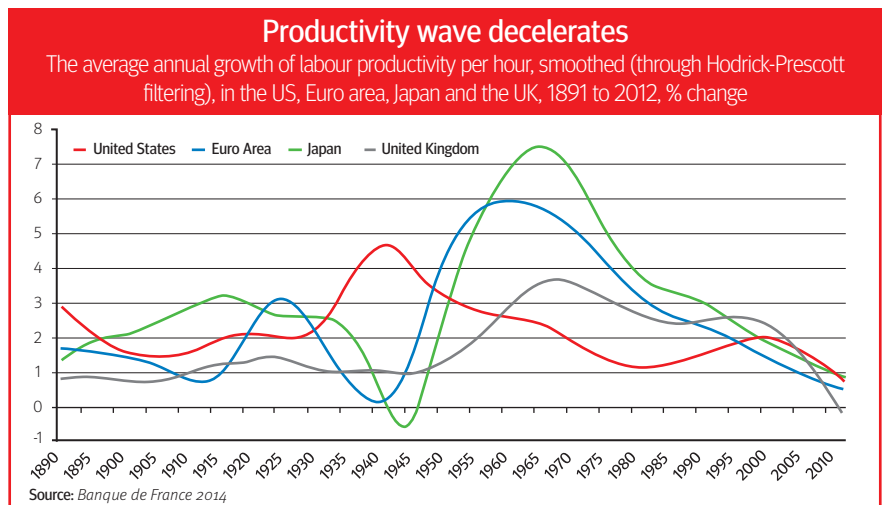
Gross domestic product: Volume series; seasonally adjusted. **Leading indicators:** A composite indicator based on other indicators of economic activity, which signals cyclical movements in industrial production from six to nine months in advance. **Consumer price index:** Measures changes in average 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.

Australia, Canada, Japan, Korea and US report the current balance data according to BPM6 classification.

..=not available. ¹Key Partners. The data for euro area now cover 18 countries. Source: *Main Economic Indicators*, October 2014.

Productivity's wave goodbye?

Did you know that the pace of productivity growth is slowing sharply across the OECD area? Moreover, the trend has continued downward since the early 2000s after a brief upward tick in the 1980s and 1990s, which in part reflected the diffusion of new information and communications technologies. A working paper from the French central bank distinguishes four periods from 1890 to 2012 during which both innovation and catch-up drove productivity. First, from 1890 to the First World War, productivity grew moderately, led by the UK with other countries catching up. Second, a US-led phase, with a major wave of productivity acceleration in the 1930s and 1940s, while other advanced countries still struggled in the aftermath of the Great Depression and war. Third, following the Second World War, Europe and Japan enjoyed a golden age, catching the wave launched by the United States. When the fourth wave came, from 1995, the post-war convergence process had come to an end, and US productivity growth regained the lead with a short though



distinct wave of growth. Technological breakthroughs characterised these waves, from electricity and combustion engines, to pharmaceuticals and IT, though the authors note an “impressive slowdown” in the impact of the latter from 2000.

For more on these trends and their historical causes, see “Productivity Trends

from 1890 to 2012 in Advanced Countries” by Antonin Bergeaud, Gilbert Cette and Rémy Lecat, February 2014, Document de Travail (Working Paper) No 475, available at www.banque-france.fr. The paper drew discussion at the Joint OECD-NBER Conference on Productivity Growth and Innovation in the Long Run at the OECD 26-27 September 2014: see <http://oe.cd/IC>.

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