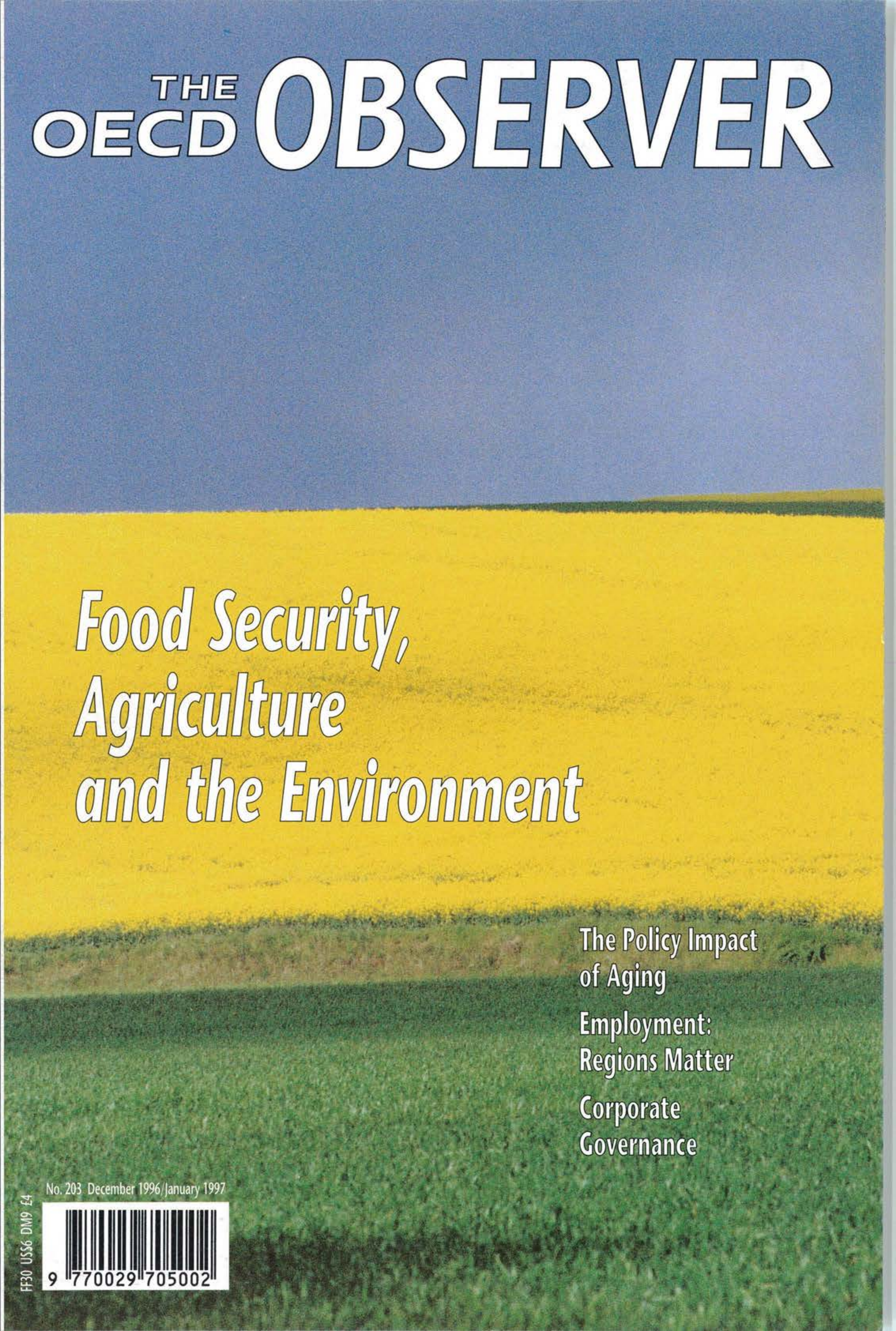


THE OECD OBSERVER

Food Security, Agriculture and the Environment

The Policy Impact of Aging

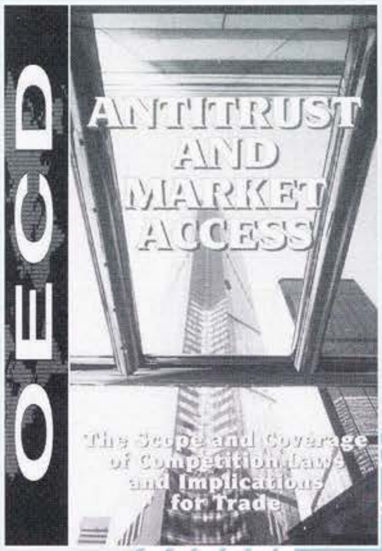
Employment: Regions Matter

Corporate Governance

No. 203 December 1996/January 1997

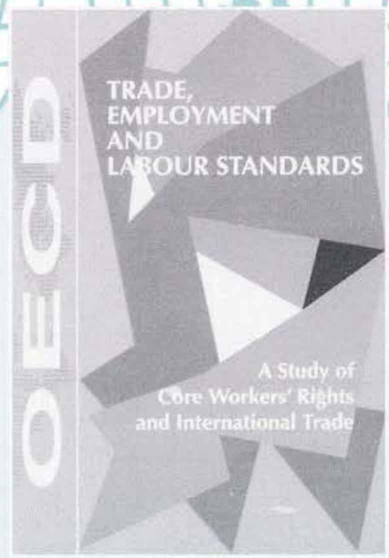
FF30 US$6 DM9 £4

Antitrust and Market Access
The Scope and Coverage of Competition Laws and Implications for Trade



Successive rounds of multilateral trade negotiations, including the recent Uruguay Round, have done much to bring down tariff barriers and other government-imposed obstacles to trade. But business practices of firms themselves and the barriers that can arise from them are giving cause for increasing concern. The effectiveness of competition law in curbing anti-competitive practices that impede market access depends on a number of factors identified in this publication. It focuses on the scope and coverage of competition law in eleven countries or regional groupings and questions existing sectoral and other exemptions that can create many loopholes in the laws on anti-competitive practices. The analytical framework, the facts assembled in this book, and the recommendations it makes, mark another important stage in the OECD's work to strengthen the coherence between trade and competition policies.

(22 96 04 1) ISBN 92-64-15274-1, September 1996, 228pp.
FF350 US$70 £45 DM102 ¥7,400



Trade, Employment and Labour Standards
A Study of Core Workers' Rights and International Trade

Recent years have witnessed growing concern over the controversial issue of trade and labour standards. In a context of intensified international competition, alleged cases of the exploitation of child labour or of denial of the rights to freedom of association and collective bargaining in some developing countries have been perceived by some in developed countries not only as a violation of human rights but also as unfair trade practices. Developing countries generally respond that these concerns are unfounded and reflect disguised protectionist pre-occupations.

What are the relevant core labour standards in this discussion? Do countries with low core labour standards gain an unfair trade advantage over countries with high standards? What are the advantages and disadvantages of possible mechanisms to promote core labour standards?

This publication provides the first comprehensive analysis of these questions and reviews evidence for a large number of countries throughout the world.

(22 96 03 1) ISBN 92-64-15270-9, September 1996, 248pp.
FF245 US$48 £32 DM72 ¥5,200

Raymond Torres,
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The OECD Observer,
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OECD Publications
Château de la Muette
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F 75775 PARIS CEDEX 16
Tel. +33 (0) 1 **45 24 82 00**
Fax +33 (0) 1 **45 24 18 15**
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E-mail: obs.mag@oecd.org
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Fax +33 (0) 1 49 10 42 76

Editor
Ulla Ranhall-Reyners
Associate Editor
Martin Anderson
Assistants
Catherine Nallet
Carol Thornton
Design
Codicom/Bonté Divine!
Layout
Frédérique Bidaux
Photo Research
Silvia Thompson

The steady increase in agricultural productivity has helped feed the world's growing population. But hunger is still a daily reality for millions of people. Policy has to encourage the production of food while ensuring that it is both economically and environmentally sustainable.

© Dominique Roger

Food Security and Sustainable Agriculture

Donald J. Johnston, Secretary-General of the OECD

Over the last fifty years the world's population has more than doubled. By the year 2020 there are likely to be almost 2 billion more people to share the planet. Economic growth has meant that most of us have more money to spend; as a result, global demand for food has expanded hugely. Yet agriculture and the food industry manage to supply ever-larger amounts of food and raw materials to satisfy this demand.

Paradoxically, the enormous increase in production has not solved the problem of food security. Although much progress has been made, roughly 20% of the world's population is still malnourished. Simultaneously, some countries struggle to control production in order to avoid the build-up of costly surpluses of food. The existence of want amidst plenty shows that ensuring global food security – the consistent access to adequate nutrition by all people in the world – is not a simple problem with a simple solution.

In many countries the structural transformation of agriculture over recent decades has been astonishing. Productivity has improved substantially, often at a faster rate than in the economy as a whole. In many parts of the world, agriculture is now a sophisticated industry employing advanced technologies. Many of the labour-intensive practices of the past have been replaced by capital-intensive methods, using far more chemicals, water and energy to produce, process and market food. Without the considerable improvements in productivity that these advances have created, it is unlikely that the average OECD consumer would have seen the striking fall in the proportion of disposable income he or she spends on food – now less than 20% in many OECD countries compared to 30–35% at the beginning of the 1960s.

Continued increases in the efficiency with which resources are used in agriculture are essential to promote economic growth and raise living standards, particularly in poorer countries where agriculture is often a major part of the economy. Thus there is nothing to suggest that the forces contributing to the structural transformation of world agriculture will abate. But it is growing clearer that the increasing demand for food is exerting substantial pressure on the environment. The degradation of wildlife habitat reduces biodiversity. The use of large quantities of agro-chemicals damages water quality. Productivity is lost through soil erosion and salinisation. Any number of similar examples come to mind. In spite of the contribution of agriculture to shaping the landscape and maintaining the countryside, eco-systems are clearly under strain, and the environmental performance of farming will have to be improved.

In order to ensure food security and at the same time the protection of the environment, a number of problems have to be tackled. In so doing, a global perspective is vital. Although food security is a national obligation, it *is not one which can be pursued effectively by countries in isolation. International co-operation and co-ordination will be necessary in the search for solutions.*

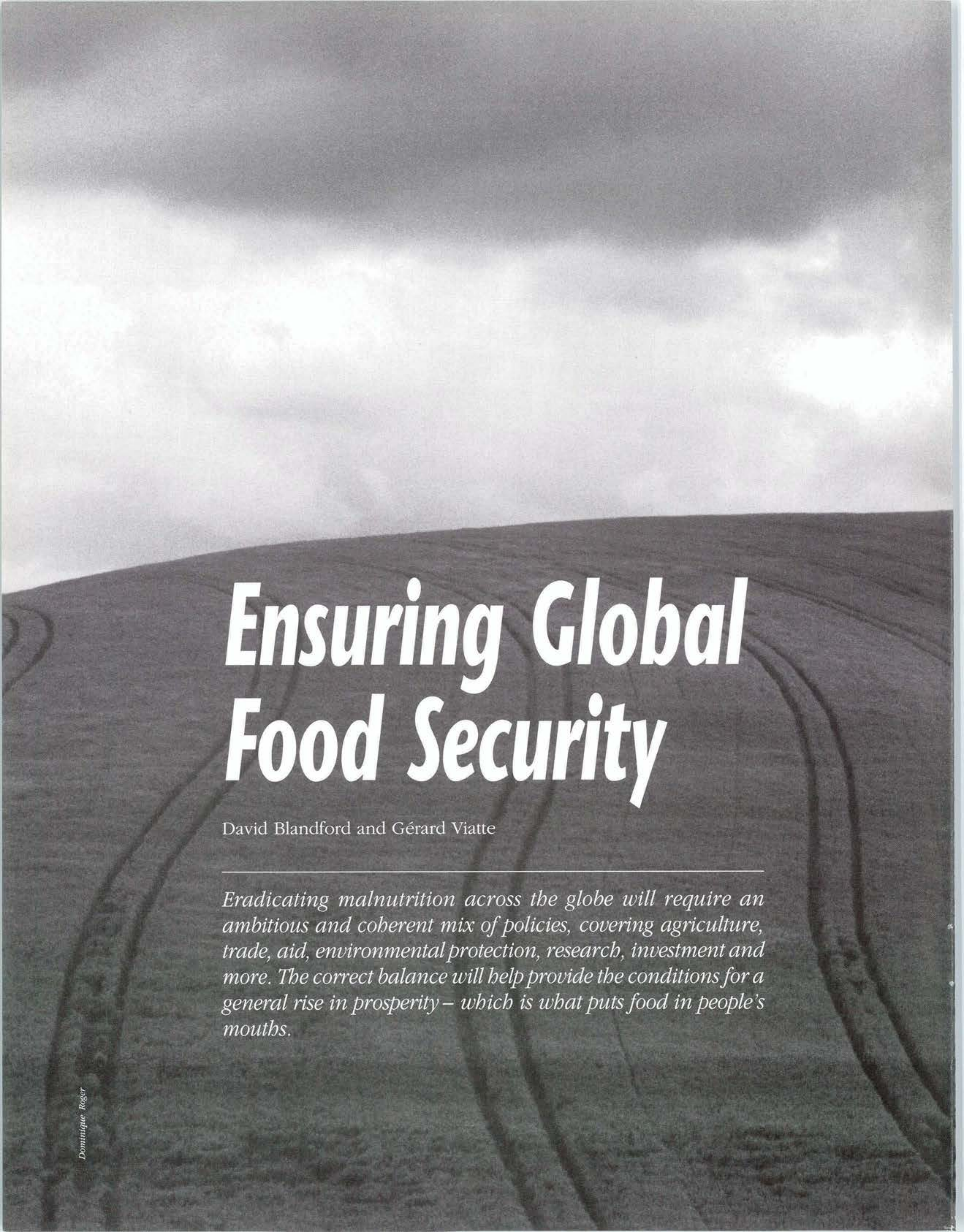
First and foremost, the world community has to tackle the problem of poverty which lies at the root of much food insecurity. Sustainable economic growth is a crucial element in raising incomes and thus guaranteeing access to food. Ensuring a macro-economic climate which is conducive to private investment and promoting freer trade are both basic requirements for improving economic well-being. Micro-economic policies should focus on eliminating structural impediments to growth, such as poor transport and communication infrastructure or the lack of skills in the use of new technology. Overcoming these barriers will contribute to job-creation, the development of human capital and a more efficient allocation of resources within and among countries. The higher, sustained rates of growth necessary in developing countries can be met through such policy approaches, complemented by well-targeted development assistance.

Second, the policies which form the economic framework must provide the right incentives to farmers and others for the use of agricultural practices that are economically and environmentally sustainable. In many poorer countries agricultural policies have often taxed producers, thereby depressing production and limiting the adoption of sustainable agricultural practices. In these countries, continued policy reform will be required to redress the balance. Similarly, in many richer countries, the reform of those agricultural policies that promote the intensification of production through artificially high prices or subsidies will play a central role in reducing the damage that agriculture does to the environment.

Where there are still environmental problems, farmers can be rewarded directly for reducing harmful effects, protecting the countryside and improving wildlife habitats. Research and development, and the diffusion and adoption of improved techniques, will be crucial in stepping up production to meet demand, while nonetheless safeguarding the environment. Above all, market-oriented agricultural sectors should respond to changes in global supply and demand rather than being isolated from international developments.

Indeed, countries should make full use of international markets in ensuring food security. Trade encourages the efficient transfer of food supplies from areas where there are surpluses to others where there are deficits. It allows countries to become self-reliant, instead of wasting large amounts of scarce resources trying to become self-sufficient. In the special circumstances created by food crises in poor countries, the selective and judicious use of food aid is required. But it should be used to make up temporary shortfalls in production, rather than forming a permanent source of domestic supply. It should be of local origin, where possible, rather than being used by richer countries to dispose of surpluses.

The traditional aim of analysis at the OECD has been to identify the most effective and efficient mix of policies, both macro and micro, to achieve both economic and social objectives. Food security is a case in point. Coherent policies, good governance and efficient markets are vital for ensuring national and global food security. Since food insecurity is the product of a complex mixture of physical, social and economic factors, attacking it requires an inter-disciplinary approach. The work of the OECD is taking such a perspective in the search for appropriate policies. Achieving food security is a global challenge that requires countries to work together. The work of the OECD, its promotion of international co-operation and its growing emphasis on expanding the policy dialogue with non-member countries will all contribute to finding solutions to the most basic of human needs – the need for food.



Dominique Roger

Ensuring Global Food Security

David Blandford and Gérard Viatte

Eradicating malnutrition across the globe will require an ambitious and coherent mix of policies, covering agriculture, trade, aid, environmental protection, research, investment and more. The correct balance will help provide the conditions for a general rise in prosperity – which is what puts food in people's mouths.

At the World Food Conference in Rome in 1974, the world's governments examined global food production and consumption, concluding their meeting with the solemn declaration that 'every man, woman and child has the inalienable right to be free from hunger and malnutrition in order to develop their physical and mental faculties'.

In spite of the considerable progress in increasing food production and reducing malnutrition over the two intervening decades, those ambitious words have yet to become a reality: the Food and Agriculture Organisation of the United Nations (FAO) estimates that over 800 million people in the developing world alone are still undernourished. Indeed, the FAO fears that, unless action is taken, many of the current problems of food security will persist and some will become worse. In Africa in particular, lagging food production and a rapidly growing population are increasing the risk of serious and persistent food shortages.

At the World Food Summit held, again in Rome, from 13 to 17 November 1996, the member governments of the FAO reaffirmed their commitment to the eradication of hunger and agreed on a plan of action for increasing the year-round availability of food, improving access to supplies, and reducing the number of malnourished people.

To guarantee that all individuals have access to sufficient food – their 'food security' – the world must produce enough to feed its expanding population; and that output must be readily available to all. It is therefore literally vital that government policies do not impair incentives to produce and market food. Many poorer countries, in attempting to keep costs low for urban consumers, depress the prices received by farmers and actually worsen the supply of food.

Developing Food Resources

With enough investment to support the development and application of improved methods of production, the world can indeed produce the quantities required, even though its population is projected to rise from roughly 5.8 billion currently to 7.6 billion by the year 2020. In recent decades world production of food has expanded at a rapid rate, aided from the 1960s onwards by a scientific revolution that has led to major gains in the yields of rice and wheat. The introduction of improved varieties of crops and the use of fertiliser, pesticides, mechanisation and irrigation have resulted in production increases in excess of population growth in many regions of the world. Increases in yields per hectare of 3% or more per year have not been uncommon. Science and technology have been of paramount importance, first, by making possible the dietary improvements that have accompanied the expansion of supply, and, more generally, in promoting economic development by lowering the real cost of food and releasing labour from agriculture for employment in other sectors.

In many richer countries, the speed with which agriculture is expected to adjust to changes in productivity has been a contentious political issue. Attempts have been made to protect farm incomes by supporting prices and even to limit necessary structural changes, such as an increase in farm size. Many of these attempts have been costly failures. They may even have accelerated the very pressures for structural change that they were intended to control.

As supply continues to expand, more attention will have to be given to the protection of the environment, which is now coming under considerable pressure from intensive farming techniques. Most of the world's available cropland is currently being used, and little further production can be expected from bringing additional land under cultivation. The increases in crop yields necessary to meet demand will have to be both economically and environmentally sustainable. Further advances in biotechnology, such as the genetic modification of plants to reinforce their resistance to pests or diseases, offer substantial promise for increasing yields with minimal impact on the environment. Improvements in the management of scarce natural resources, particularly water, is important. Irrigated agriculture contributes nearly 40% of world food production from only 17% of the world's cultivated land, but accounts for 70% of global water use.

Nor are these concerns purely terrestrial. Fish are an important source of protein, particularly in developing countries, with a vital role to play in food security. But stocks are under considerable pressure because of over-fishing. A plan of action for the sustainable exploitation of fisheries was agreed in Kyoto, Japan, in December 1995, by 95 member governments of the FAO. It calls for improved international co-operation and co-ordination in all aspects of fisheries management, not least better monitoring of stocks, strengthening the scientific basis for their management, and the use of fishery conservation and management arrangements to reduce over-fishing. If such a route is not followed, there is a risk of a large deficit in supply early in the next century. That would hit the developing countries particularly hard.

The expansion of supplies through aquaculture could be important in filling the gap. The FAO estimates that world aquaculture production is likely to more than double by the year 2010, and could then account for over 35% of fish consumed. But so far aquaculture has centred largely on high-value species, such as salmon and shrimp, which are unlikely to provide inexpensive protein for developing countries. Their best option to increase the supply of protein is to focus on the promotion of aquaculture as part of sustainable agricultural systems by, for example, the rearing of fish in rice paddies.

The creation of sustainable agricultural systems is a complex process that requires appropriate technology and policies, and attention to education and training. The effective diffusion of improved techniques is crucial in increasing output and minimising post-harvest losses. And since many of the world's food-producers are women, equal access for both men and women to training in these techniques is extremely im-

David Blandford is Head of the Quantitative Analysis and Special Studies Division of the OECD Directorate for Food, Agriculture and Fisheries; Gérard Viatte is its Director.
E-mail: agr.contact@oecd.org

Ensuring Global Food Security

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The OECD Contribution to Global Food Security

The OECD is making a contribution to achieving the goal of global food security through several parts of its work. It seeks to stimulate equitable economic growth and the expansion of international trade, promote a more efficient public sector, and improve policy positions and responses in the OECD countries as they affect developing countries and economies in transition. There are substantive collaborative efforts with other international organisations, the FAO in particular, in a number of activities, not least food, agriculture and fisheries.

The OECD constantly monitors and assesses the impact of agricultural and fisheries policies in OECD countries. Each year, it provides projections for global supply, demand, trade and prices for major agricultural commodities over the next five years. In doing so it considers developments in technology, incomes and other factors, such as agricultural and trade policies, and how these are likely to affect markets. This helps to identify necessary policy reforms to allow producers and consumers to respond to changes in market prices and to encourage international price stability.

In recent years, the global scope of the OECD's aims has been reflected by reaching out to non-member countries, with workshops organised on important policy issues. Some of the economies involved are Argentina, Brazil, Chile, China, Hong Kong, India, Malaysia and Thailand; and there are evolving linkages between the OECD economies and those of non-member countries, particularly Brazil, China, India, Indonesia and Russia. Those linkages are the subject of a further in-depth study by the OECD.[1]

In collaboration with Sahelian countries and their aid donors, in 1990 the Club du Sahel at the OECD drew up a code of conduct for food-aid operations in that region. The main objective of the Food Aid Charter for the Sahel is to reduce the potentially adverse effects of food aid on the agricultural sectors in the region: it can, for example, depress farm prices and affect production. The Charter thus aims to maintain overall food supply at a relatively constant rate, while guaranteeing supplies to high-risk or underprivileged groups. It is based on three principles: the provision of more reliable information in order to estimate food requirements; improved co-ordination between donors and recipients; and stronger discipline in the implementation of food-aid activities, with an emphasis on local or regional purchases. The Charter's impact is evaluated annually. Its success shows it to be a potential model for food-aid operations in low-income, food-deficit countries.

The members of the OECD Development Assistance Committee (DAC) recently made a renewed commitment to the promotion of economic development, which includes the objective of reducing by half the proportion of people living in extreme poverty in developing countries by the year 2015.[2] *In identifying how to target development aid towards this goal, the OECD countries have set out a series of specific measures to be taken: support for locally developed strategies, a commitment to adequate resources, enhanced co-ordination in international fora and on the ground, monitoring and evaluation, and expanding the base for co-operation. In order to assist countries in reaching their goal, the OECD is working to help fashion a consensus among international agencies, donor countries and recipients on future development strategies and the use of aid.*

1. ***Globalisation and Linkages to 2020. Challenges and Opportunities for OECD Countries**, OECD Publications, Paris, forthcoming 1997.*

2. Shaping the 21st Century: The Contribution of Development Co-operation *can be consulted on the Internet at http://www.oecd.org/dac.*

portant. The returns from agricultural research are high, yet investment in research, particularly in developing countries, has been stagnant in the 1990s. That calls for a higher priority for funding, both nationally and internationally. Closer co-operation between the private and public sector – through, for example, joint ventures and the protection of intellectual property – would help to ensure that sufficient resources are allocated to research in the future. The OECD countries can help here: their extensive R&D infrastructure and scientific expertise can be used to strengthen agricultural research programmes in poorer countries, particularly through co-operative projects and training.

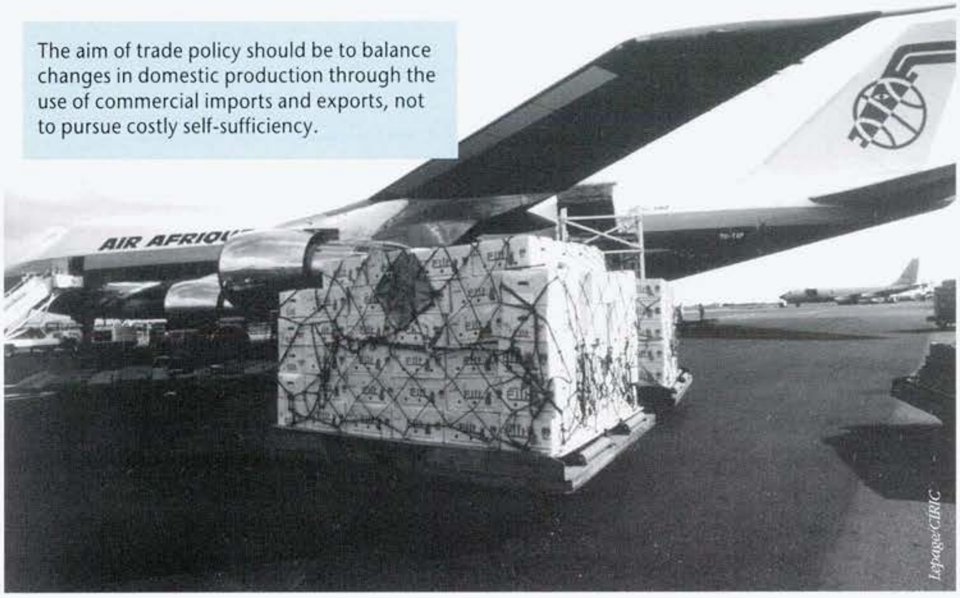
Economic Growth v. Poverty

Food insecurity can be a vicious circle: people who are malnourished often do not have the resources to grow their own food, or enough income to purchase it from others. The solution clearly lies in increasing the incomes of the poorest. In some countries that means ensuring that poor people have access to sufficient farmland and capital. In others it means finding ways to promote the growth of economic activity in rural and urban areas. The creation of a policy environment that encourages private investment and capital-formation throughout the economy is an important ingredient in accelerating economic growth and the creation of employment. All governments have to direct their efforts towards ensuring the necessary conditions for sustainable economic growth, which brings with it an improved distribution of income.

Political instability often contributes to food insecurity. Participatory and pluralistic political systems, with governments responsive and responsible to their peoples, are thus most conducive to food security. The disruption of food supplies through wars and civil strife has been a major factor in causing malnutrition and famine.

By contrast, economic growth and political stability in many parts of the world have done much to improve food security. It is not coincidental that where new techniques have made the largest contribution to agricultural productivity, in many of the large rice-producing countries of Asia, is also where the fastest economic growth has been occurring. Other regions of the world, particularly Africa, which have not had such a favourable combination of suitable technologies and political stability, have seen their food supplies deteriorate under the pressure of

The aim of trade policy should be to balance changes in domestic production through the use of commercial imports and exports, not to pursue costly self-sufficiency.



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rapid population growth. It is towards such areas in particular that the focus of improving food security must be directed.

Reforming Agricultural Policies

The world's farmers can feed its growing population if agricultural policies do not distort their incentives. Prices must reflect changes in supply and demand in order to guide the use of resources and stimulate productivity. Attempts by governments to try to insulate domestic markets from changes in world demand and supply are often costly and merely transfer the burden of adjustment to others.

Further reform of agricultural policies and the reduction of government intervention is essential to improve the functioning of markets at all stages – from the supply of inputs to the processing of raw commodities and the distribution of final products to consumers, and from local and regional markets to international ones. The reform of policies in many developing countries which tax production and those in many rich countries which subsidise production is necessary for markets to function efficiently. Lessons drawn from the expensive mistakes of agricultural policies in many OECD countries would help ensure that they are not repeated elsewhere as incomes increase.

Concern is sometimes expressed that the opening-up of domestic markets will expose consumers to unacceptable variability in prices and its associated risks. This risk can be handled through private-sector mechanisms, such as futures and options markets, provided that they are allowed to operate efficiently and that producers and consumers alike have access to them. The spread of information technologies offers considerable promise here. State-subsidised storage of agricultural commodities or other measures, such as restrictions on international trade, are likely to be costly and of limited effectiveness. That is not to say that governments have no role at all: the efficiency with which markets can handle fluctuations in supply and demand could be enhanced through assistance to infrastructural development, such as the improvement of transport and communication systems. It is increasingly recognised that the elimination of impediments to the free flow of goods and information is a key factor in increasing the efficiency with which food markets function.

International trade has a major role to play not only for its physical capacity for moving food from surplus to deficit areas, but also through its contribution to growth in world incomes. The aim of trade policy should be to increase self-reliance through the use of commercial imports and exports to balance changes in domestic production, rather than to pursue self-sufficiency regardless of cost. Trade will be vital in meeting the long-term food requirements of a large portion of the world's population, and in alleviating the short-term pressures of domestic crises. Food aid will obviously be important in such emergencies, but it should take care not to skew the price signals that allow markets to work efficiently.

To ensure that international trade plays its role in food security, the reform of policies that insulate domestic markets from international ones is a high priority. The Uruguay Agreement on agriculture establishes a framework to this end. Members of the World Trade Organisation (WTO), recognising that the achievement of the long-term objective of a substantial and progressive reduction in support and protection would require an ongoing process, have agreed to initiate further negotiations on agriculture, starting in 1999. The aim is global integration of domestic markets.

■ ■

Ensuring food security is an ambitious goal that requires governments to work with markets rather against them. The commitment to market-oriented policies by the OECD countries, both in the OECD and the wider forum of the WTO, will contribute to the more efficient functioning of markets that is necessary for global food security. ■

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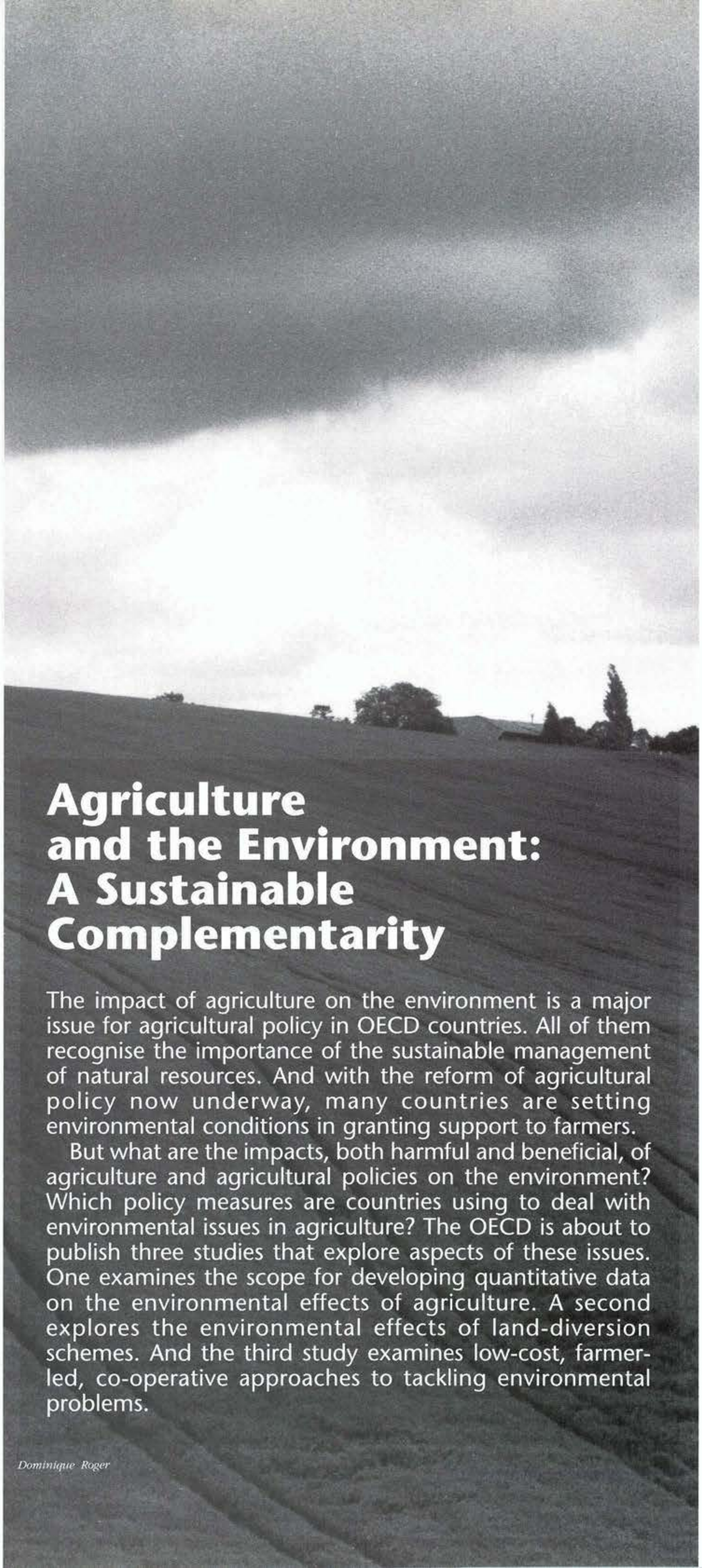

Dominique Roger

Agriculture and the Environment: A Sustainable Complementarity

The impact of agriculture on the environment is a major issue for agricultural policy in OECD countries. All of them recognise the importance of the sustainable management of natural resources. And with the reform of agricultural policy now underway, many countries are setting environmental conditions in granting support to farmers.

But what are the impacts, both harmful and beneficial, of agriculture and agricultural policies on the environment? Which policy measures are countries using to deal with environmental issues in agriculture? The OECD is about to publish three studies that explore aspects of these issues. One examines the scope for developing quantitative data on the environmental effects of agriculture. A second explores the environmental effects of land-diversion schemes. And the third study examines low-cost, farmer-led, co-operative approaches to tackling environmental problems.

Kevin Parris

What is agriculture doing to the environment? And what impact do different policy measures have? These two questions underlie a new extension of OECD work, on the development of agri-environmental indicators, part of a major effort underway to develop environmental indicators in all sectors of the economy.[1]

The rise in demand for information on the relationship between agriculture and the environment largely reflects the importance being given by the governments of different countries to environmental improvement as a part of agricultural practice. The UN Commission on Sustainable Development, for example, has requested countries to develop indicators to measure progress in reaching sustainable development, not least in agriculture – a goal which emerged from the United Nations Conference on Environment and Development (UNCED), held in Rio de Janeiro in 1992.

The supply of quantitative information of this sort is currently inadequate. But without it governments and others cannot identify the environmental problems, risks and benefits associated with agriculture. That makes it difficult to improve the targeting of agricultural and environmental programmes and to monitor and assess

Kevin Parris works in the Country Studies and Environment Division of the OECD Directorate for Food, Agriculture and Fisheries.

E-mail: agr.contact@oecd.org

Environmental Indicators for Agriculture

these and related policies. The OECD has started to meet the demand for data by developing agri-environmental indicators (AEIs), by establishing broadly consistent definitions and methods of measurement, and encouraging member countries to share in their own experience in developing indicators.

The OECD set of indicators is intended to:
• provide information to governments and the public on the current state of the environment, and changes to it, as far as agriculture is involved
• help policy-makers understand the links between causes and effects in agriculture and the impact of agricultural policies on the environment, and guide their responses to changes in environmental conditions
• contribute to monitoring and evaluating the effectiveness of policies in promoting sustainable agriculture.

Identifying and Developing Indicators

Which indicators are relevant? Clearly, those chosen must address the major environmental issues, particularly as concerns the natural environment and human health. Each indicator should be relevant for policy, analytically sound, and presented at a degree of aggregation that can be used in policy, particularly in national policy.

The indicators are being developed within what is called a 'Driving Force–State–Response' (DSR) framework. The 'driving forces' are features of agricultural practice which can cause changes in the state of the environment, such as the over-use of chemical inputs, for example. But they may also be beneficial, such as the water-storage capacity of farming systems which can reduce problems of soil erosion and flooding. The 'state' refers to the environmental conditions that arise from these driving forces: their impact on, for example, soil, water, air, biodiversity, natural habitats, landscape, and human health. The 'responses' refer to the reactions by farmers, consumers, the agri-food industry and government to perceived changes in the state of the environment. Such responses include, for example, the adoption by farmers of pest-management practices that reduce the employment of pesticides; the voluntary adoption by the food industry of higher environmental standards; and the use by some governments of payments to farmers to promote environmental benefits in agriculture.

Indicators are being developed for the measurement of thirteen agri-environmental issues which have been identified as priority categories by the OECD countries:
• nutrients – the balance between inputs and outputs of nutrients, such as chemical fertilisers and manure, since (for example) excessive nutrients in the soil can pollute water
• pesticides – the environmental risks of pesticide use on water and soil quality, on wildlife and human health from spraying and the danger of contaminating food products
• water use – water balances for both surface and groundwater resources so as to assess the efficiency of water use, particularly in irrigation
• land-use and conservation – the effect of changes, such as the conversion of wetland for use as farmland, and the role of agriculture in reducing landslides, erosion, and flooding
• soil quality – the impact on soil quality, in particular to reveal the risk of erosion
• water quality – the impact on surface and groundwater quality
• greenhouse gases – the contribution of agriculture to climate change through a net balance of the release and accumulation of such gases (expressed in CO_2 equivalents)
• biodiversity – the biodiversity of domesticated species used by agriculture, as well as the impact of agriculture on wild species
• wildlife habitats – changes in habitat in agricultural areas (grassland, for example), the fragmentation of habitats, and length of contact zone between agricultural and non-agricultural land
• landscape – changes in agricultural landscapes through, for example, establishing an inventory of physical features
• farm management – the impacts of farm-management practices on nutrients, pests, soil, irrigation and the farm as a whole
• farm financial resources – the environmental impact of varying and different sources of financial resources for farms, so as, for instance, to be able to purchase new technologies
• socio-cultural aspects – the impact of the socio-cultural structure of rural communities on the environment, for example, through changes in rural-urban populations.[2]

The initial phase of OECD work on AEIs has concentrated on developing a conceptual understanding of the links between agriculture and the environment, to help identify which indicators might be developed to improve policy analysis and monitoring. In addition, a considerable effort is currently underway to establish relevant indicators and methods of measurement for these 13 agri-environmental categories.

For some issues this methodological work is well advanced, such as the measurement of nutrient balances to capture how well agricultural nutrients are used in the environment. For others – the landscape indicators, for example – more work is necessary to develop suitable methods of measurement. Where methods of measurement have already been identified (for nutrient balances, for example), work is now beginning to collect data and assess indicators.

A central part of the work to develop AEIs is being undertaken through the efforts of 'lead' OECD countries. In essence, the 'lead' country

1. ***Environmental Indicators for Agriculture***, *OECD Publications, Paris, forthcoming 1997.*
2. *See pp. 22–26.*

Without accurate evaluation of water balances, it is difficult to tell whether the use of water in irrigation is efficient.

approach involves drawing on the specific interest and expertise which some countries have already established for specific issues, such as on soil quality or greenhouse gases.

The AEI work developed by OECD is also of potential value to many non-member countries, as interest in addressing agri-environmental issues is of growing importance to many non-OECD countries. There are domestic pressures to improve environmental quality – which combine with requirements under international agreements that governments monitor environmental progress.

■■

Future work on agri-environmental indicators will have to be reviewed regularly to reflect the emergence of any changing priorities and new concerns, such as considerations of food safety and climate change. The OECD will continue to inform governments and the public of how agriculture is affecting the environment, to assist policy-makers in understanding the links between the two so that they can improve the design of policies and the quality of their decision-making and, lastly, to monitor and evaluate the effectiveness of policies in promoting sustainable agriculture as part of the continuing process of policy reform. ■

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Letting

Leo Maier

Many OECD countries, as part of their agricultural policy, have provided financial incentives for farmers to keep agricultural land out of production or to shift it to alternative uses. These land-diversion schemes often pursue two different objectives: to control the supply of agricultural commodities and to improve the environmental quality of farmland.[1]

Land-diversion schemes in OECD countries have taken substantial areas of agricultural land out of production or shifted them from crop production to other uses, such as grazing, farm forestry, or the production of renewable-energy materials. In the United States, for example, 14.6 million hectares of land were enrolled in a long-term 'set-aside scheme', and 5.6 million hectares were left idle under annual programmes in 1995, together constituting around 11% of US arable land. In the European Union, some 7.2 million hectares of land were diverted under short-term set-aside schemes in 1995, and over 0.9 million hectares have been signed up under a forestry scheme, totalling again nearly 11% of arable land. In Canada, around 0.5 million hectares, or around 1% of arable land, have been placed under long-term vegetative cover since the late 1980s. Japanese farmers diverted nearly 0.7 million

Leo Maier works in the Country Studies and Environment Division of the OECD Directorate for Food, Agriculture and Fisheries.

E-mail: agr.contact@oecd.org

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hectares of paddy fields from rice production in 1995, around 16% of the Japanese arable total. And Swiss farmers placed 57,000 hectares of land into diversion schemes in 1994, which is 14% of Swiss arable land.

In most cases, the length of the 'set-aside' period is a good indication of whether land diversion is primarily intended to control the supply of a particular commodity or to conserve the environment. As a rule, land-diversion of up to five years is mainly aimed at controlling the supply of a particular commodity, whereas land diversion of ten years or more is usually for environmental objectives.

Short-term Set-aside

Short-term set-aside can nevertheless also pursue some environmental goals simultaneously. It can be implemented in a rotational or a non-rotational way. Rotational set-aside diverts a plot of agricultural land for one growing season, and then returns it to production. In the following year, another land parcel is 'idled'. A large part of the land base of a farm is successively taken out of production regardless of whether or not individual parcels require environmental improvement. If the fallowed land is not managed, a risk of environmental degradation can be created, including erosion by wind and water, leaching of nutrients, and invasion by weeds and pests.

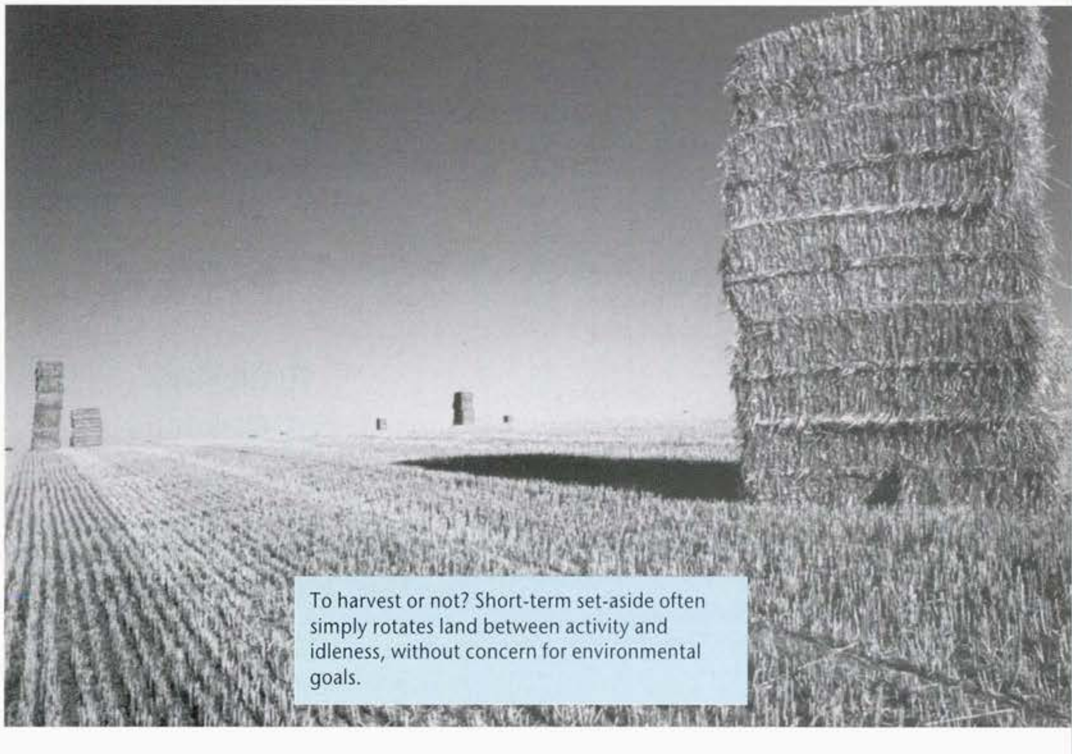
As a result, some governments have attached environmental conditions to the budgetary provisions they make for rotational set-aside. For instance, several European Union countries require farmers to establish plant cover during the idling period, and impose restrictions on the use of fertilisers and pesticides and the spreading of animal manure and grass cuttings. In Japan, farmers are obliged to maintain the ridges of diverted rice paddies to preserve their flood-preventing functions. Experience with one-year set-asides in the EU, Japan and Switzerland shows that harmful impacts on the environment can normally be prevented if appropriate land-management rules are observed.

In recent years, some countries have gone a step further and have attempted to achieve environmental improvements on one-year set-aside. Efforts have included use of carefully composed seed mixtures for the plant cover to enrich the soil with nutrients and organic matter, improve the soil structure and reintegrate local species of plant into the rotation. The judicious selection of grass cover has also benefited birds by generating nesting habitat and feed supply.

These beneficial practices are more effective, and less costly, when the same plots are left idle for several years in a row. On multi-year set-asides, soil improvements can accumulate and ecosystems develop through their initial stages to support a wider diversity of wildlife. Adverse effects on the landscape, which are sometimes seen with rotational set-aside, can be reduced. And where adjacent land parcels are taken out of production to create larger areas of idled land, the potential for wildlife improvement is further increased.

As short-term set-aside has evolved from a device purely to control supply to one that includes environmental goals, farmers and policy-administrators have learned how to manage the fallowed land in ways that are most beneficial for the environment. The 'greening' of set-aside through the attachment of environmental conditions has nonetheless been limited. Most importantly, the degree of targeting has been fairly low: existing programmes have so far provided few incentives for farmers to concentrate idled land in areas where the largest environmental benefits can be obtained. Rather, the least profitable land from an agricultural point view has often been placed into short-term set-aside. Furthermore, the possibilities for achieving enduring environmental improvements have been limited by the short period of diversion.

Land-diversion programmes in the EU, Japan and Switzerland allow farmers to produce alternative crops on set-aside rather than obliging them to leave the land idle. Where they choose this option, the impact on the environment can be adverse or beneficial, depending on which crops are planted and which production



Moschetti/RÉA

To harvest or not? Short-term set-aside often simply rotates land between activity and idleness, without concern for environmental goals.

1. ***The Environmental Effects on Agricultural Land Diversion Shemes***, *OECD Publications, Paris, forthcoming 1997.*

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methods used. The situation differs among countries: the EU applies less stringent environmental conditions to the production of non-food crops than to other set-aside land, whereas Japan and Switzerland have recently made efforts to shift towards soil-improving crops and encourage the use of conservation practices.

Long-term Land-diversion

Long-term land-diversion can generate considerably larger environmental benefits than short-term set-aside. Since its goals are usually environmental, long-term land-diversion can be restricted to land that requires conservation, has a large potential for environmental improvement or is particularly rich in natural resources.

For example, the United State's Conservation Reserve Program (CRP) started out in 1985 as a measure to control soil loss and was initially targeted at land at high risk of erosion. With time, other environmental objectives were added, reflecting a shift away from 'on-farm' environmental concerns towards the wide impact of agriculture on the natural resources valued by voters and taxpayers in rural areas and cities. Agricultural land located in the proximity of urban water supplies or suitable for the creation of wildlife habitat, not least by tree plantings, received priority. In recent years, smaller parcels which have a high ecological value have been targeted, such as those containing windbreaks, agricultural wetlands supporting valuable wildlife habitat, and buffer strips alongside waterways that protect the water against pollution.

Canada's Permanent Cover Program (PCP) was introduced in 1988 with the objective of reducing soil deterioration on high-risk land and improving wildlife habitat. Farmers were encouraged to take farmland out of annual cultivation and plant a perennial cover, such as grass or forests, for periods of either ten or 21 years.

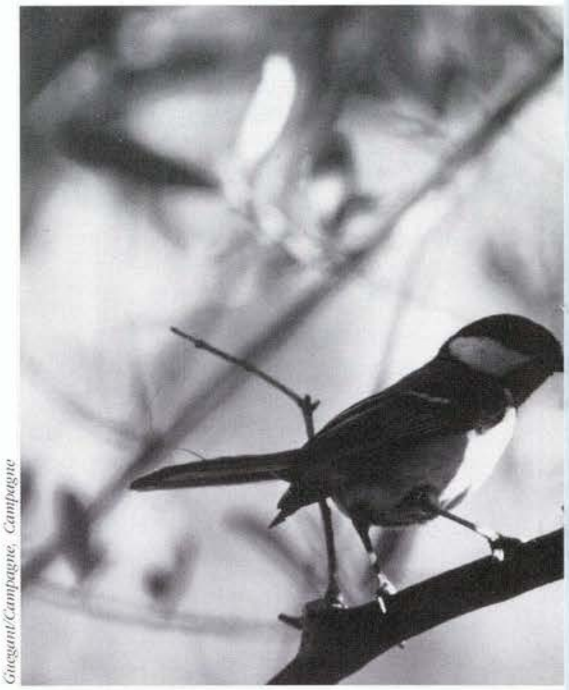
The EU's long-term set-aside programmes were introduced in 1992 as part of the agri-environmental and the forestry schemes accompanying the reforms of the Common Agricultural Policy. They address a wide range of environmental concerns and are currently implemented according to national or sub-national programmes. The agri-environmental regulation is a policy package for the promotion of agricultural production methods compatible with the protection of the environment and the maintenance of the countryside. Farmers are encouraged to divert land from production for a period of at least 20 years. Similarly, the forestry scheme is aimed at the development of farm forestry as an alternative to agricultural use.[2]

Experience with long-term set-aside indicates that the environment can be substantially improved during the contract period. The CRP in the United States and the PCP in Canada have reduced soil erosion, improved water quality and created wildlife habitat. For the EU programmes, it is still too early to draw conclusions. There are few guarantees that the benefits obtained will persist beyond the duration of the contracts. If the land is eventually returned to production, many of the improvements achieved during the idling period could again be lost. This is becoming increasingly a concern as more and more long-term set-aside contracts are nearing maturity.

Achieving Sustainability

In principle, the permanency of environmental improvements will be ensured only if the changes induced by set-aside are both environmentally and financially sustainable.[3] There are several ways in which policy can contribute to this goal.

One is to favour alternative uses for the land during the set-aside period that allow farmers to integrate the diverted areas into their farming enterprises, thereby reducing the incentive to revert to previous practices after the end of the contract period. This approach is exemplified by the Canadian PCP, which encourages the development of livestock grazing and other grass-based uses on former arable land. In this case, paid diversion aids the transition from one type of use to another one that is environmentally more desirable.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A second way is to encourage the conversion of arable land to woodland, which provides income in the long run and raises the cost of bringing the land back into cropping after the end of the set-aside period. Experience with the CRP shows that farmers will often choose to reforest areas that were cleared of trees in the not-too-distant past. Abandoned marginal farmlands are also candidates for afforestation.

But for a large part of the land currently enrolled in long-term set-aside schemes, there are no measures in place that would assure that the environmental benefits are sustainable. There is, of course, the possibility of renewing the contracts indefinitely, but that creates a permanent burden on the budget and can only be justified where there is no other way to secure the environmental improvements. In many cases, less expensive alternatives which require farmers to use appropriate practices on former set-aside, including conservation tillage and integrated pest-management, may exist. The 'conservation compliance provision' in the United States provides

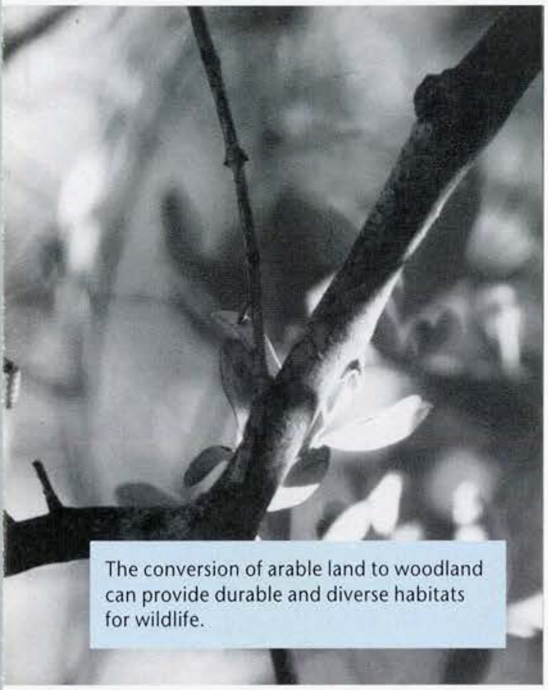
2. *Gérard Bonnis, 'Farmers, Forestry and the Environment',* ***The OECD Observer****, No. 196, October/November 1995.*

3. *Leo Maier and Ron Steenblik, 'Towards Sustainable Agriculture',* ***The OECD Observer****, No. 196, October/November 1995.*

4. ***Agricultural Policies, Markets and Trade in OECD Countries. Monitoring and Evaluation 1996****, OECD Publications, Paris, 1996.*

5. *See pp. 16–18.*

6. *See pp. 10–12.*



The conversion of arable land to woodland can provide durable and diverse habitats for wildlife.

one example. It obliges farmers to use conserving practices on erosible land and would protect much of the CRP land if it were returned to production. To make long-term land-use planning easier for farmers, such measures should be announced by the government before the land-diversion contracts are signed.

Budgetary Costs

Current land-diversion programmes provide a financial incentive to farmers in the form of direct payments for land left idle, or by making set-aside a condition for receiving payments under related farm price- and income-support programmes. None obliges the farmers to bear the full economic cost of setting aside land.

In the United States, the average annual payment for land signed up in the CRP between 1986 and 1992 was $125 per hectare, with an estimated total budgetary outlay of over $1.7 billion in 1995. Under the PCP in Canada, the government made a one-off payment of between C$50 (US$36) and C$163 (US$119) per hectare, depending on the length of the contract, and a financial contribution towards the cost of seeding of C$50 (US$36) per hectare, with budgetary costs totalling C$70 (US$51) million.

For the EU's long-term set-aside schemes, total expenditure figures are not yet available, but annual per-hectare payments vary from ECU 146 (US$191) to ECU 600 ($784) in different countries. Under the forestry scheme, the contribution towards the cost of tree plantings can vary from ECU 2,415 ($3,156) to ECU 4,830 ($6,312) per hectare depending on the tree species, and payments of up to ECU 725 ($947) per hectare can be made every year during the non-productive period of the tree plantings. EU expenditures on the scheme were around ECU 200 ($261) million in 1995. The payment rate for short-term set-aside under the arable aid scheme is based on the 'reference yield' for cereals and was set at ECU 69 ($90) per tonne in the 1995/96 marketing year. The total budget cost of short-term land idling amounted to ECU 2.4 ($2.9) billion in 1994.

In Japan, the average subsidy for rice-paddy diversion was ¥108,000 ($1,056) per hectare in 1994, with a total budget cost of ¥63.3 ($0.62) billion. In Switzerland, payment rates range from SF300 ($254) per year and hectare for low-intensive pasture to SF3,000 ($2,537) per hectare for green fallow and some other measures. In 1994, some SF41 ($35) million were spent on these measures.

Although total budgetary expenditures on land-diversion schemes amount to only a few per cent of total agricultural support in the OECD countries,[4] they have been among the fastest growing types of direct payments. Since participation in the land-diversion programmes is voluntary, payments to farmers have to be at least as high as the income lost by taking land out of production. In countries with high price-support, this is usually reflected in high payments for idled land.

Finding the 'right' payment per hectare is an important step in making the programmes cost-efficient. A bidding process, by which farmers compete with one another for contracts and where they have to specify the minimum payment they are willing to accept in return for setting their land aside, could ensure that the costs are not excessive. At the same time, ranking of the bids based on expert assessment of the expected environmental benefits could guarantee that offers with the largest benefits are considered first for acceptance. A combination of competitive bidding and expert assessment may go some way towards an efficient allocation both of land resources and budgetary funds. The CRP is the only programme so far that has adopted this approach and, despite some short-comings that may arise, estimates in the United States suggest that it has increased the ratio of environmental benefits to budgetary costs.

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The experience with land set-aside points to a number of policy conclusions. First, the measures should be well targeted: to try to achieve supply-control and environmental objectives with a single measure can lead to no objective being fully achieved. Second, land-diversion is often costly to the public purse and should be designed in such a way that the benefits are obtained at the lowest cost to the taxpayer. There may also be other, innovative ways of addressing environmental problems on land, especially in the long run, that would require less budgetary expenditure.[5] Third, monitoring of the environmental effects of set-aside has in general been inadequate. Effort to develop agri-environmental indicators[6] can help improve the programmes and provide a basis for verifying that the disbursement of taxpayers' funds are directed to their most effective use. ▪

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When Farmers Fend

Ronald Steenblik

Across the OECD area farmers are forming community-based, voluntary associations to improve the environment: conservation clubs, environmental co-operatives and land-care groups. These spontaneous associations have in common a desire to improve the stewardship of land and water resources in a manner that respects local priorities. A forthcoming OECD study examines such co-operative approaches in four member countries: Australia, Canada, the Netherlands and New Zealand.[1]

Governments have generally tried to influence human impact on the environment through measures addressed at individuals or firms. A government can require, for example, that every farmer refrain from applying manure to his fields during winter months. But individuals do not always have to be the primary agents of environmental policy. And governments are increasingly finding that for many categories of environmental problems, especially those for which a small number of people can be held collectively responsible, implementing policies through groups can be more effective or less costly than those aimed at individuals. Examples include many of the so-called 'voluntary agreements' worked out between governments and industries to control chemical pollutants[2] and increase energy-efficiency.[3]

Ronald Steenblik works in the Country Studies and Environment Division of the OECD Directorate for Food, Agriculture and Fisheries.

E-mail: agr.contact@oecd.org

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Farmers' land-care groups often concentrate first on the most pressing problems, though with time their outlooks broaden.

Such approaches can be more flexible than alternatives, allowing more scope for experimentation, and can both minimise budget costs and reduce the requirement for direct intervention by central government. Perhaps more importantly, they may also prove the most appropriate scale for dealing with many environmental issues – the effects of wind-borne soil erosion, exotic pests and pesticides, and the maintenance of desirable landscape features – that are locally important,[4] for which the cost of remedial action is low, and where individual behaviour or outcomes can readily be observed and costed. Under these conditions recent experience suggests that local, co-operative approaches to responsible management of agricultural land and water resources can usefully complement public policy.

Some policy approaches, such as mandatory buffer-strips (areas bordering fields on which farmers are not allowed to plant crops), impose uniform restrictions on individual decision-makers. Those which, by contrast, allow individuals or firms to expend different degrees of effort are more apt to attain a given objective, such as reduction of pollution or conservation of a common-property resource at lower cost (a feature that is shared also with pollution charges and tradable quotas). This increase in efficiency occurs basically because both environmental impacts and costs of abatement almost always vary from one individual or firm to another. Local, co-operative approaches can also generate other benefits to participants, through the collection and sharing of information and expertise, the creation of a climate of innovation, and opportunities to exploit economies of scale.

Co-operative Groups in Practice

There are currently several thousand land-care groups operating in the OECD area. Typically, they range in size from 20 to 100 members, with a few numbering around 1,000. Even in these, most practical activities are carried out by

for the Environment

smaller sub-groups – underlining the maxim that co-operation is likely to be most effective when the members of a group can meet face-to-face.

Farmers are motivated to form or join these groups by the desire to protect the value of their farm assets and avoid regulations that they would regard as burdensome. They believe that they are more likely than an outside authority to achieve satisfactory, locally acceptable solutions to environmental problems. Accordingly, government influence over such groups is indirect: facilitating their formation, providing seed money, supporting basic research, arbitrating disputes, and serving as a channel for information. Nonetheless, there is often an implicit understanding that if the groups fail to achieve their environmental objectives, government will have to step in.

Increased social contact is often cited as a side-benefit of participation in land-care groups, especially in remote areas such as the Australian outback. Moreover, the groups seem to have provided an important outlet for channelling the energies of community leaders and have given farmers a sense of control over their own destinies. Encouraged by the trend among land-care groups to open membership to non-farmers, they have also helped to improve the relations between farmers and environmental interest-groups.

There is enormous diversity in the initiatives now being undertaken by these groups. Some have formed mainly to exchange information; others have taken more active steps, financed at least in part by their members. In Australia, for example, one land-care group is working to reduce the amount of salt and silt running off fields into a local river. In the Netherlands, a farmer-led 'eco-co-operative' is experimenting with different ways to reduce nutrient pollution from intensive livestock-farming.

The most common activity, especially in the formative stages of such groups, has been to work together in preparing farm plans. These plans are essentially management tools and can be very detailed – the one used by the Ontario Farm Environmental Coalition in Canada runs to over 200 pages. Usually, they take a 'whole farm approach', encouraging farmers to consider all the environmental, economic and sociological factors that bear on the sustainability of their enterprises. Typically, outside advisors are enlisted to help design the plans or to conduct workshops on how to use them. In some cases, model farms have been set up to help farmers in the preparation of their plans: the group members benefit by learning to analyse information and evaluate options – such as what herd density to maintain on particular pastures – and the monitored farm in turn benefits from their collective experience.

Farmer groups have also worked together to improve indicators of environmental quality. In New Zealand, for example, a group of dairy farmers has designed indicator scales based on subjective criteria – ranging from 0 (unsustainable) to 20 (sustainable) – for animal health and welfare, vegetation, and soil and water quality; the next stage of their project aims at transforming these subjective scales into ones based on objective criteria. The results of this experiment will be compared with scientific data and used to improve local resource assessment.

As one might expect, land-care groups tend to focus on immediate concerns, such as controlling pests, reducing wind-erosion or repairing damaged features of the landscape. But over time they usually broaden their perspectives, and begin to look at sustainable land-management from an integrated perspective. In Australia, such transformations have been encouraged by government efforts to link plans for individual farms with those for larger geographical units, particularly watersheds. The largest such effort at integration involves the Murray-Darling Basin, which drains one-seventh of the country's land mass. Priority in policy is given to addressing issues requiring co-operation between governments and communities, such as problems stemming from the off-site effects of irrigation and land-management practices.

Devising mechanisms for soliciting voluntary contributions for these activities has occasionally proven difficult. Some groups of farmers have managed to develop innovative ways to raise funds. One such group in New South Wales, Australia, for example, plans to raise A$380 (US$300) million for a new land- and water-management plan; most of the funds will be raised by a levy on their farms.

How effective have farmer-led initiatives been in tackling environmental issues? The question is not easily answered at this stage. Even in Australia, where annual surveys of farms have begun to distinguish between operations run by members of land-care groups and those that are not, most of the data collected so far deal with farming practices, not their environmental effects. But preliminary findings appear to be encouraging: members of land-care groups seem to complete farm-management plans and adopt soil-conservation practices sooner than non-members (though that interpretation may be optimistic: participation in land-care groups may merely indicate a predisposition to responsible management; it may not be the primary cause of such behaviour). As more farmers complete and maintain farm plans, and begin to monitor their performance against indicators of economic, physical and biological conditions, more thorough evaluations can be undertaken.

What Framework?

Government assistance which is generally provided to community groups (or to government agencies), rather than to individual farmers, probably reduces administrative costs and improves targeting, among other advantages. The degree of structure which is generally correlated with legal compulsion varies among countries.[5] In Australia, Canada and New Zealand, public commitments made by farm-community groups have tended to be informal, usually addressing goals and not means, such as

1. **Co-operative Approaches to Sustainable Agriculture**, *OECD Publications, Paris, forthcoming 1997.*

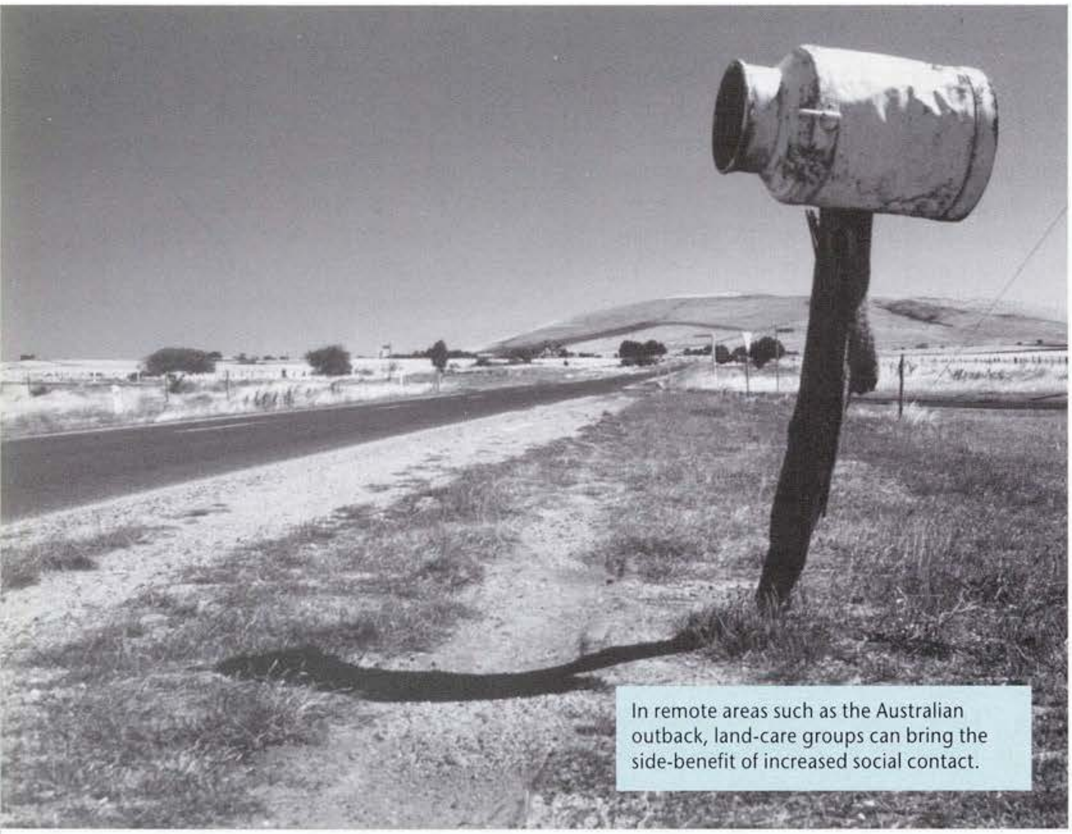
2. *Michel Potier, 'Agreement on the Environment',* **The OECD Observer**, *No. 189, August/September 1994.*

3. *Lee Solsbery and Peter Wiederkehr, 'Voluntary Approaches for Energy-related CO_2 Abatement',* **The OECD Observer**, *No. 196, October/November 1995.*

4. **Sustainable Agriculture – Concepts, Issues and Policies in OECD Countries**, *OECD Publications, Paris, 1995.*

5. *Lee Solsbery and Peter Wiederkehr,* loc. cit., *provide a typology of voluntary approaches along these lines.*

When Farmers Fend for the Environment



In remote areas such as the Australian outback, land-care groups can bring the side-benefit of increased social contact.

Taquet/Jerrican

endeavouring to attain a given degree of agricultural sustainability by some date in the future. Sanctions for non-attainment are generally not part of such commitments. By contrast, the situation in the Netherlands is more formal. Although the agreements there are not as firmly structured as the official covenants that the Dutch government has secured with other sectors, they are likely to include criteria for evaluation, review schedules and perhaps even sanctions for non-attainment of goals.

Other policies – particularly agricultural support policies and environmental policies – have undoubtedly influenced the incentive to form land-care groups and their effectiveness in addressing particular problems. For example, awareness of the links between the ecological and financial sustainability of farms may be inhibited by the conflicting signals sent through agricultural support policies, such as those which discourage crop rotations[6] or which favour the production of one commodity over another. The countries in which land-care groups have developed the furthest – Australia and New Zealand – are also the countries that have consistently provided the lowest degrees of agricultural support, and whose farm incomes are most directly exposed to market forces. Of course, not all agricultural policies act as deterrents to self-help; some, such as those in support of education and training, and the development of new techniques and technologies, would appear to facilitate it. The extension of Internet access to rural areas, for example, has provided a boon to these groups, enabling them to disseminate new ideas rapidly and effectively.

■ ■

What might governments do to help foster the formation of land-care groups? The OECD report makes several suggestions. First, some project-funding, made available only or principally to groups, would encourage activities that benefit communities as a whole. Second, training could be aimed at providing farmers with skills of institution-building and the management of organisations, so as to increase competence and commitment to group action. Third, the fostering of partnerships between farm communities and scientists would create a climate of innovation and encourage the fruitful exchanges of knowledge. Fourth, involving farmers in the development of indicators and other systems that guide decision-making would benefit both landholders and regional planners. Fifth, decentralising responsibility would avoid environmental policies that too readily proscribe particular methods of production and thus allow producers some flexibility to adopt not only traditional but also innovative approaches for moving towards sustainability in agriculture.

In general, agricultural policies should be reformed so as to eliminate the conflicting signals sent to farmers. Implicit guarantees from government have eliminated a large degree of risk from agricultural markets, allowing farmers to pay less attention to the consequences of their own actions on financial and ecological sustainability. Policies that distort decisions on what and how much to produce and that discourage the adoption of more sustainable land-management practices merit close attention as candidates for reform. ■

6. See pp. 12–15.

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The Impact of Aging on Public Policy

Peter Hicks

The assumptions about the composition of society which underlie much public policy have been undermined by a trend towards older populations and by changes in living patterns. The repercussions are likely to be substantial.[1]

Public policies in OECD countries still largely assume that people pass through three quite separate stages of life. Education is almost exclusively for the young. Pensions provide a separate stream of secure incomes for older people. In the middle years, there are stable jobs and families, with social-security programmes for the exceptional periods when these supports are missing. The time spent in initial schooling and, especially, retirement is assumed to be short compared with the amount of time spent in paid work, at least for men. The economic relations between generations are assumed to be limited to those that bind parents and children. The age-structure of the population is generally held to resemble a pyramid, with many people in younger age-groups at the base supporting the increasingly fewer people in older cohorts.

This is no longer an adequate picture of reality. Falling birth-rates are bringing about a major change in the age-structure of populations in OECD countries. Today most countries have 'favourable demographics' with the 'baby-boomers' of working age supporting relatively fewer retired people. But by the second decade of the next century, the baby-boom generation will have reached retirement, and the working-age populations will have fallen in many member countries.[2] The numbers of the very elderly – those aged 80 and over – will rise sharply. The age-structure in many countries will tend to resemble a cylinder more than a pyramid.

In 1990, the ratio of older people to people of traditional working age, the old-age dependency ratio, was 19% on average in the OECD area. By 2030, this could nearly double to 37%. In Japan, which in 1980 had one of lowest ratios in the OECD, it is now rising and could reach 44% in 2030, one of the highest projected ratios. In Europe, it will start to increase in this decade, with particularly rapid growth after 2010. In the United States, the ratio should start to increase only after 2010.

Individual aging – people living longer – is likewise causing major changes, with new patterns of care-giving in families. Indeed, the very concept of old age is being called into question. Many elderly do indeed become frail and experience poor health and loneliness when they are over the age of about 80. But most people in their 60s and 70s share many of the health and social characteristics of adults in middle age and

1. ***Ageing in OECD Countries: A Critical Policy Challenge,*** *OECD Publications, Paris, 1996.*

2. *Willi Leibfritz and Deborah Roseveare, 'Aging Populations and Government Budgets',* ***The OECD Observer****, No. 197, December 1995/January 1996. The figures in this article have been updated and expanded to more countries in* ***Ageing in OECD Countries: A Critical Policy Challenge****, which covers the effects of aging and changing life-course patterns on the labour market, health and savings as well as pensions.*

Policy should recognise the contributions – care-giving, paid and unpaid work, community services – that older people make.

Claude Stefan

Peter Hicks is a consultant to the OECD Directorate for Education, Employment, Labour and Social Affairs.
E-mail: els.contact@oecd.org

The Impact of Aging on Public Policy

below. In each age-group there is a wide spectrum of physical aptitude, ranging from people with little impairment to those with severe disability. Indeed, from most social-policy perspectives, differences among people in the same age-group are usually more marked than across different age-groups. As people get older, for example, they make more use of health-care services, but the costs per service are lower. It is only after the age of about 80 that there is a dramatic increase in expenditure on health care, with per capita expenditures reaching four times the average.

In terms of people's skills and social requirements, it no longer makes sense to treat people aged 25–64 as being in a 'working-age' category and everyone over the age of 65 as being in a separate, 'elderly' category. Yet the distinction is built into many policies. Pensions are the main example, but there are many others.

Changing patterns in the way people spend their time at different stages of life are equally important. For example, men are staying in school longer, spending less of their lives in paid work, retiring earlier and living longer in retirement. Women are equally staying in school longer and living longer, but are spending more of their lives in paid work.

Increasingly, governments, employers and individuals are seeing the benefits that would flow from more overlap in the 'categories' of life – so that, for example, learning is spread over the course of life and there is a more flexible balance between paid work and caring for young, elderly or disabled relatives at home. The evidence is mounting that events at one stage of life have important influences on later ones. For example, what happens in early childhood makes a big difference to success in school and thus to learning later in life. The skills acquired through learning are an important factor in productivity developments, just as the earnings capacity of an individual makes a big difference to his or her health. But public policies fail to take full account of these interconnections. All too often they create unintended barriers to flexibility in the way that time is allocated over life to paid and unpaid work, learning, leisure, and the giving and receiving of care. Social-security programmes and their interactions with tax systems may, for example, create unintended barriers to work, especially part-time work.

Four Categories for Reform

The aging of individuals, and of populations as a whole, and the changing patterns of education, employment and retirement will necessitate changes in four major areas of policy.

The first is fiscal, particularly with respect to retirement income. The number of people of retirement age is growing, people are living longer when retired, and in most countries there is a trend towards earlier retirement. Fiscal pressures are leading to pension reforms that contain a mix of elements, particularly an increased targeting of public pensions to those who require them most and a review of the balance among the various public and private pillars that constitute the retirement-income system. There is a strong case for a gradual rise in the age of entitlement to full pension benefits, together with provisions that encourage a gradual, flexible transition from work to retirement. Raising the age of retirement involves not only questions of whether existing pensions can be afforded. It also is a reflection of a new concern that, in an uncertain world, the spending choices of coming generations are not largely pre-empted. Next century's consumers and voters may have more important priorities than allocating bigger and bigger shares of national income to ever-increasing amounts of leisure in the last third of life.

The second change will be in policies that support markets – both labour and capital – in adjusting to the effects of aging and life-course changes. Policies that encourage early retirement give particular cause for concern. More emphasis must be given to life-long learning for workers of all ages, so that workers maintain and increase their skills and productivity as they grow older.[3] There would be little gain from raising the age of entitlement to retirement benefit, or providing a more gradual retirement process, if there were no jobs for older workers. Financial markets, too, will be directly affected by aging as more savings will be called on to finance more and more time spent in retirement. In turn, well-functioning capital markets are a key factor in supporting pension reforms that involve increased advanced funding. This is likely to result in reviews of the regulatory framework – particularly for pension funds – in areas such as transparency and disclosure, pension portability, or rules that limit investment in equity or in foreign securities.

The third group of changes will be in policies that support the provision of services – education, health and chronic care, employment and social services. Reforms to prepare for the large growth forecast in the numbers of frail elderly people[4] are especially important. Other policy changes involve a stronger emphasis on effectiveness – measuring what happens later in life as a consequence of interventions today – and continued efforts in containing costs.

The fourth set of changes will have broader impacts. They involve re-basing public policies on realistic assumptions that reflect the impact of aging and of changing life-course patterns, through a rebalancing of collective and individual responsibilities. Many initiatives are necessary here, both large and small. Stability through non-inflationary economic growth is vital. So are reforms of social programmes that create disincentives to work, especially among older people. Still others involve preventative measures, such as research targeted at reducing the duration of chronic health conditions (for example, even if no cure were found, postponing the onset of Alzheimer's disease by an average of five years could reduce its costs by half) or promoting active and healthy life-styles. Generally, all these changes involve improving, supporting and recognising the contributions that people make to society and the economy as they become older. These contributions involve paid and

*3. Jean-Claude Paye, 'Strategies for a Learning Society', **The OECD Observer**, No. 199, April/May 1996; **Making Lifelong Learning a Reality for All**, OECD Publications, Paris, 1996; Edwin Leuven and Albert Tuijnman, 'Life-long Learning: Who Pays?', **The OECD Observer**, No. 199, April/May 1996.*

*4. **Care for Frail Elderly People**, OECD Publications, Paris, 1996; Patrick Hennessy, 'Paying for Care for the Elderly', **The OECD Observer**, No. 201, August/September 1996', and 'Who Looks After the Elderly?', **The OECD Observer**, No. 188, June/July 1994.*

What happens in early childhood makes a big difference to success in school and learning later in life – but public policies fail to take full account of the interconnections.

unpaid work, the giving of care, not least to frail elderly people, and the care and community services provided by people as they get older.

■ ■

This is a very broad menu of reforms, a mix of specific policy proposals and some broad general directions for change, which has to be converted into a coherent, practical strategy of reform. Government policies influence the allocation of time over the life-course in many ways, both intended and unintended. The direct effects can be seen in the age at which people are entitled to pensions and the regulations which govern working hours and holidays. The financing of education and training, and the work disincentives that are a by-product of many social-security programmes, are examples of policies that may unintentionally impede learning later in life and working part-time. Focusing directly on these effects could help in identifying priorities for reform, in building consensus around the direction it takes and in harmonising specific initiatives in different government agencies and professional disciplines. If that is to happen, there will have to be a clearer understanding of the political and institutional barriers to reform and how they can be overcome.

That requires, amongst other things, more directly relevant statistics and more effective tools of communication than those available at present. The changes underway in inter-generational relationships and living patterns should loom large in discussions about the design, financing and evaluation of policies and programmes, their effects on equity and well-being included. And reform initiatives undertaken in individual countries should contain mechanisms which allow their successes and failures to be measured – as a barometer for the future and as a way of sharing between countries the lessons that have been learned. ■

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Employment is a Territorial Issue

Heino von Meyer and Philippe Muheim

Unemployment and job-creation are central concerns of governments. But analyses of the labour market to date have generally been based on the examination of national economies. Little is known about the diversity and dynamics of regional and local labour markets in which most individuals and enterprises are active. Recent OECD work on territorial indicators of employment reveals new patterns in the rural-urban division of labour, with important policy implications.[1]

In almost all OECD countries there are some dynamic rural regions which outperform many urbanised but lagging ones.

Labat/Jerrican Air

The conventional wisdom shared by many economists, politicians and the public at large sees a national economy as being composed of thriving cities and lagging countryside. This simple picture is inaccurate. Many cities are no longer the engines of employment growth that once they were, and a sizable number of rural areas, sometimes even remote ones, are today among the most dynamic regions in the OECD countries. Economic adjustment affects both sectors and territories in different ways. Territories can be national – but also sub-regional, regional or units with different sizes or types: local, rural or urban. In addition to their geographic features, they are also characterised by economic, social and political structures and interrelationships.

Indeed, territory matters: a clear understanding of conditions and trends in sub-national labour markets is vital if national and international strategies for economic development and employment creation are to be designed and implemented successfully. Yet conventional studies of employment patterns often neglect this important analytical dimension. Major efforts are spent on the generation of statistics on aggregate national time-series, on structural details of the sectoral mix by activity, or on employment by age, sex and skill. But no territorial breakdown has yet been provided systematically. That seriously weakens analytical capacities, since even in a globalising economy, the labour market that directly affects most people and firms remains regional or even local in scope.

1. ***Territorial Indicators of Employment – Focusing on Rural Development***, *OECD Publications, Paris, 1996.*

Philippe Muheim works in the Rural Development Programme of the OECD Territorial Development Service where Heino von Meyer is a consultant in charge of the Project on Rural Indicators.

E-mail: territory.contact@oecd.org

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A Framework for Territorial Data Collection and Analysis

International comparisons among sub-national territories require statistical data that have to be assembled and provided on the basis of harmonised grids of territorial units, using common definitions. Depending on the analytical purpose, the grids should be more or less detailed. If, for example, the aim is to study distressed urban areas, analyses should focus on specific neighbourhoods, and thus on sub-municipal units. For assessing regional policies, large regions could be used if the main concern is to analyse broad imbalances within a country.

For rural-urban analyses in an international context, the OECD has developed a two-tier approach, combining local and regional information. In a first step, local communities are classified as being either rural or urban. The defining criterion is population density, either below or above 150 inhabitants per square kilometre. Typically these communities are basic administrative units such as municipalities or districts. There are more than 70,000 of these local building blocks in the OECD area.

In a second step, the OECD procedure ranks small regions according to their degree of rurality (or urbanisation), defined as the share of the region's population living in rural communities. Ideally, the size of the regional units should reflect labour-market areas as described by commuting patterns. This means they are usually smaller than major administrative regions, states or provinces. To facilitate analyses, these 2,300 small regions of the OECD area are grouped into three types. Regions with a majority of people living in rural communities are called 'predominantly rural'. If less than 15% of the regional population live in rural communities, the region is considered 'predominantly urbanised'. Consequently, the 'intermediate' regions have rural population shares between 15 and 50%.

The Table shows the current distribution of the population in the OECD countries. For the OECD area as a whole more than a quarter of the population, or 240 million people, lives in predominantly rural regions, covering over 80% of the entire OECD territory. On the other end of the spectrum, 345 million persons are concentrated on less than 5% of the OECD territory, in the urbanised regions; the remaining third (275 million) is to be found in intermediate regions.

The importance of the different types of region varies substantially from one country to another. In most Scandinavian countries the bulk of the population lives in predominantly rural regions. In others, such as Belgium, Germany, the United Kingdom or Japan, the highest shares of the population are in urbanised regions. Other countries are characterised by a dual structure, with large proportions of the population at both extremes, in predominantly rural and in urbanised regions (Canada, Greece, Ireland and Portugal). In France, Italy and Spain the largest shares fall into the intermediate category.

These national differences in settlement patterns are likely to be reflected in how the OECD countries themselves perceive territorial-development issues as well as in their respective policy approaches.

Table
Distribution of Population by Type of Region,[1] 1990
% of national population

	Predominantly rural[2]	Intermediate[3]	Predominantly urban[4]
Australia	23	22	55
Austria	40	39	22
Belgium	2	18	80
Canada	33	23	44
Czech Republic	15	57	28
Denmark	40	38	22
Finland	43	37	20
France	30	41	29
Germany	8	26	66
Greece	42	24	34
Iceland	35	8	57
Ireland	47	15	38
Italy	9	44	47
Japan	22	35	43
Luxembourg	–	100	–
Mexico	46	19	35
Netherlands	–	15	85
New Zealand	47	25	28
Norway	51	38	11
Portugal	35	22	43
Spain	17	46	37
Sweden	49	32	19
Switzerland	13	25	62
Turkey	58	30	12
United Kingdom	1	27	72
United States	36	34	30
OECD average	28	32	40

– not applicable

1. Data for Hungary and Poland are not available.
2. More than 50% of the regional population is rural (according to the OECD definition).
3. 15–50% of the regional population is rural.
4. Below 15% of the regional population is rural.

Source: OECD

Employment is a Territorial Issue

The originality of OECD statistics and analyses does not stem primarily from insights gained from time-series but rather from cross-national – and thus territorial – comparisons of differences and similarities among the OECD countries. Although, for example, the number of unemployed people in the OECD area increased dramatically – by 17 million – between 1975 and 1995, the aggregate unemployment rate for the OECD area as a whole remained stable, in the range of 5–8%. Differences across countries (territories) are nonetheless large: in 1995, national unemployment rates ranged from less than 3% in Japan to over 23% in Spain.

But are nations really the most appropriate territorial units for international comparisons? Is it reasonable to compare average unemployment rates for the United States and Belgium, or for Australia and Switzerland? What is true for differences among the OECD countries is even more true for territorial disparities within countries. National averages may thus hide more than they reveal. Analyses should be based on adequate territorial units of comparable size. Recent work on territorial indicators shows that all OECD countries, including those with low unemployment rates, are confronted with substantial internal disparities: regional rates differ on average by more than 30% from national rates, in some countries even by more than 60%.

Introducing a geographic dimension into employment analysis is not a simple task. It requires careful consideration of what is the appropriate degree of aggregation, and of the relevant criteria for creating area classifications.

Table
Regional Disparities in Employment Change,[1] 1980–90

	National employment % growth	Ratio regional/national change		
		Predominantly rural[2]	Intermediate[3]	Predominantly urban[4]
Netherlands	26.1	–	1.1	1.0
United States	18.5	0.7	1.2	1.1
Switzerland	16.7	0.9	1.3	0.9
Canada	16.5	0.9	1.6	0.8
Australia	13.0	0.9	1.4	0.9
Sweden	12.0	0.9	1.0	1.2
Japan	10.5	0.2	0.8	1.7
Greece	7.2	–0.3	1.3	2.5
Spain	6.7	1.0	–0.5	2.8
Germany	6.7	2.2	1.1	0.9
Finland	5.0	–0.4	0.8	4.2
Austria	4.5	0.4	1.6	0.8
Norway	4.0	0.5	1.9	0.0
France	3.7	0.2	1.6	1.1
United Kingdom	3.5	2.5	3.1	–0.3
Belgium	1.7	2.4	–1.7	1.5
New Zealand	1.6	–1.1	–0.8	6.5
Ireland	1.3	0.1	0.8	2.1
Czech Republic	1.1	0.2	0.4	2.8

– not applicable
1. Countries are ranked by national growth in employment.
2. More than 50% of the regional population is rural (according to the OECD definition).
3. 15–50% of the regional population is rural.
4. Below 15% of the regional population is rural.
Source: OECD

First, Define Your Territory

The choice of appropriate geographical units is essential for the outcome of empirical analyses. Ill-advised choices may lead to ill-informed policy proposals. It is often argued, for example, that regional disparities in unemployment are typically higher and much more persistent in Europe than in the United States. But such conclusions are strongly influenced by the size of the territorial units for which the analysis is performed. If, indeed, North American 'regional' unemployment rates are calculated on the basis of the US states and Canadian provinces, the regional disparities will appear much lower than in Europe, where the regions used to measure unemployment are much smaller. Instead of adminstrative or political territories, the units of observation for this kind of territorial analysis of employment patterns should ideally reflect the spatial extent of regional labour markets, as described, for example, by daily commuting patterns. If such units of analysis are used for North America, pockets of unemployment become much more apparent. Empirical analysis indicates that, by using for the United States 760 commuting zones instead of 50 states, territorial disparities in unemployment are more accentuated than in most European countries.

Once the appropriate territorial units have been chosen, they have to be classified and grouped so that the analysis does not become overwhelmingly complex. That requires the identification of different types of area, in accordance with the main analytical or policy purposes. Two analytical dimensions appear of particular importance in considering territorial development: the degree of rurality (or urbanisation) of territories, and their development performance.

Rural/Urban Differences

One way of reflecting the diversity of territorial conditions and trends is to rank regions according to a rural-urban gradient, allowing regions to be grouped into three different types: predominantly rural, intermediate, and predominantly urbanised (box, p. 23). Using this typology, employment indicators reveal some systematic features that differentiate rural and urban labour markets:

• unemployment rates tend to be higher in rural regions, and rural labour-force participation rates are lower than those in urban regions – although the opposite is true for rural regions in some of the most urbanised OECD countries, such as Japan, Germany, the United Kingdom, Belgium and Switzerland

• in all countries, rural women are under-represented in the labour force; they are disproportionately affected by high unemployment

• the sectoral mix of economic activities differs substantially by type of region – compared to national averages, urban regions have higher employment shares in the service sector, whereas, as one would expect, agriculture is more important in rural regions

• nonetheless, even in the rural regions four out of five jobs are in non-agricultural activities and net increases in rural jobs have almost exclusively been in service-sector employment (box, right).

Another example of the relevance of territorially differentiated analyses is the fact that over the next decade demographic pressures in the labour market – that is, changes in the size of the working-age population – will not only differ across countries but will also be distributed very unevenly within countries. For the most urbanised European countries demographic pressures are higher in rural than in urban regions. That is also true of the United States and Canada, but not of Japan. In European countries with large shares of rural populations, such as Sweden, Finland and Greece, pressure is highest in predominantly urbanised regions. The regions facing such pressure will have to generate additional jobs, cope with higher unemployment, or facilitate emigration.

Development Performance

Since rural regions are characterised by relatively high shares of declining sectors, such as agriculture, and the rapidly growing service sector tends to be located more often than not in towns and cities, one might expect rural areas to be generally outperformed by urban ones. But this is not the case.

The evidence is that during the 1980s many of the metropolitan areas in OECD countries ceased to generate as many employment opportunities as before (Table, p. 24). On balance, rural regions experienced a net increase in employment, although usually at a slower pace than the rest of the country in question. The emerging 'winners' were apparently intermediate regions, which are significantly rural in character but possess a network of easily accessible towns. Interestingly, the countries with the highest national employment growth had the smallest regional disparities in growth, which occurred mainly in intermediate regions. Conversely, it is almost exclusively the urbanised regions which benefited from the little expan-

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Agriculture: No Longer the Backbone of Rural Economies

Analysing the economic fabric of regional economies can provide useful insights for designing, implementing and assessing policies. For a long time, agriculture was considered the most important economic activity in rural areas. For most rural labour markets in the OECD area this is no longer true: the vast majority of rural employment opportunities is in non-agricultural activities.

National shares of agricultural employment range from over 20% in Greece, Turkey and Mexico to less than 5% in Belgium, Luxembourg, Sweden, Switzerland, the United Kingdom and the United States. Of course, in all countries the share is higher in rural regions than elsewhere. But for most OECD countries, even in the predominantly rural regions, only one out of five jobs is in the agricultural sector. The exceptions are in rural Ireland, Portugal and Spain, where the ratio is about one in four, and Greece and Iceland, where more than a third of the rural work force is still engaged in agriculture, forestry or fisheries (Figure).

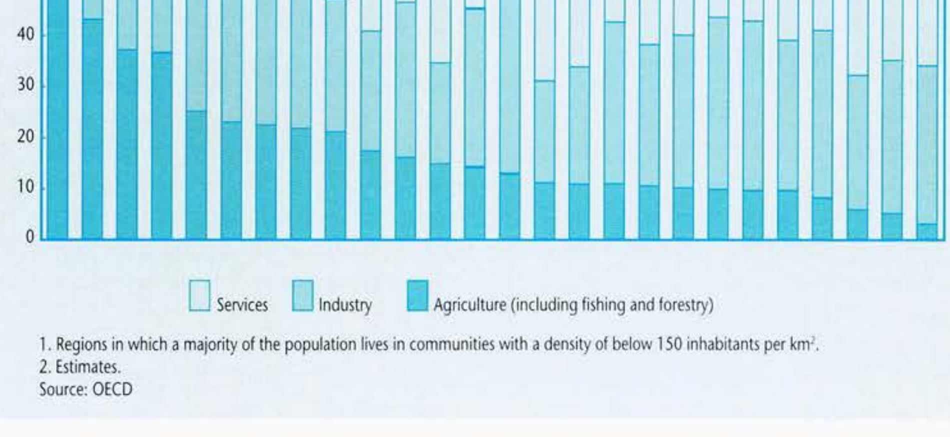
Not only is the part of agricultural jobs in the total number of rural jobs smaller than often imagined; their number is also shrinking. During the 1980s agricultural employment in predominantly rural areas of most of the OECD countries declined by more than 10%, sometimes by even more than 25%, whereas service-sector employment increased considerably. In addition to farm employment, of course, there are many other activities that depend on primary agricultural production. But this is true for most economic activities and, even more important for territorial development, in many countries such activities – the manufacturing of farm machinery, chemical industries or food-processing, for example – are not necessarily located in rural regions.

If the objective is to generate economic opportunities in rural economies, it would thus be counter-productive to pay attention only to farm employment and related activities. A territorial rather than sectoral analysis helps policies to focus on the relevant issues.

Figure

Employment in Rural Areas,[1] 1990

% of total rural employment

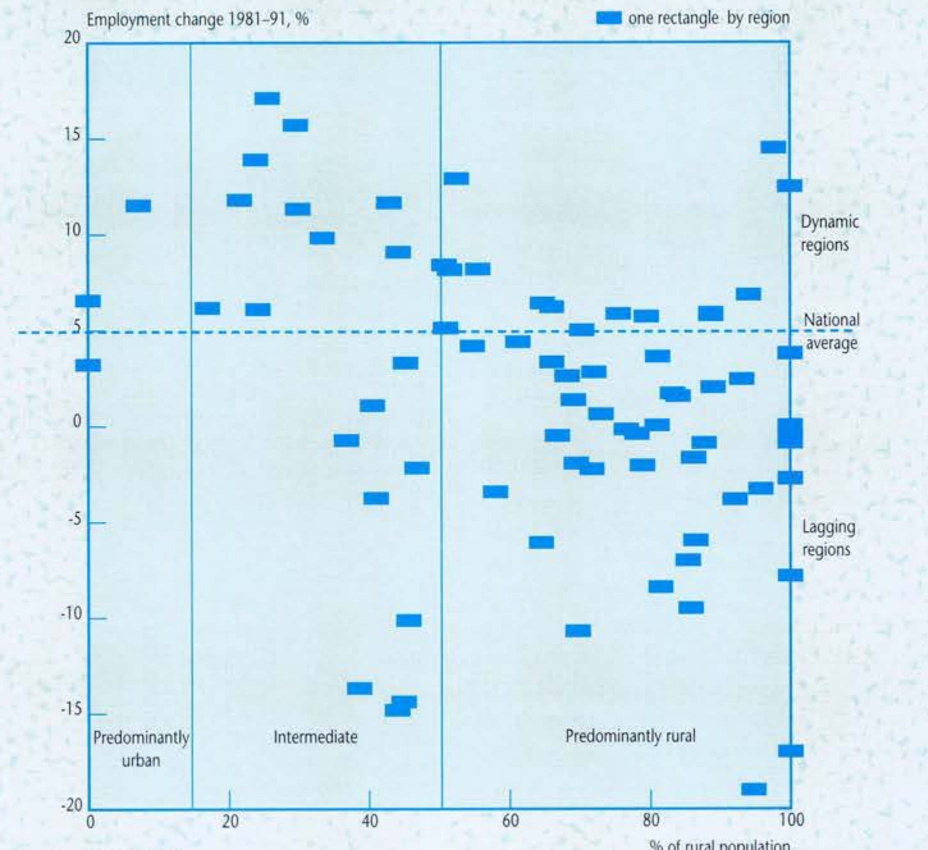


1. Regions in which a majority of the population lives in communities with a density of below 150 inhabitants per km².
2. Estimates.
Source: OECD

Employment is a Territorial Issue

Figure

Settlement Pattern and Employment Change in Austria



Source: OECD

sion in employment experienced by the countries with the slowest job-creation, thus creating large regional disparities in growth.

Yet simple comparisons between these three types of region do not reveal the whole variety of changes across regional labour markets. If the territorial dynamics of employment change is to become fully clear, regions have to be distinguished also according to their development performance. The Figure, in which all Austrian regions are plotted according to both their degree of rurality and to their employment change during the 1980s, provides a clear though not atypical example. Contrary to expectations, there is no straightforward correlation between the degree of rurality (or urbanisation) of regions and their performance in creating additional jobs. Although on average rural regions have been lagging, a large number of them have been much more successful in generating additional jobs than the national economy as a whole. Indeed, in almost all OECD countries there are some dynamic rural regions (not the majority) which outperform many urbanised but lagging regions.

The sectoral composition of the regional economies is important when it comes to explaining differences in employment growth between urban and rural regions. But it does not explain the differences between dynamic and lagging rural regions. All rural regions have an over-representation of shrinking sectors, like agriculture and other resource-based industries, whereas expanding sectors, like services or complex manufacturing, are under-represented. Yet this characteristic does not prevent some rural regions from mobilising other development forces that fuel their dynamism.

■■

Obviously, there are implications both for analysis and policy-formulation. In territorial analyses, in addition to the settlement dimension (rural *v.* urban), regions should also be distinguished according to a development dimension (dynamic *v.* lagging). Focusing only on the differences between rural and urban implicitly makes the urban the model for the rural. Yet dynamic rural regions probably provide a more realistic policy reference for lagging rural regions than do urbanised ones.

Nor is rurality in itself an insurmountable obstacle for job creation. 'Rural' is not synonymous with decline, just as urbanisation and agglomeration do not guarantee prosperous development. From this perspective it also becomes evident that rural-development policies make sense not only from a point of view of equity and social cohesion but also in terms of economic efficiency and innovation.

More than ever, in a globalising economy, each territory has to enhance and take advantage of its specific development potentials. But often these are not yet properly identified, and thus are under-used. They may be more difficult to measure than the stocks of natural resources, the sectoral mix of employment or physical infrastructures. Probably, they also depend on entrepreneurial traditions and work ethics, social competence and stability, partnership and participation, or results from the attractiveness of the natural environment and cultural heritage. Territorially sensitive analyses of the economic, social and environmental problems and potentials of both rural and urban areas appear to open promising avenues for stimulating and sustaining development. ■

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Examining Restraints on Trade

Michael Daly and Hiroaki Kuwahara

Tariffs – customs duties – on imported products in the OECD area are on a downward trend and, with some important exceptions, are currently fairly low. By contrast, non-tariff barriers (NTBs) applied at borders, such as 'voluntary' export restraints and anti-dumping and countervailing actions, may be assuming relatively more importance as a means of protecting domestic industry. NTBs, just like tariffs, tend to increase the prices paid by consumers. They can also entail potentially serious losses of efficiency and welfare. For a relatively small country, those welfare losses are confined largely to the country imposing the protective measures. But tariffs and NTBs used by major traders, chiefly the United States, the European Union, Japan and Canada, can also have serious repercussions on their trading partners and thus provoke retaliation.[1]

United States Lines

Notwithstanding the success of the Uruguay Round agreements in reducing tariffs among members of the World Trade Organisation – from an overall import-weighted average of 6.3% in 1988, before the Round, to 3.9% within a decade or so[2] – the uneven structure of tariff rates is still a cause for concern. And, worryingly, many countries have been resorting to non-tariff barriers, which are less transparent than tariffs. The success of the GATT (General Agreement on Tariffs and Trade) in reducing tariffs is closely related to their highly visible and quantifiable nature. As non-tariff barriers (NTBs) are generally more opaque than tariffs, it is important that they be monitored closely, if they are not to vitiate the considerable progress that has been made in liberalising world trade through tariff cuts. The identification of sectors where NTBs exist and the types of restraints used are essential first steps in this monitoring process.

Michael Daly works in the Capital Movements, International Investment and Services Division of the OECD Directorate for Financial, Fiscal and Enterprise Affairs after spending a period in the Economics Department; Hiroaki Kuwahara in the Trade Control Measures Information System Unit of the United Nations Committee on Trade and Development (UNCTAD) in Geneva.

E-mail: ech.contact@oecd.org

1. ***Indicators of Tariff and Non-tariff Trade Barriers***, *OECD Publications, Paris, 1996.*

2. *These averages refer to 'bound' tariff rates, which are the highest rates of duty on products permitted under the General Agreement on Tariffs and Trade (GATT). The focal point of GATT negotiations involves the binding of tariff rates and reductions in these bound rates. See* ***The New World Trading System***, *OECD Publications, Paris, 1994.*

Examining Restraints on Trade

BACKGROUND

Types of Tariffs

Ad valorem *tariff*
Calculated as a percentage of the value of goods cleared through customs

Specific duty
Expressed as a fixed monetary amount per physical unit or per unit of weight of an imported product

Compound duty
Contains elements of both ad valorem *and specific duties*

Alternative duty
Involves either an ad valorem *or a specific duty*

Tariff quota duty
Tariff rate applicable to a quota of imports, with a higher rate charged on imports in excess of the quota; the quota and tariff may be defined in terms of quantity or value.

Non-tariff Barriers – NTBs

'Core' NTBs consist of two broad types of measures: quantitative restrictions (QRs) and price control measures (PCMs).

Quantitative Restrictions

Export restraints
Arrangements between importers and exporters, whereby the latter agree to limit exports in order to avoid the imposition of mandatory restrictions by importing countries

Non-automatic licensing
The practice of requiring, as a condition for importation, a licence which is not granted automatically and which may be issued on a discretionary basis or depend on specific criteria

Other quantitative restrictions
Include various forms of quotas and prohibitions

Price-control Measures

Variable charges
Bring the market prices of imported products close to those of corresponding domestic products

Anti-dumping and countervailing actions
Typically involve investigations by anti-dumping authorities, usually in response to complaints from domestic producers, the purpose of which is to determine whether dumping or subsidisation exists and, if so, whether or not the practice causes 'material injury' to domestic producers. If the complaint is rejected, no further action is taken. If the complaint is upheld, a duty is levied on imports from the country named. A third possible outcome involves the withdrawal of the complaint, often as a consequence of some form of price undertaking, whereby foreign firms agree to raise their prices and thereby stop dumping, or because the foreign government removes the subsidy.

Other price-control measures
Include voluntary export-price restraints, whereby exporters agree to keep the prices of their products above certain minima.

The main types of tariffs and 'core' NTBs used by OECD members and most other countries are described in the box (left). A few summary and complementary indicators of the level as well as the structure of tariffs and the pervasiveness of various NTBs in four major traders are found in Tables 1 and 2.[3] These and other indicators have been developed by the OECD in order to enhance the transparency of tariff schedules and use of NTBs, thereby facilitating multilateral surveillance of such restraints.

The tariff indicators in Table 1 are based on the nominal 'most favoured nation' (MFN) rates actually applied to imported goods within the several thousand different tariff lines contained in each country's tariff schedule.[4] The proportion of those lines that are duty-free is captured by indicator 1.

Indicator 2 highlights the proportion of all tariffs that involve specific, compound or alternate forms of duty. Specific duties, which are also an element of compound and alternate duties, are of particular concern, for several reasons. They are intrinsically more opaque than duties that impose a straightforward percentage charge on the money-value of an import (so-called *ad valorem* duties), and can thus be used to conceal relatively high duties. In the United States, for example, 19 of the top 20 tariffs in 1993 involved specific duties whose *ad valorem* equivalents ranged from 50 to over 500% (the latter for some tobacco products).

Moreover, specific duties tend to distort domestic production more than *ad valorem* tariffs

3. Comparable indicators for other OECD countries are found in ***Indicators of Tariff and Non-tariff Trade Barriers****.*

4. One of the cornerstones of the GATT, the MFN principle requires that a trade concession to one WTO member must be given to all other members, thereby ruling out discrimination between imported products on the basis of their country of origin. The applied MFN tariff rate should be distinguished from the sometimes higher 'bound' MFN rate.

5. An alternative indicator of the overall degree of tariff protection is the collected tariff rate, that is, the amount of customs duties collected as a proportion of the value of total imports. This indicator ignores prohibitive tariffs that do not yield any revenues at all and thus suffers from the same drawback as the import-weighted average.

6. ***The Uruguay Round****, OECD Publications, Paris, 1995, and Carmel Cahill, 'OECD Agriculture after Uruguay',* ***The OECD Observer****, No. 196, October/November 1995.*

Table 1
Structure of Applied MFN[1] Tariffs in the United States, European Union, Japan and Canada
%

Indicators	United States 1989	United States 1993	EU 1988	EU 1993	Japan 1988	Japan 1993	Canada 1988	Canada 1993
1. Tariff-free items/all tariffs	17.4	14.4	10.5	10.9	21.9	35.4	25.7	26.3
2. Specific, compound and alternative tariffs/all tariffs	17.6	17.0	10.6	11.1	7.4	8.8	8.6	6.2
3. Overall simple average MFN tariff rate	6.2	6.4	7.4	7.6	6.9	7.0	9.1	8.8
4. Weighted average for all MFN tariff rates[2]	4.0	4.0	6.0	6.2	3.8	3.6	6.9	6.7
5. Overall standard deviation (SD)	7.7	8.6	6.1	6.1	8.9	12.7	8.8	8.4
6. Tariff spikes[3]/all tariffs	4.5	4.0	2.2	2.3	5.3	5.7	0.5	0.3

1. Most favoured nation.
2. Constant OECD import weights.
3. Those exceeding three times the overall simple average MFN rate.
Source: OECD

because they provide disparate degrees of assistance for goods on similar tariff lines by taxing imports of cheaper products more heavily. The result is to encourage domestic firms to produce less expensive goods for which the degree of protection against imports is higher. Specific duties are therefore also more regressive than *ad valorem* duties, because they impose a heavier burden on cheaper products within the same product line, which are consumed by relatively poor households. In addition, specific duties cushion domestic producers progressively against foreign competitors who cut their prices. On the other hand, specific duties are relatively simple to administer in instances where the value of the 'dutiable' goods cannot be easily observed.

The general degree of tariff protection in individual countries is captured by the simple average applied MFN tariff rate (indicator 3 in Table 1) and the average of applied MFN tariff rates weighted to take account of the value of the imports affected by each tariff (indicator 4). By attaching equal importance to all tariff rates, simple averages are relatively easy to compute. On the other hand, they take no account of the relative value (or volumes) of imports of various products. By contrast, the weighted average attempts to capture the importance of different tariffs by reference to the value of imports affected. But in doing so, the weighted average assigns a zero (or small) weight to prohibitive (or very high) tariffs which can discourage imports altogether. Moreover, the use of a country's own import weights can result in spurious movements in tariff averages over time since the import values tend to change in response to changes in the tariffs – for example, imports of a product will tend to rise as a result of a fall in customs duties, thus misleadingly increasing the importance of the weight.

Since neither the simple nor the import-weighted average is without its own drawbacks, a pragmatic compromise entails the use of both indicators.[5] In addition, the downward bias inherent in import weights calculated by individual countries is mitigated by using OECD weights (that is, the sum total of imports into each OECD country from all the rest of the world) and by fixing those weights. The use of fixed weights also addresses the possibility of spurious changes in weighted tariff averages over time.

Interestingly, both simple and import-weighted averages were used in GATT negotiations. Import-weighted averages were used as an indicator of progress in achieving reductions in MFN tariffs. By contrast, commitments to reduce agricultural tariffs following the 'tariffication' of NTBs agreed in the Uruguay Round are measured in terms of simple averages.[6] Apart from their obvious straightforwardness, simple tariff averages are used also partly because some

Table 2
Pervasiveness of Different Types of NTBs[1] in the United States, European Union, Japan and Canada
%[2]

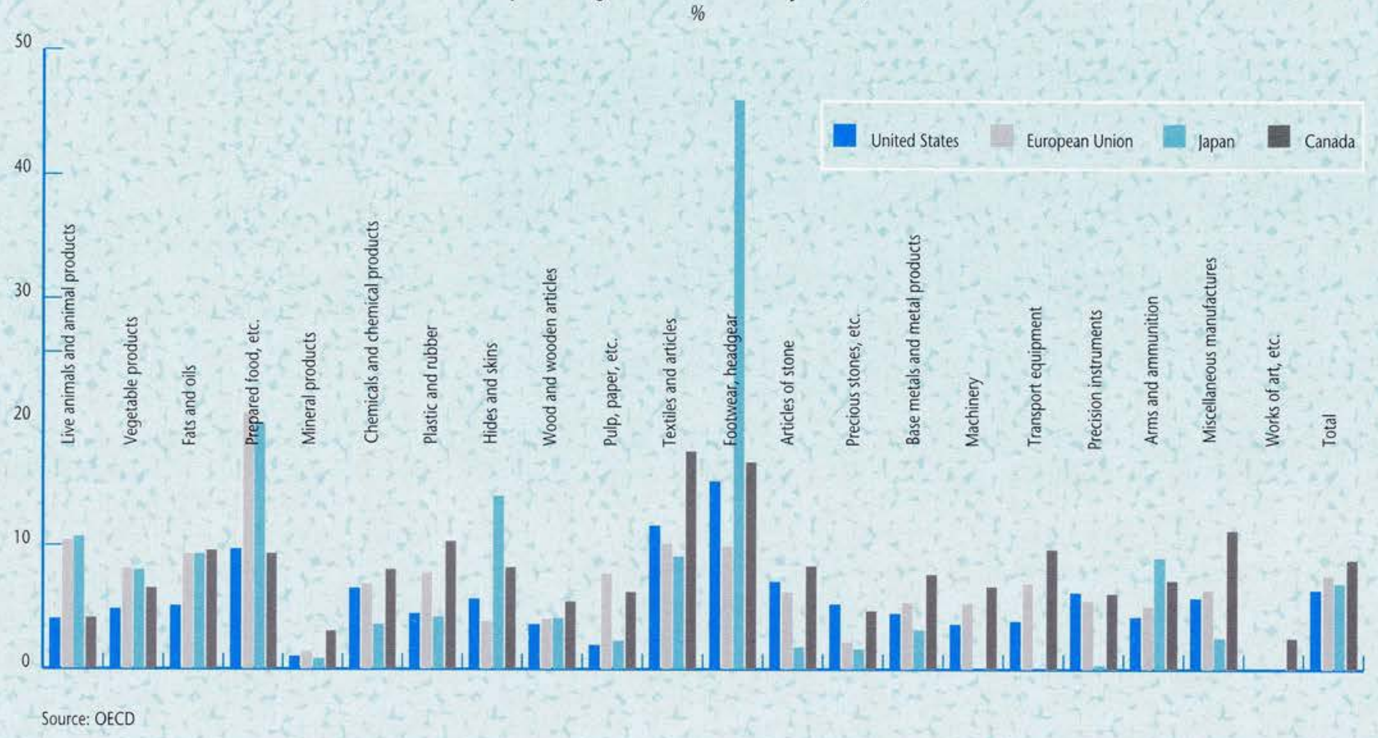
NTB Categories	United States				European Union				Japan				Canada			
	Frequency Ratio		Import Coverage Ratio		Frequency Ratio		Import Coverage Ratio		Frequency Ratio		Import Coverage Ratio		Frequency Ratio		Import Coverage Ratio	
	1989	1993	1989	1993	1988	1993	1988	1993	1988	1993	1988	1993	1989	1993	1989	1993
Core NTBs	25.5	22.9	16.6	17.0	25.2	21.8	10.9	9.0	12.5	11.3	7.4	3.8	8.9	8.2	4.1	2.5
Quantitative Restrictions (QRs)	20.4	18.1	13.7	10.2	19.5	17.2	7.8	7.1	11.7	10.5	6.6	3.0	6.6	6.8	3.0	1.7
Export restraints	19.5	13.1	12.9	10.1	15.5	13.9	6.2	5.6	0.3	0.1	0.2	0.0	4.8	5.8	1.2	1.4
Non-automatic licensing	0.0	0.0	0.0	0.0	4.4	3.5	2.2	1.7	8.9	8.9	1.3	1.3	2.6	0.2	0.7	0.0
Other QRs	6.6	5.6	1.1	0.2	0.2	0.2	0.1	0.0	2.8	1.6	5.4	1.7	0.8	0.8	1.1	0.3
Price-Control Measures (PCMs)	17.8	10.8	3.6	7.3	12.4	8.4	6.0	3.5	0.8	0.9	0.7	0.8	2.4	1.4	1.1	0.8
Variable charges	0.1	0.0	0.1	0.0	6.3	5.4	1.8	1.5	0.8	0.9	0.7	0.8	0.0	0.0	0.0	0.0
Anti-dumping/countervailing measures	17.7	10.8	3.2	7.1	2.6	1.9	2.2	1.3	0.0	0.0	0.0	0.0	2.4	1.4	1.1	0.8
Other PCMs	0.1	0.1	0.3	0.2	4.3	1.1	2.1	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1. Non-tariff barriers.
2. Figures may not add up owing to rounding.
Source: OECD

Figure

Simple Average MFN Tariff Rates by Sector, 1993

%



Source: OECD

of the tariff rates immediately replacing those agricultural NTBs are high enough to discourage imports altogether.

The distortions and resulting welfare losses associated with a country's tariff structure depend not only on average tariff rates but also on variation in the rates across products. The higher the variation in tariff rates, the more likely it is that producers' and consumers' decisions are distorted by the tariff structure: people will tend to choose the less expensive product. The variance also provides an indication of the complexity of a country's tariff schedule as well as of the potential inequities it embodies as far as consumers are concerned. Useful indicators of variation include the 'standard deviation' (SD) – the degree of dispersion of tariff rates, as depicted in the Figure – and the number or proportion of tariff 'spikes' (defined as at least three times higher than the overall national average); these correspond to indicators 5 and 6, respectively, in Table 1.

Two indicators of various types of the 'core' NTBs and similar measures are found in Table 2. They involve the frequency (F) ratio and import-coverage (IC) ratio. The frequency ratio typically indicates the percentage of national tariff lines affected by a particular NTB or group of NTBs. By contrast, the import-coverage ratio indicates the percentage of a country's own imports subject to a particular NTB or group of NTBs. The import-coverage ratio, therefore, is essentially an import-weighted frequency ratio.[7] Although frequency and the import-coverage ratios do not provide any indication of the restrictiveness of NTBs (merely of their existence), they do serve as rough screening devices, providing an indication of the pervasiveness of NTBs within countries and of the trends they show.

The import-coverage ratio suffers from the familiar drawback that the products facing very restrictive (or prohibitive) NTBs enter the calculation with low (or zero) weights. A further disadvantage is that, in common with the frequency ratio, it captures the effects of relaxation of NTBs only when such measures are completely eliminated. Indeed, where NTBs are not eliminated, the import-coverage ratio may even give perverse results as far as trends are concerned, which is not the case with the frequency ratio. For example, the relaxation of a quota could result in increased imports of the products affected by the measure, which may mean that a bigger proportion of total imports is affected by the relaxed quota, with the effect that the import-coverage ratio increases.

A comparison of the proportions of all national tariff lines that are duty-free (indicator 1 in Table 1) suggests that tariff protection is relatively more widespread in the United States and the European Union (EU) than in Japan and Canada. Implementation of the Uruguay Round will involve a marked increase in the proportion of tariff lines that are duty-free.

According to indicator 2, specific, compound and alternate duties are an important feature of tariff schedules in the United States, EU, Canada and Japan, particularly for agricultural products. They are more prevalent in the United States and the EU than in Canada and Japan, even though the widespread use of such non-*ad valorem* duties is undesirable. Moreover, the use of specific duties, often combined with quotas, is, if anything, likely to increase, relative to purely *ad valorem* duties as a consequence of the Uruguay Round because of the agreed conversion of agricultural NTBs into duties that are mostly specific rather than *ad valorem*.

Judged from the simple and import-weighted tariff averages (indicators 3 and 4), the overall degree of MFN tariff protection is considerably higher in Canada and the EU than in the United States and Japan. As illustrated in the Figure, prepared food, beverages, and tobacco, textiles and footwear were among the products most heavily protected by tariffs in 1993; so too, were many agricultural products. This will remain true under the Uruguay Round agreements. Indeed, as a consequence of 'tariffication' of agricultural NTBs under these agreements, average tariff protection in the United States, Japan and the EU for several broad groups of agricultural products – including dairy and meat products – will be higher than in 1993.

Overall standard deviations (indicator 5) suggest that the United States and Japan, which have the lowest overall degrees of tariff protection, have tariff schedules that are more distorting because of the wider dispersion of rates. Tariff spikes (indicator 6) also appeared to be more prevalent there than in Canada and the EU. It follows that a lower overall degree of tariff protection does not necessarily entail a less distorting tariff schedule, and *vice versa*. Furthermore, a fall in general tariff protection could increase potential distortions if the highest tariffs are not reduced. In terms of liberalising trade and reducing domestic distortions, it might be more effective to cut large tariffs by a small proportion than a small tariff by a large proportion. A strategy for reducing tariffs overall might therefore focus on the elimination of spikes and perhaps pay less attention to cutting relatively low tariff rates.[8]

According to the frequency ratio, proportionately fewer imported products faced 'core' NTBs in 1993 than five years earlier, although agricultural products, textiles and clothing were still considerably affected. But there are major differences in the types of NTBs that countries use. In general, quantitative restrictions (QRs) on imports are much more pervasive than price-control measures. Although 'voluntary' export restraints (VERs) appear to be the most predominant form of QR in the United States, the EU and Canada, non-automatic licensing arrangements were the most common type in Japan. Price-control measures in the form of anti-dumping and countervailing actions (AD/CVs) were predominant in the United States and Canada. In the EU and Japan, variable charges were widely used for agricultural products. In the United States, where AD/CVs replaced VERs, especially for steel, although proportionately fewer imported products were subject to such measures, the value of imports affected rose substantially between 1988 and 1993. In the EU and Canada, by contrast, the pervasiveness of these measures declined unambiguously in the five years up to 1993.

The use of anti-dumping and countervailing actions and related 'voluntary' measures is permitted under the GATT because of the importance of correcting distortions that occur when prices of imports are reduced by monopolistic or predatory pricing or by subsidies. They can thereby promote competition and economic efficiency. But concerns have often been expressed that in reality these measures are subject to widespread abuse, so much so that they are often used to impede rather than enhance competition. To an extent, this reflects some arbitrariness in the way the rules are applied. Moreover, insofar as they are abusive, AD/CV actions are highly discriminatory, usually being directed at specific exporters, and hence contrary to the MFN principle.[9]

The uncertainty created by the mere threat of imposition of such duties (as well as their duration) might also hold back potential exporters, who react by raising their prices and/or curtailing supply. Such uncertainty or unpredictability is contrary to another of the main principles of the GATT. In a similar vein, the litigation and other costs involved in dealing with claims by domestic producers that foreign companies are dumping their products may be sufficiently prohibitive to discourage exporters from disputing such claims. Indeed, there is evidence from the United States that some firms initiate anti-dumping procedures solely because of their effects on the investigation of trade restrictions. Finally, given the high degree of substitutability between AD/CV actions and VERs,[10] the prohibition of VERs in accordance with the Uruguay Round of the GATT agreement increases the likelihood of AD/CVs being used more frequently in the future, notwithstanding the stronger discipline on the use of AD/CVs provided for in that agreement. The tariffication of variable levies and QRs applicable to agricultural products may also result in more use of AD/CVs for these products.

■ ■

This analysis is subject to a number of important caveats. First, the tariff indicators signal nominal rather than effective protection. Effective protection is based on the value-added of the protected activity (rather than commodity prices), thereby taking into account the impact of duties levied on inputs imported by domestic industries. Second, as the NTB indicators capture only the existence of various measures, and not their restrictiveness, they do not necessarily signal the distorting economic effects of NTBs. Such indicators are therefore more appropriate for assessing trends in the use of NTBs within countries than for comparing their use between countries. Third, economic behaviour might be distorted not only by the physical imposition of protective measures but also by the mere threat of it, even if it never materialises; the resulting 'chilling' effect is not adequately captured by the NTB indicators.

Moreover, the indicators deal with border measures alone. To draw conclusions regarding a particular country's trade regime as a whole, one should also take into account internal government actions that distort trade and resource allocation, not least industrial subsidies, tax concessions and discriminatory practices for government procurement, all of which can be used to provide protection from imported goods. Furthermore, trade and domestic resource-allocation may be distorted by anti-competitive private practices and, by extension, the failure of governments to take appropriate action against them. Lastly, the indicators pertain solely to imported goods, not imported services or foreign direct investment, both of which also encounter barriers. ■

7. They are computed by attaching actual values to bilateral trade flows between various exporters and the importing country.

8. The elimination of very low 'nuisance' duties would nonetheless tend to simplify countries' tariff schedules.

9. For example, the EU recently announced that it would levy anti-dumping duties on imports of soda ash from the United States. The United States, on its side, imposes such duties on imports of some steel products from EU countries.

10. The threat or possibility of AD/CVs has in the past served as an inducement to exporting countries to accept other measures, notably VERs, which generally allow exporters to raise prices by reducing supply.

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The Enterprise Impulse in West Africa

Michel Courcelle and Anne de Lattre

The role of the private sector in assuring economic growth in African countries is now a fundamental part of national and donor development strategies. But West African entrepreneurs face severe constraints: their business climate is less predictable, their markets are smaller, the supporting infrastructure is weaker, and the regulatory and legal environment more restrictive than elsewhere. The West African Enterprise Network suggests how entrepreneurs can improve the institutional and commercial environment in which they operate.

There is general consensus that the business climate in West Africa is particularly uninviting. Government policies often place restrictions on entrepreneurs and in some cases discriminate against the private sector: barriers to direct investment, skewed tax and investment incentives, arbitrary and intrusive administrative and tax collection procedures and ineffective legal and regulatory frameworks.

All of this renders transaction costs extremely high, and forecasting impossible. It not only makes foreign investors wary and reticent but also undermines the competitiveness of African industry and businesses. Although many African countries have adopted adjustment programmes, few have achieved sound fiscal and monetary policies. Banks, badly shaken by past failures, protect themselves by giving credit to large or foreign-owned companies. High inflation and over-valued and erratic exchange rates plague African entrepreneurs. National markets are generally too small to allow the viability of industries which rely on economies of scale, such as fertiliser production, paper pulping and food processing. Most West African enterprises are in a relatively perilous state, not least because illegal trade has undermined national and regional markets with cut-price imports such as second-hand cars, clothing, food and consumer durables.

Other difficulties facing West African entrepreneurs include the dominance of state-owned firms. The present organisation of the private sector is thus rudimentary, if not non-existent. With few exceptions, local chambers of commerce and employers' associations are still heavily dependent on the public sector for their membership, organisation and orientation. Relations between the state and the private sector are poor, with little or no dialogue between the two sides. As a result, many important economic decisions in recent years have been taken without consulting the private sector.

The West African Enterprise Network

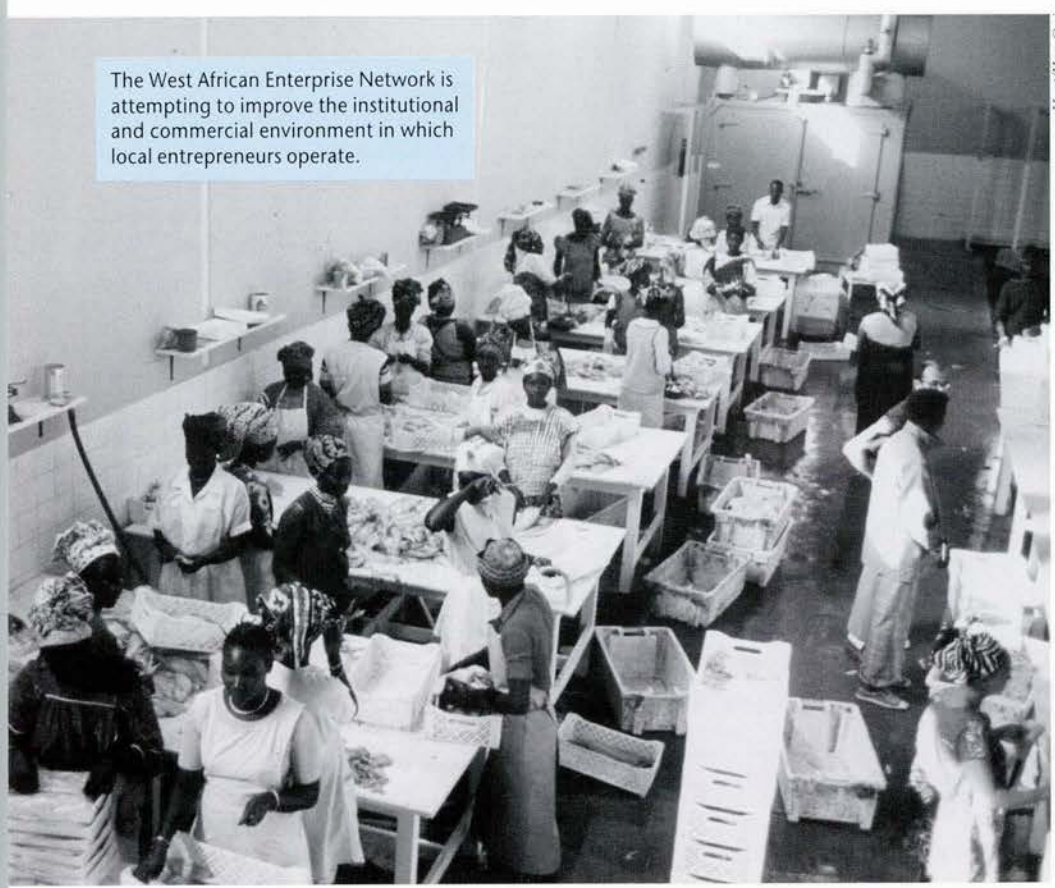
The creation of the West African Enterprise Network (WAEN)[1] in 1992 was based on the conviction that modern private enterprise provided one of the keys to development in West Africa and that local entrepreneurs were the ones best placed to change a business environment hostile to private entrepreneurship.

The original idea for the Network came from the Club du Sahel and the United States Agency for International Development (USAID), which laid down the lines on which it was to be initially organised. The two agencies decided to provide a modest degree of funding, since they felt that it was up to African entrepreneurs to demonstrate their ability to act independently and to ensure the continued existence of the Network. The businessmen and businesswomen of West Africa had to be the builders and owners of their professional organisations. All those involved in the Network, either directly or indirectly, had to work together as partners, with everyone providing and receiving services in turn.

To achieve its goals, the WAEN has implemented flexible, open-ended policies tailored to the business environment. The private sector in each country must be opened up to the global economy and, more importantly, to the regional economy. West Africa is a patchwork of French- and English-speaking communities which do not fully understand one another's requirements. The

Michel Courcelle is responsible for the Private Sector Support Unit of the WAEN in the Club du Sahel; Anne de Lattre is a founder of the Club du Sahel and now works there as a consultant.

E-mail: sahel.contact@oecd.org



The West African Enterprise Network is attempting to improve the institutional and commercial environment in which local entrepreneurs operate.

Huet/Hoa-Qui

entrepreneurs in the WAEN believe it is vital for them to communicate, join forces and pool information, if they are to achieve their ultimate aim of creating a single, unified market in the region.

In the four years since its creation, the WAEN has already achieved results, forging a pioneering image and a solid reputation. It has expanded step by step but rapidly, a constant concern being to attract entrepreneurs who already belong to national networks. This highly original approach differs radically from that used by other professional organisations in the private sector. It is built around three key ideas:

• the Network must be independent, relying on the commitment of its members and on resources that will ensure its sustainability
• a sound regional network cannot exist without equally sound national networks
• the Network must take time to develop of its own accord rather than artificially.

A small, flexible support unit has been set up. Based in Washington and Paris, its purpose is to guide the WAEN towards full operational and managerial autonomy by the end of 1997. The support unit has promoted the launch of national networks, helped to shape regional initiatives and facilitated dealings with national, regional and international co-operation agencies.

From National to Regional

Today, the WAEN is an international non-governmental organisation with over 300 entrepreneur members from 12 West African countries.[2] The regional network is based on 12 national networks representing businesses from all sectors and their members are all second- or third-generation entrepreneurs. Membership of the WAEN is highly selective to ensure cohesion among the members, as well as a diversity of sectoral representation. Each national network sets up its own secretariat, funded by members' contributions, which also have to meet the costs of the WAEN's regional network. The WAEN works closely with national and regional officials and with the donor agencies which have supported its work since its creation: USAID, the World Bank, the Caisse française de développement, the French Ministry of Co-operation, the Canadian Development Agency and the European Union.

The Growth of Cohesion

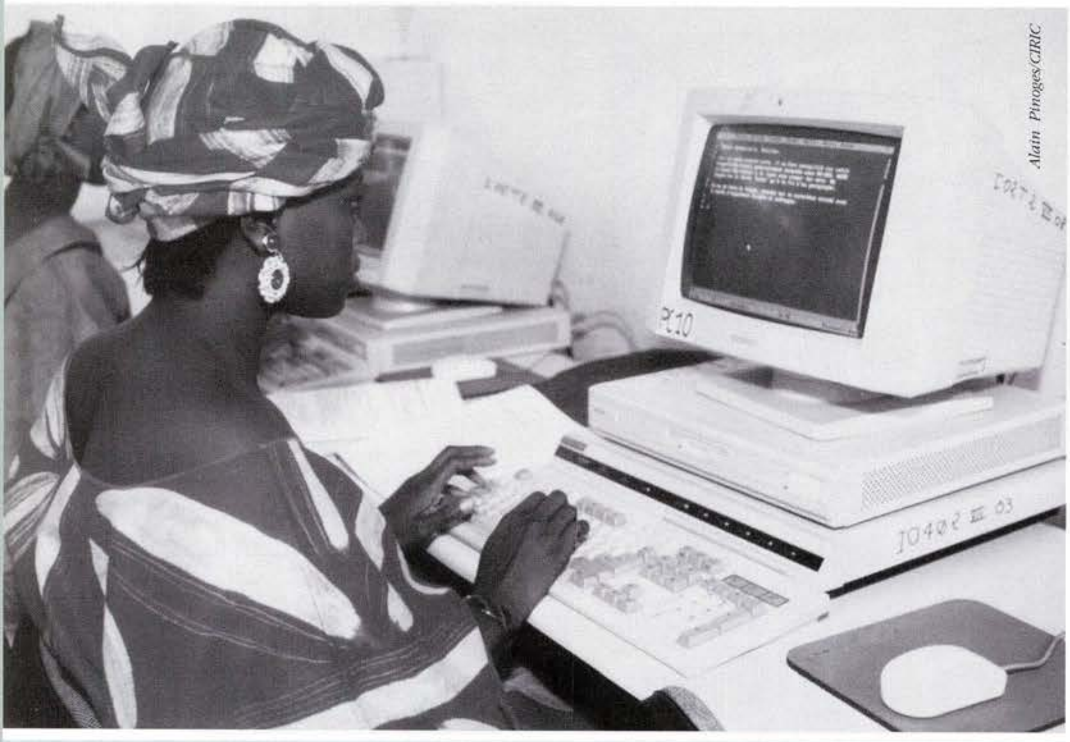
The Network's members are entrepreneurs who invest time and money in concerted action. They expect a return on their investment. Because the rigorous approach they have chosen is so innovative, it is sometimes poorly understood. The temptation to become dependent is ever-present, as is the risk of disintegration. Hence their efforts to provide highly appreciated services via the WAEN, services that justify entrepreneurial investment.

The individual networks in each country allow private entrepreneurs to get to know one another, meet on a regular basis and implement a joint programme. Gradually they become credible partners in their own country. The first signs of solidarity emerge as members forge business links. In the Mali network, for instance, meetings always begin with members passing on any news they may have about business opportunities. The golden rule is to give priority to area suppliers who belong to the network. In many cases solidarity may go even further. A member experiencing difficulties will receive support from the others. Some networks have set up 'investment clubs' which establish or take over businesses on a joint basis.

1. It includes both Anglophone and Francophone countries in the region.

2. These are, to date, Benin, Burkina Faso, Chad, Côte d'Ivoire, Gambia, Ghana, Guinea, Mali, Niger, Nigeria, Senegal and Togo.

The Enterprise Impulse in West Africa



Network of the Network: the national associations that compose the WAEN handle specific requests for information through electronic channels.

Members of the WAEN have lost no time in setting up three regional sub-networks to organise and follow up business contacts, which bring together auditors and chartered accountants, exporters, and bankers and other financial-sector professionals. These bodies function independently of the regional and national networks and have a different legal status. Their primary objective is to strengthen the quality of services in their sector, through training activities, mechanisms for quality control, and the transfer of information on both existing techniques and technologies so as to improve quality.

Shortcomings in the information process have led to the creation of the Regional Trade Information Centre (RTIC), an important facet of the WAEN's regional structure. The RTIC not only distributes information about the network through a quarterly bulletin but also publishes, on a monthly basis, information on prices, supply availabilities, new technologies and business opportunities in areas of interest to network members. The national networks communicate with the RTIC electronically in order to handle specific requests for information.

The aim of the WAEN's partners was to gradually build the network up into a credible institution that would be recognised by national, regional and international authorities alike. Initially viewed with scepticism, the national networks have had to establish their credentials. Rather than trying to supplant existing chambers of commerce and employers' associations, which play a small but real role liaising between government and the private sector, the national networks have sought to act as catalysts. The Mali network, for instance, now represents the interests of the country's private sector and the national authorities consult the network directly on the design and implementation of economic policy. Ghana's network has managed to secure changes to the rules on interventions by foreign firms on the Accra stock exchange. As a result, the stock exchange has really taken off and many of the Ghanaian government's interests in local firms have been privatised. And thanks to the Côte d'Ivoire network, five sub-contracting firms have been set up, all of them managed and funded nationally.

The WAEN is also beginning to gain regional and international recognition. Until now, regional integration had always been the domain of governments. But African firms have a role to play in developing regional co-operation in West Africa – they know from experience the meaning of trade. Regional institutions in West Africa are monitoring the Network's activities and multiplying invitations to participate in their work. Factors such as the quality of the Network's candid studies and the ability of its members to chair working parties, to bring together major players in regional trade – merchants, customs officials, bankers and regional institutions – and to organise a fruitful dialogue between all concerned, have done much to establish the WAEN's reputation.

▪ ▪

The WAEN provides an excellent example of how motivated businessmen and -women work together not only to improve their individual business opportunities but also to assist in changing the difficult conditions which exist in most non-industrialised countries. The most important feature of the WAEN is that it is autonomous of all political bodies, whether national governments or aid agencies. That allows it to sidestep political considerations and focus on commercial ones.

The experience of the WAEN should not be limited to West Africa. The WAEN must also open up to the rest of Africa – to Eastern and Southern Africa. The critical role played by the private sector in its contribution to national economic growth and sound government policies is accepted by the international community. The question now is how to stimulate similar organisations and activities in civil society as a whole, and in other regions. ▪

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Spotlight

Canada
The Pension System: Options for Reform

Hannes Suppanz

The Canadian system of income for retirement combines three main elements: benefits designed to provide the guarantee of a basic income for the old, earnings-related public pensions, and tax-assisted private pensions. About 60% of retirement income comes from public pensions, which replace about a third of income previously earned in work (a relatively modest share by international comparison).[1]

Although spending on public pensions is still lower as a proportion of GDP than in most other OECD countries, it has grown rapidly and under current conditions is projected to rise from about 5% of GDP today to around 9% by 2030 (Figure). Indeed, major demographic and economic changes since the system was developed in the 1960s are calling the long-term affordability of the system into question. Canadians are living considerably longer than they did at that time – life-expectancy at 65 has increased from 80½ to 83½ years and is likely to increase further. And from around 2020 a shrinking workforce will make it even harder to support an escalating pension bill. The problem is being compounded by slower economic growth, which is reducing the capacity of working Canadians to finance future pensions, and by the imperative of regaining control of government finances. These developments have triggered a wide policy debate on reform of the system so as to maintain its sustainability in the long run.

Public-pension policy in Canada, as in virtually all OECD countries, is oriented towards achieving two separate objectives: ensuring that the elderly are protected from poverty, and providing a stream of income in retirement that is reliable no matter how long retirement lasts. In meeting the first objective, the central issue is whether the poverty is being kept at bay in the most efficient way: reaching people who really need assistance, without spending more than necessary to that end. In meeting the second, the principal questions are whether the current arrangements are sustainable over the long term and whether they provide a reasonable balance between the interests of different generations.

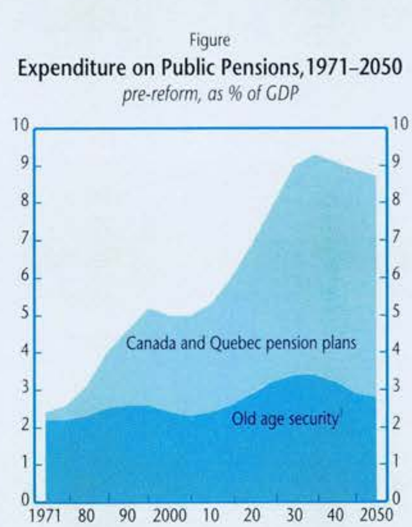
The first and second tiers of the Canadian system (benefits and public pensions) are each designed to meet one of these two objectives. Most of the recent debate in Canada has focused on public pensions, especially because projections indicate that contribution rates will have to triple over the next three decades if the system is maintained on the present pay-as-you-go basis. Benefits to the elderly – even though projected to rise less steeply – currently amount to about half of public expenditure on pensions (or 2½% of GDP), and they too will require attention. The federal government has already put forward proposals to overhaul the system of benefits for the elderly and, following an extensive process of consultation, intends quickly to reach an agreement with the provinces on the reform of (jointly managed) public pensions.

Which Reforms?

The benefits part of the system, which consists of a set of programmes that interact to put a floor on the incomes of older Canadians, is financed from general tax revenues. Since it already accounts for over 17% of total federal programme (non-interest) expenditure, the government has announced measures intended to make the system more efficient and less costly. From 2001, there will be a single 'Seniors Benefit' which will incorporate the existing tax-credit for old-age and pension income. As a transition measure, retired people who receive old-age benefits at that date will have the option of remaining in the old system.

The proposed new system will have two primary effects. First, it will concentrate benefits more in the hands of low-income beneficiaries.

Figure
Expenditure on Public Pensions, 1971–2050
pre-reform, as % of GDP



1. Including guaranteed income supplement and spouse's allowance.
Source: OECD

And by providing lower assistance to high-income retirees, through the taxing back of benefits beyond specified income thresholds, it will contain total costs. Official estimates are that, by 2030, the new arrangements will be more than 10% less expensive than those currently in force.

The second tier of the system consists of the publicly managed Canada and Quebec Pension Plans which provide earnings-based pensions

Hannes Suppanz works in the Country Studies I Branch of the OECD Economics Department.
E-mail: eco.contact@oecd.org

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Canada

The Pension System: Options for Reform

One of the main objectives of the system: reaching the people who most require help, without spending more than is necessary.

financed by compulsory contributions from employers, employees and the self-employed. In 1966, when the Plans were introduced, the total contribution rate was set at 3.6% and projected to reach 5.5% by 2030. This figure has already been exceeded, and the contribution rate is now expected to rise to 14.2% in 2030, if there is no change in the benefit formula and financing and investment practices.

Future taxpayers will thus be required to pay much higher contributions than the current generation to achieve the corresponding retirement incomes. The intergenerational transfers created by pay-as-you-go financing are illustrated by the unfunded liability of the Canada Pension Plan, which at C$556 billion at year-end 1995, has already exceeded the net public debt of the federal government.

Demographic and economic factors explain only partly why contribution rates for the public pension plans will ultimately have to be much higher than foreseen at the time of their introduction. Nearly half of the increase is attributable to the growing generosity of benefits and to higher disability benefits (in part because of the inclusion of non-medical factors, such as circumstances in local labour markets, in the definition of disability). Reforms therefore have to include curbs on benefits so as to contain costs.

Yet the present income-replacement rate of public pensions plans is relatively low and a reduction in the basic rate of benefit – while diminishing the earnings-related component – would lead to higher expenditure on the income-tested component of the public pension system. Nevertheless, there is room for tightening the criteria for eligibility for pension-plan benefits. There is also a strong case for accelerating the inevitable rise in contribution rates, so as to achieve fuller funding and reduce the contribution rate that will ultimately be required. This would slow down the growth of the tax burden on future generations and thus help ensure its long-term sustainability.

In light of the fiscal constraints faced by both federal and provincial governments, the tax assistance provided to private pensions – the third tier of the system – is also being subjected to increased scrutiny. In particular, some commentators have questioned whether the substantial public support for private pensions is efficient in achieving what should be its underlying objective – to increase national saving. Indeed, most people participating in private pension plans are in high-income brackets; their savings incentives thus may not be affected much by the tax advantages. In balancing its objectives, the government has therefore frozen the present limits on tax assistance to these types of plans while eliminating the carry-forward restrictions.

In summary, although income compensation for senior citizens is not particularly generous given Canada's relatively high reliance on tax-assisted private savings, fiscal problems (not least the high volume of public debt) are restricting the government's ability to support pension programmes. Moreover, older Canadians have so far received more in benefits than they contributed over their lifetime, implying that younger contributors will be forced to pay more than their benefits.

Against this backdrop, the proposal of the federal government to rationalise the benefits which provide a minimum income for the elderly into a a single programme, targeted to those who most require them, is appropriate. Yet the very high effective tax-rates for some income ranges implied by the introduction of the proposed 'Seniors Benefit' may act as a deterrent to work and save for retirement. Further, the reform would reduce the public pensions to be paid to middle- and upper-income Canadians.

On the ground of both intergenerational fairness and economic efficiency, there are also strong reasons to overhaul the Canada and Quebec Pension Plans, which provide income-related benefits. Reforms should involve a move towards fuller funding of the Plans by a rapid increase in contributions to the actuarially fair rate and some curbs on benefits (in particular with respect to disability). The yield of the increased assets of such a reformed system should also be maximised, as far as is consistent with a prudent degree of risk-taking, by assigning investments to private portfolio-managers.

A quick decision on pension reforms is clearly advisable: the longer they are delayed, the higher will be the contribution burden passed on to future generations. ■

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The United States
Corporate Governance: The Market as Monitor

Peter Jarrett

All modern organisations, firms among them, face a conflict between their goals and the differing objectives of the 'agents' who play a role in their operation. Since the resolution of these conflicts entails transaction costs (because of the impossibility of writing comprehensive contracts among the people involved), residual rights of decision-making and control over firms' non-human assets must be allocated. The procedure by which this is done – through the institutional and legal framework in which firms operate – forms the fabric of corporate governance. It is increasingly recognised to be an important determinant of economic performance.

There has been more research on the US system, the paragon of market-based or 'outsider' systems in the OECD, than on any other. Nonetheless, experts' views differ widely. Some see short-termism and unjustified 'downsizing', with the resulting high cost of capital, financial excesses and speculation. Others point to the world's most dynamic and competitive set of firms, in an environment conditioned by transparency, disclosure, market-based discipline and the minimisation of agency costs (those engendered by having managers operating as 'agents' on behalf of firms' owners, the 'principals'). Are seven-figure pay-offs to executives grotesque examples of managerial immoderation, or are they defensible rewards for maximising the value of shares? Policy considerations follow: if the system is not functioning efficiently, there may be grounds for intervention in the form of more active use of taxation policy and increased regulation of the securities and labour markets, for example.[1]

Ever since non-owner professional managers were hired to run business firms for their increasingly dispersed owners in the early 1900s, there have been agency costs. The era of what has been termed 'managerial capitalism' reached its peak in the middle decades of the century, but popular and political support for the position of primacy that management once enjoyed has since been eroded. In most large firms governance has shifted to a joint approach involving in addition a fairly small number of increasingly activist institutional owners, primarily pension funds. Because these investors are entrusted to act on behalf of their beneficiaries, they are subject to legal fiduciary standards of prudence and care; accordingly, the latest stage of development has been labelled 'fiduciary capitalism'. Total institutional holdings of US corporate equities has risen from under 10% in the 1950s to nearly 45% most recently and 57% for the top 1,000 corporations (Figure 1).

The threat of hostile take-overs focuses the mind wonderfully, forcing managers to seek good corporate performance.

Serge Attal/REA

Peter Jarrett works in the Country Studies III and Economic Prospects Branch of the OECD Economics Department.
E-mail: eco.contact@oecd.org

1. ***OECD Economic Surveys: The United States***, *OECD Publications, Paris, 1996.*

The United States

Corporate Governance: The Market as Monitor

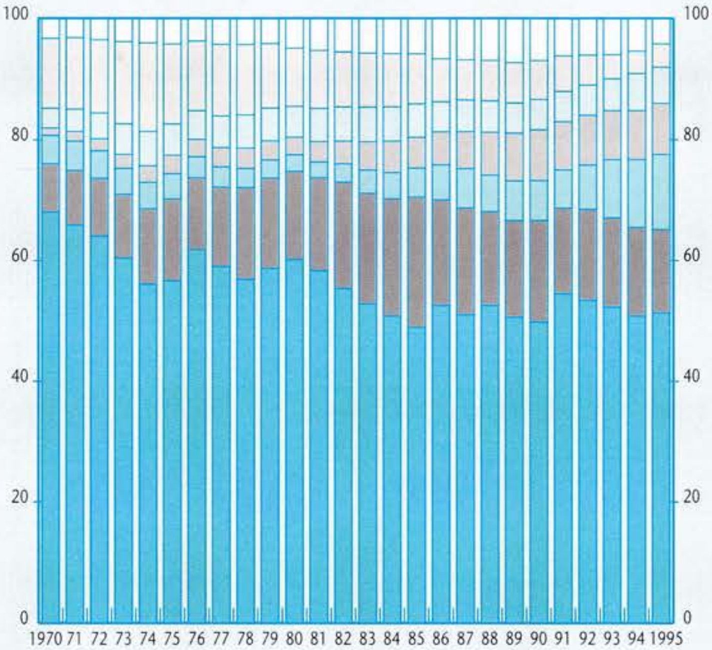
But the governance role of financial institutions has been heavily circumscribed by long-standing regulatory and legal constraints. They are intended to direct the system toward market-driven surveillance and are backed up by a requirement for the full and timely disclosure of relevant information. The result has been a financial-services sector which is more fragmented than those in most other OECD countries. The role of commercial banks has been limited by government constraints on their right to deal in or own corporate equities, thus splitting commercial from investment banking. These constraints, along with certain legal doctrines, have restrained their equity holdings to minuscule amounts and the degree of business monitoring they undertake to far less than in some other OECD countries.

Likewise, insurance companies are reluctant to exercise control and therefore are fairly passive. In spite of their increasing popularity, mutual funds (unit trusts) are rarely active investors as far as governance is concerned also because of various legislated requirements. Some limited monitoring has become required for company-sponsored pension funds, but they have poor incentives to become active because of the implicit threats from managerial solidarity. On the other hand, union-sponsored and especially public-employee pension funds have become the most vociferous actors on governance issues.

Figure 1

Who Holds US Corporate Equities?

% of total, year-end



1. Includes commercial banks, savings institutions, closed-end funds, brokers and dealers, and bank personal trusts.

Source: Board of Governors of the Federal Reserve System

Curbing Managerial Rent-Seeking

Managers can use their discretion and avoid maximising share-holder wealth in a number of ways. They may indulge in empire-building, adopt investment strategies with excessively low risk and therefore low returns, dissipate cash flows on unproductive activities, arrange to receive excessive pay or consume generous perquisites, and attempt to safeguard their positions by weakening the mechanisms which exist to discipline or replace them, the take-over mechanism in particular.

There are a variety of means whereby this kind of rent-seeking may be curtailed. First, managers may act more in owners' interests if the two roles can be combined through extensive managerial share-holding or if their compensation is tied closely to performance of share prices, but that may lead to behaviour biased toward risk avoidance or opportunism. Second, the firm's debt-to-equity ratio can be set sufficiently high so as to constrain investment and force disbursement of dividends when opportunities for investment are poor, even though debt is also a take-over deterrent and may focus too much managerial attention on the short term in order for the firm to meet reimbursement requirements.

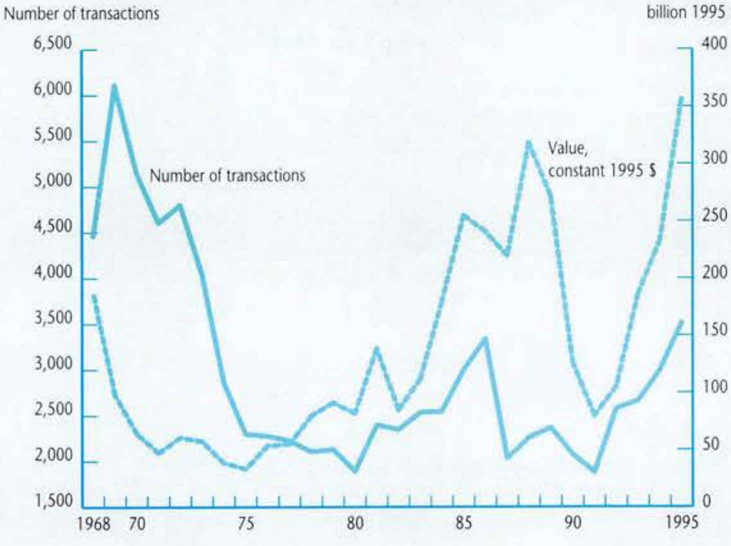
But the clearest control mechanism is to monitor the actions of business executives. Such surveillance is most immediately the responsibility of the board of directors. Here, until recently, there was another principal-agent problem at work: most directors conventionally lacked the incentives to carry out their responsibilities of oversight, and the board was a largely ineffectual cog in the corporate-governance mechanism. Recently, boards seem to have become more independent of senior management, by reducing their size, choosing more outsiders and becoming more assertive. Since US banks have only a minor role in governance, except perhaps through bankruptcy procedures, mechanisms by which share-holders can express their voice are the most efficient source of additional monitoring.

The problem is that the free-rider question – since the benefits of performance improvements must be shared with all other owners – means holdings have to be concentrated on a few owners if the returns to monitoring are to cover the costs. Yet US regulations again limit the efficacy of institutional monitoring through block holding – and in any case many observers question the feasibility for efficient institutional monitoring. Nevertheless, over the past decade a small number of activist institutions have chosen to take a larger role in governance, and their cause has been aided by easier rules governing share-holder communications introduced in 1992, allowing institutions to make their case to the other share-holders. The results of the firms which have been the targets of their attention have clearly been favourable.

Lastly, monitoring can be undertaken either by the product market or by the capital market in the form of take-overs. The product market enforces efficiency and disciplines poor management only slowly, since bankruptcy is a long and drawn-out process, especially in the United States where the law strives to maintain the operation of the firm as a going concern so as to avoid the high social costs of closure. And the threat of hostile take-over focuses the mind wonderfully, forcing managers to seek good corporate performance. Since 1968 there have been at least 83,000 merger and acquisition transactions, worth some $4 trillion in today's prices (Figure 2). Merger activity in the United States represents over half the total worldwide, involving on average one-twelfth and a peak of one-fifth of total market capitalisation per year, more than twice the share for the United Kingdom and 15 times those of Japan and Germany.

Figure 2

Number and Value of Merger and Acquisition Transactions in the United States, 1968–95



Source: Council of Economic Advisers and *Mergerstat Review*

These transactions boost efficiency in a number of ways, primarily by transferring assets to the control of those who value them the most, but they may also reflect socially counter-productive behaviour such as rent-seeking, tax-minimisation, elimination of wage premia, and so on; and they are a costly way of aligning investors' and managers' interests. Views therefore differ widely about the efficiency of mergers, and management has often been able to deter the possibility of take-over by changes in corporate charters or by resorting to a variety of blocking measures passed by individual states.

The current policy debate is coloured by continued corporate 'downsizing', even though the economy is expanding; concomitantly, executive pay is rising swiftly. Heightened concern over the rush to lay off employees has led to calls that corporations should show more social responsibility and that the maximisation of share values should be abandoned as the sole business objective in favour of a broadly defined 'stake-holder' approach.

Stake-holder systems of various kinds are present in many other OECD countries. They promote a higher degree of trust, loyalty and commitment among the various parties (share-holders, creditors, employees, customers and localities), thereby allowing increased investment in firm-specific assets, such as employee training. But they tend to reduce the focus on profit-maximisation and to slow adjustment to external shocks. Even so, it would be helpful in a number of respects if non-owner stake-holders did have a bigger voice in US governance fora, not least the board of directors. Banks could be allowed to own equities so that they could derive clearer benefits from the success of their corporate clients and would thus undertake more monitoring. And, since so few US workers are represented by trade unions, employees could be given a larger say in the running of the firm so that their firm-specific human capital be adequately safeguarded – by, for example, having more of their pay provided in the form of equity.

The other long-standing subject of debate is whether the existing set of institutions, laws and regulations do a good job in minimising the costs which arise from the separation of ownership from control. The case that US markets suffer from 'short-termism' is unconvincing. US firms have been regaining competitive ground in the 1990s: they are export leaders; they have a strong network of overseas subsidiaries; they generate substantial income in the form of royalties and licence fees based on their stock of research and development capital; and they manage fixed capital so well that they can afford to invest less than most of their rivals. Judged by results, the US system of corporate governance appears to function at least as well as any other. ■

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Indicators

Definitions and Notes

Gross Domestic Product	*Volume series, seasonally adjusted except for Czech Republic and Portugal*
Leading Indicator	*A composite indicator, based on other indicators of economic activity (employment, sales, income, etc.), 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; not seasonally adjusted except for Australia, the United Kingdom and the United States*
Unemployment Rate	*% of civilian labour force – ILO standardised unemployment rate; national definitions for Czech Republic, Iceland, Mexico, Switzerland and Turkey; seasonally adjusted apart from Turkey*
Interest Rate	*Three months, except for Greece (twelve months)*
..	*not available*

Source: **Main Economic Indicators**, *OECD Publications, Paris, November 1996.*

AUSTRALIA	period	% change from previous period	year
Gross Domestic Product	Q2 96	0.3	4.5
Leading Indicator	Sep. 96	0.2	1.2
Consumer Price Index	Q3 96	0.3	2.1
		current period	same period last year
Current Balance	Aug. 96	-1.04	-1.15
Unemployment Rate	Sep. 96	8.7	8.4
Interest Rate	Sep. 96	6.91	7.50

AUSTRIA	period	% change from previous period	year
Gross Domestic Product	Q4 95	0.0	0.3
Leading Indicator	Sep. 96	0.9	4.3
Consumer Price Index	Sep. 96	-0.8	2.0
		current period	same period last year
Current Balance	Aug. 96	0.04	0.05
Unemployment Rate	Aug. 96	4.1	3.9
Interest Rate	Oct. 96	3.32	4.18

BELGIUM	period	% change from previous period	year
Gross Domestic Product	1994		2.2
Leading Indicator	Sep. 96	1.1	5.9
Consumer Price Index	Oct. 96	0.3	2.5
		current period	same period last year
Current Balance	Q4 94	3.87	4.07
Unemployment Rate	Aug. 96	9.8	9.9
Interest Rate	Sep. 96	3.10	4.20

CANADA	period	% change from previous period	year
Gross Domestic Product	Q2 96	0.3	1.2
Leading Indicator	Sep. 96	0.1	4.2
Consumer Price Index	Sep. 96	0.1	1.5
		current period	same period last year
Current Balance	Q2 96	0.86	-3.81
Unemployment Rate	Sep. 96	9.9	9.2
Interest Rate	Oct. 96	3.49	6.64

CZECH REPUBLIC	period	% change from previous period	year
Gross Domestic Product	Q2 96	3.5	4.0
Leading Indicator		..	..
Consumer Price Index	Sep. 96	0.3	8.8
		current period	same period last year
Current Balance	Q2 96	-1.16	-0.51
Unemployment Rate	Sep. 96	3.2	3.0
Interest Rate	Sep. 96	12.56	11.02

DENMARK	period	% change from previous period	year
Gross Domestic Product	Q2 96	1.0	2.2
Leading Indicator	Aug. 96	0.0	7.4
Consumer Price Index	Sep. 96	0.5	2.3
		current period	same period last year
Current Balance	Q2 96	0.77	0.50
Unemployment Rate	Aug. 96	6.1	7.2
Interest Rate	Sep. 96	3.70	5.70

FINLAND	period	% change from previous period	year
Gross Domestic Product	Q2 96	0.2	1.6
Leading Indicator	Apr. 96	2.4	0.2
Consumer Price Index	Sep. 96	0.2	0.5
		current period	same period last year
Current Balance	Aug. 96	0.52	0.62
Unemployment Rate	Aug. 96	16.0	16.5
Interest Rate	Oct. 96	3.10	5.61

FRANCE	period	% change from previous period	year
Gross Domestic Product	Q2 96	-0.4	0.5
Leading Indicator	Sep. 96	1.5	5.6
Consumer Price Index	Sep. 96	0.4	1.6
		current period	same period last year
Current Balance	Q2 96	3.15	4.73
Unemployment Rate	Aug. 96	12.4	11.5
Interest Rate	Oct. 96	3.51	6.87

GERMANY	period	% change from previous period	year
Gross Domestic Product	Q2 96	1.5	1.1
Leading Indicator	Sep. 96	0.6	3.0
Consumer Price Index	Sep. 96	-0.1	1.4
		current period	same period last year
Current Balance	Jul. 96	-2.89	-3.93
Unemployment Rate	Aug. 96	8.9	8.2
Interest Rate	Sep. 96	3.12	4.19

GREECE	period	% change from previous period	year
Gross Domestic Product	1994		1.5
Leading Indicator	Sep. 96	2.0	1.8
Consumer Price Index	Sep. 96	3.0	8.5
		current period	same period last year
Current Balance	Jun. 96	-0.46	-0.15
Unemployment Rate		..	..
Interest Rate	Oct. 96	12.30	14.00

ICELAND	period	% change from previous period	year
Gross Domestic Product	1995		2.1
Leading Indicator		..	..
Consumer Price Index	Oct. 96	0.1	2.1
		current period	same period last year
Current Balance	Q2 96	-0.06	0.01
Unemployment Rate	Sep. 96	5.0	5.3
Interest Rate	Sep. 96	6.70	7.50

Note: figures for Hungary are in preparation.

Ireland

	period	% change from previous: period	year
Gross Domestic Product	1994		6.7
Leading Indicator	Sep. 96	3.0	9.3
Consumer Price Index	Q3 96	0.5	1.5
		current period	same period last year
Current Balance	Q1 96	-0.03	-0.13
Unemployment Rate	Aug. 96	12.5	12.8
Interest Rate	Sep. 96	5.69	5.88

Italy

	period	% change from previous: period	year
Gross Domestic Product	Q2 96	-0.4	0.7
Leading Indicator	Sep. 96	0.6	-0.3
Consumer Price Index	Oct. 96	0.1	3.0
		current period	same period last year
Current Balance	Jun. 96	4.26	2.99
Unemployment Rate	July 96	12.2	12.0
Interest Rate	Oct. 96	8.02	10.77

Japan

	period	% change from previous: period	year
Gross Domestic Product	Q2 96	-0.7	3.9
Leading Indicator	Sep. 96	0.4	2.9
Consumer Price Index	Sep. 96	0.4	0.0
		current period	same period last year
Current Balance	Aug. 96	4.27	6.86
Unemployment Rate	Sep. 96	3.3	3.2
Interest Rate	Sep. 96	0.54	0.59

Luxembourg

	period	% change from previous: period	year
Gross Domestic Product	1994		4.2
Leading Indicator	Sep. 96	1.4	7.8
Consumer Price Index	Sep. 96	0.1	1.3
		current period	same period last year
Current Balance		..	..
Unemployment Rate		..	..
Interest Rate		..	..

Mexico

	period	% change from previous: period	year
Gross Domestic Product	Q2 96	2.4	7.2
Leading Indicator	Sep.96	0.7	2.9
Consumer Price Index	Sep. 96	1.6	30.0
		current period	same period last year
Current Balance	Q2 96	0.66	0.44
Unemployment Rate	Aug. 96	5.0	7.2
Interest Rate	Sep. 96	27.79	34.33

Netherlands

	period	% change from previous: period	year
Gross Domestic Product	Q1 96	0.9	1.8
Leading Indicator	Sep. 96	0.1	2.8
Consumer Price Index	Sep. 96	0.9	2.0
		current period	same period last year
Current Balance	Q1 96	4.06	4.21
Unemployment Rate	July 96	6.7	6.9
Interest Rate	Oct. 96	2.89	3.94

New Zealand

	period	% change from previous: period	year
Gross Domestic Product	Q2 96	0.0	0.5
Leading Indicator		..	..
Consumer Price Index	Q3 96	0.6	2.4
		current period	same period last year
Current Balance	Q2 96	-0.57	-0.56
Unemployment Rate	Q2 96	6.1	6.3
Interest Rate	Oct. 96	9.59	8.68

Norway

	period	% change from previous: period	year
Gross Domestic Product	Q2 96	-0.5	5.0
Leading Indicator	Sep. 96	0.6	1.1
Consumer Price Index	Sep. 96	0.5	1.3
		current period	same period last year
Current Balance	Q2 96	2.46	0.81
Unemployment Rate	Q2 96	5.0	5.2
Interest Rate	Oct. 96	5.04	5.34

Portugal

	period	% change from previous: period	year
Gross Domestic Product	Q4 95	5.0	3.7
Leading Indicator	Jul. 96	1.8	5.9
Consumer Price Index	Sep. 96	0.0	3.4
		current period	same period last year
Current Balance	Q4 95	-0.12	-1.04
Unemployment Rate	Aug. 96	7.1	7.2
Interest Rate	Sep. 96	7.21	9.25

Spain

	period	% change from previous: period	year
Gross Domestic Product	Q2 96	0.5	1.9
Leading Indicator	Aug. 96	-0.1	0.2
Consumer Price Index	Sep. 96	0.2	3.6
		current period	same period last year
Current Balance	Aug. 96	1.38	0.94
Unemployment Rate	Aug. 96	21.3	22.9
Interest Rate	Oct. 96	6.85	9.48

Sweden

	period	% change from previous: period	year
Gross Domestic Product	Q2 96	0.7	1.5
Leading Indicator	Sep. 96	1.6	6.4
Consumer Price Index	Sep. 96	0.6	-0.1
		current period	same period last year
Current Balance	Aug. 96	0.69	-0.15
Unemployment Rate	Aug. 96	9.8	8.8
Interest Rate	Oct. 96	4.61	8.86

Switzerland

	period	% change from previous: period	year
Gross Domestic Product	Q2 96	-0.2	-0.5
Leading Indicator	Sep. 96	0.6	3.4
Consumer Price Index	Oct. 96	0.2	0.9
		current period	same period last year
Current Balance	Q2 96	4.55	4.63
Unemployment Rate	Sep. 96	4.8	4.1
Interest Rate	Oct. 96	1.55	2.15

Turkey

	period	% change from previous: period	year
Gross Domestic Product	Q1 96	6.5	8.2
Leading Indicator		..	..
Consumer Price Index	Oct. 96	6.5	79.6
		current period	same period last year
Current Balance	Q4 95	-2.35	0.34
Unemployment Rate	Q2 96	6.3	7.2
Interest Rate	Jul. 96	95.58	66.98

United Kingdom

	period	% change from previous: period	year
Gross Domestic Product	Q2 96	0.5	2.1
Leading Indicator	Sep. 96	0.4	3.4
Consumer Price Index	Sep. 96	0.5	2.1
		current period	same period last year
Current Balance	Q2 96	0.70	-1.53
Unemployment Rate	Aug. 96	8.2	8.7
Interest Rate	Oct. 96	5.94	6.73

United States

	period	% change from previous: period	year
Gross Domestic Product	Q3 96	0.5	2.3
Leading Indicator	Sep. 96	0.2	6.9
Consumer Price Index	Sep. 96	0.3	3.0
		current period	same period last year
Current Balance	Q2 96	-38.78	-40.98
Unemployment Rate	Sep. 96	5.2	5.6
Interest Rate	Oct. 96	5.41	5.79

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Export Fruit Boom from the South: A Threat for the North?

September 1996

Since 1985, the volume of world trade of temperate-climate fruit (apples, pears, peaches, plums, apricots, grapes and kiwifruit) has risen by about 30%. While trade was formerly local or regional, it occurs now from one hemisphere to another, due in particular to progress in preservation and transport techniques of fresh fruit. This boom in exports of temperate-climate fruit from the southern hemisphere – especially from Chile, Argentina, New Zealand and South Africa – is a major development in the last decade in world trade of fresh fruit. Will the boom continue?

This publication analyses the basic trends in trade of the major temperate-climate fruit between both hemispheres and clarifies the causes and consequences of the increased importance and internationalisation of these trade flows. It also examines the future trading environment for these fruit in the post-Uruguay Round era.

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Reconciling Pressures on the Coastal Zone Fisheries and Aquaculture

July 1996

Valuable coastal zones are subject to mounting pressure from pollution, demographic trends and tourism, among other things. Increased demand for limited coastal-zone resources has often resulted in conflict among competing user-groups. The strain on fishery-dependent communities which are often affected by reduced fishing opportunities and limited employment alternatives has been particularly acute. These papers assess the impact of these pressures on the fishing and aquaculture industries. This publication complements *Coastal Zones Management: Integrated Policies*, 1993.

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Reforming Dairy Policy

August 1996

The economic importance of the dairy sector in all OECD countries and the high volumes of support place dairy policy in the forefront of discussions concerning agricultural policy reform. A broader 'agro-food' approach recognises that intra-industry linkages within the food chain can affect the outcomes of agricultural policies which, while generally directed at farms themselves, can also influence the structure and performance of upstream and downstream industries.

What is the impact of dairy policies on the structure and performance of the agro-food industry as a whole? Drawing on the experience of Canada, the Netherlands, New Zealand, the United States and the United Kingdom, this book examines the historical rationale behind government intervention in the dairy industry, highlights examples of policy impacts on sector structure and performance, discusses the pressures and options for policy reform and addresses agricultural policy reform issues.

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    FF200 £26 US$40 DM60

Competition and Consumer Policy

Consumer Product Safety Standards and Conformity Assessment
Issues in a Global Marketplace

September 1996

See Christopher Wagner, 'Safe Products and Global Trade', **The OECD Observer**, No. 202, October/November 1996.

(24 96 01 1) ISBN 92-64-15298-9, 166pp.
FF220 £28 US$43 DM64 ¥4,650

Development and Aid

China in the 21st Century
Long-term Global Implications

September 1996

See Barrie Stevens, 'China Enters the 21st Century', **The OECD Observer**, No. 201, August/September 1996.

(03 96 05 1) ISBN 92-64-14924-4, 134pp.
FF70 £9 US$14 DM20 ¥1,500

OECD Development Centre

Development Centre Studies

Corporate Bankruptcy in India
A Comparative Perspective

Omkar Goswami

September 1996

A central tenet of comprehensive reform programmes is that resources wasted in obsolete and inefficient production be freed for more productive use. This study on corporate bankruptcy in India, anchored in theory and with an international perspective, focuses on important relationships between corporate distress and the financial sector.

It proposes that bankruptcy procedures be changed in order to preserve private incentives, rely on market forces, and gain credibility. In particular, it proposes debt-equity swaps and auction systems whose proceeds transform creditors into equity holders.

(41 96 11 1) ISBN 92-64-15299-7, 116pp.
FF110 £14 US$22 DM32 ¥2,300

Development Centre Studies
Long-Term Growth Series

Financial Development Policy and Growth

Edited by J.-C. Berthélemy and A. Varoudakis

September 1996

This book provides conclusive evidence, using econometric techniques and country case studies, that the relationship between financial development and overall economic growth is reciprocal. By aligning these two factors, the authors identify four 'convergence clubs', groups of economies heading for different growth regimes. Identifying the category into which a country falls can help policy-makers devise the most beneficial policies to avoid the poverty trap and resume a growth trajectory. The study concludes that these policies must include the creation of an appropriate macro-economic environment for developing the financial sector and building stable institutions.

(41 96 09 1) ISBN 92-64-15297-0, 146pp.
FF125 £16 US$25 DM37 ¥2,600

Development Centre Studies

Privatisation in Pakistan

Edited by S. Aziz and C. Foy

October 1996

Pakistan's former finance minister gives a detailed account of the ambitious privatisation programme in his country. This publication emphasises three features of particular interest to authorities responsible for implementing large-scale privatisation: overcoming reluctance on the part of public employees; implementing privatisation operations; and maximising fiscal revenues through open sale auctions.

(41 96 13 1) ISBN 92-64-15310-1, 75pp.
FF70 £9 US$14 DM20 ¥1,450

Development Centre Seminars

Policy Reform in India

October 1996

Policy changes in India have transformed its economy. Today, it is less highly inward-oriented and more open and market-driven. The implications of the completed reforms and those which, the authors argue, still have to come, will be profound and will be useful for all developing countries undergoing similar experiences.

The Indian experts of the three principal papers provide particular insight into external liberalisation, public-sector restructuring and legal reform. They argue that these three areas must continue to attract priority attention if India's economic reform and growth process is to continue. These papers are commented upon by OECD experts, providing a complementary discussion that offers some insights into broad policy concerns.

(41 96 10 1) ISBN 92-64-15308-X, 167pp.
FF155 £20 US$30 DM45 ¥3,300

Soldiers to the Rescue
Humanitarian Lessons from Rwanda

Larry Minear and Philippe Guillot, in collaboration with Thomas J. Watson, Jr., Institute for International Studies, Brown University

August 1996

The human tragedy in Rwanda came upon most people unawares. Huge numbers of people suddenly became refugees after hundreds of thousands of Rwandans had died in genocidal violence. In the desperate conditions which ensued, governments and voluntary bodies tried to cope with a totally new and potentially overwhelming situation. The military seemed to have much of the competence and many of the capacities required.

This book explores the activities of the military from many countries in the aftermath of the Rwandan genocide and exodus. The authors reveal both the advantages and the drawbacks of using troops in humanitarian roles, and demonstrate the extreme difficulty of carrying out realistic analyses of cost effectiveness. The book will form an important part of the attempt at evaluation of efficiency in humanitarian activity in crisis situations.

(41 96 08 1) ISBN 92-64-14917-1, 200pp.
FF150 £19 US$30 DM44 ¥3,160

Development Co-operation Review Series

No. 17: New Zealand

August 1996

(43 96 11 1) ISBN 92-64-14904-X, 48pp.
FF85 £11 US$17 DM25

No. 18: Australia

August 1996

(43 96 12 1) ISBN 92-64-14905-8, 64pp.
FF85 £11 US$17 DM25

No. 19: Sweden

October 1996

(43 96 13 1) ISBN 92-64-15285-7, 80pp.
FF90 £12 US$18 DM26 ¥1,900

External Debt Statistics
Resource Flows, Debt Stocks and Debt Service, 1984–1995

August 1996

(43 96 09 3) ISBN 92-64-04849-9, bilingual, 218pp.
FF195 £25 US$39 DM57

Also available on diskette and magnetic tape.

Economy

OECD Economic Surveys

Germany

August 1996

See Eckhard Wurzel, 'Germany: The Welfare System', **The OECD Observer**, No. 202, October/November 1996.

(10 96 15 1) ISBN 92-64-15278-4, 220pp.

Greece

July 1996

(10 96 16 1) ISBN 92-64-14928-7, 141pp.

Portugal 1995–1996

August 1996

See Flavia Terribile, 'Portugal: Reforming the Social-security System', **The OECD Observer**, No. 201, August/September 1996.

(10 96 23 1) ISBN 92-64-14927-9, 204pp.

Turkey 1995–1996

September 1996

(10 96 27 1) ISBN 92-64-15304-7, 156pp.

FF145 £16 US$26 DM40

ISSN 0376-6438
1996 subscription:
FF1,750 £240 US$385 DM550

Also available as electronic books.

CCET (Centre for Co-operation with the Economies in Transition)

OECD Economic Surveys

The Slovak Republic 1996

September 1996

(10 96 33 1) ISBN 92-64-15303-9, 160pp.
FF145 £16 US$26 DM40
ISSN 0376-6438
1996 subscription:
FF1,750 £240 US$385 DM550

Education

Centre for Educational Research and Innovation

OECD Documents

Internationalisation of Higher Education

September 1996

See Yu Kameoka, 'The Internationalisation of Higher Education', **The OECD Observer**, No. 202, October/November 1996.

(96 96 07 1) ISBN 92-64-15288-1, 136pp.
FF95 £12 US$19 DM28 ¥2,000

Successful Services for our Children and Families at Risk

October 1996

See Peter Evans, 'Co-ordinating Services for Children at Risk', **The OECD Observer**, No. 202, October/November 1996.

(96 96 05 1) ISBN 92-64-15305-5, 220pp.
FF220 £28 US$43 DM64 ¥4,650

PEB - Programme on Educational Building

Schools for Today and Tomorrow
An International Compendium of Exemplary Educational Facilities

September 1996

What makes a good school building? This unique, full-colour book brings together photographs and descriptions of 46 fine schools from across the OECD area selected by an international jury from almost 200 nominations. These schools exemplify what is best about recent educational-building design and management.

The projects described range from major new buildings to small-scale adaptations and include educational facilities for all ages. Some are in city centres, others in rural villages; they cover the latest in educational technology and the best in sensitive restoration of historic buildings. This book will give a wealth of valuable pointers to those involved in designing schools of the future.

(95 96 05 1) ISBN 92-64-15291-1, 144pp.
FF200 £26 US$40 DM60 ¥4,200

OECD Documents

Managing Information Strategies in Higher Education

October 1996

In an increasingly complex and open context, higher-education institutions must develop real information strategies. Thanks to progress in information technology, the major responsibilities of these institutions – teaching and learning, research, documentation, management and administration – can be handled more efficiently than in the past. But moving to an institutional strategy requires certain conditions which are carefully analysed in this volume.

Depending on institutional planning, the size and specificity of student-owned computing (which implies the emergence of the 'electronic campus') and the changes in the role of institutional computing centres must all be considered. In addition, the growing autonomy of institutions of higher education implies that executive information systems must also be developed. Finally, creating a complete, integrated system for using information technology implies that finance and cost-related problems of such a strategy be resolved. Case studies complete the presentation of the issues.

(91 96 08 1) ISBN 92-64-15309-8, 130pp.
FF100 £13 US$20 DM29 ¥2,100

Information Technology and the Future of Post-secondary Education

August 1996

(96 96 04 1) ISBN 92-64-14923-6, 138pp.
FF110 £14 US$22 DM32

Reviews of National Policies for Education

Czech Republic

September 1996

(91 96 09 1) ISBN 92-64-15307-1, 196pp.
FF170 £22 US$33 DM50 ¥3,600

Poland

August 1996

(91 96 07 1) ISBN 92-64-14897-3, 154pp.
FF170 £22 US$33 DM49

Energy

IEA (International Energy Agency)

Coal Information 1995

August 1996

This volume is a comprehensive reference book on current world coal market trends and long-term prospects to 2010. It contains an in-depth analysis of the 1995 international coal market, covering prices, demand, trade, supply and production capacity as well as over 450 pages of country-specific statistics on OECD and key non-OECD coal producing and consuming countries. The book also includes a summary of environmental policies on climate change and on coal-related air-quality issues as well as essential facts on coal-fired power stations in coal-importing regions, on coal ports worldwide and on emission standards for coal-fired boilers in OECD countries.

(61 96 21 1) ISBN 92-64-14918-X, 670pp.
FF720 £91 US$140 DM210 ¥15,200
Also available on diskette.

Electricity Information 1995

August 1996

This annual publication brings together in one volume basic statistics compiled by the IEA on the electricity and heat-production industries in OECD countries. The statistics cover annual OECD data prices, production, consumption and trade. Detailed electricity and heat statistics are also presented for each OECD country.

The annual data presented in this publication complement the IEA's other statistical reports on electricity and heat.

(61 96 28 1) ISBN 92-64-15296-2, 628pp.
FF460 £59 US$90 DM135 ¥9,700
Also available on diskette.

Energy Statistics and Balances of Non-OECD Countries 1993/1994

August 1996

Contains a compilation of energy supply and consumption statistics for more than 100 non-OECD countries and regions, including developing countries, central and eastern European countries and the former USSR. Data are expressed in original units and in common units for coal, oil, gas, electricity, heat and combustible renewables and waste. Historical tables for both individual countries and regions summarise data on coal, oil, gas and electricity production, trade and consumption as well as main energy and economic indicators since 1971. Each issue includes definitions of products and flows and notes on the individual countries as well as conversion factors from original units to common energy units. Similar data for OECD are available in the IEA publications *Energy Statistics* and *Energy Balances of OECD Countries*.

(61 96 27 3) ISBN 92-64-04855-3, bilingual, 580pp.
FF570 £74 US$112 DM167 ¥12,000
Also available on diskette and magnetic tape.

Oil and Gas Information 1995

September 1996

(61 96 20 3) ISBN 92-64-04847-2, bilingual, 510pp.
FF640 £83 US$126 DM188 ¥13,500
Also available on diskette and magnetic tape.

Energy Policies of IEA Countries
1996 Review

September 1996

This edition contributes to the IEA's continuing analysis of energy policies and market developments. It reviews recent trends and developments in energy demand and supply, efficiency, technology and environment. It includes: critical reviews of all 23 IEA member countries, including the summaries of the in-depth reviews of Canada, France, the Netherlands, Portugal, Spain and Sweden. The full in-depth reviews are published as companion volumes to this compendium; an overview study which synthesises major energy policy developments and market trends in IEA member countries; an analysis of trends in key energy indicators over a 20-year period.

(61 96 25 1) ISBN 92-64-15271-7, 352pp.
FF380 £49 US$75 DM110 ¥8,000

Canada
1996 Review

October 1996

(61 96 23 1) ISBN 92-64-14920-1, 110pp.
FF160 £21 US$32 DM47 ¥3,350

Portugal
1996 Review

October 1996

(61 96 29 1) ISBN 92-64-15301-2, 80pp.
FF130 £17 US$26 DM38 ¥2,800

Sweden
1996 Review

September 1996

(61 96 26 1) ISBN 92-64-15272-5, 112pp.
FF140 £18 US$28 DM40 ¥2,950

Energy Technology for the 21st Century

October 1996

This study assesses the long-term technical and economic potential of new energy technologies to respond to the energy security and environmental concerns of IEA member countries. The strategic focus for the future rests on a number of options: advanced technologies for clean coal conversion and use; improved natural gas transportability; enhanced hydrocarbon production; extensive use of new renewable energy sources; advanced nuclear fission power systems; nuclear fusion feasibility; environmentally sound electricity production and demand side management; clean car technologies and alternative transport fuels; technologies for more efficient and flexible energy end-use.

The study identifies R&D priorities and options that IEA member governments may wish to consider in their energy programmes. The effects and promise of technology R&D measures to encourage industry participation and enhanced international co-operation are considered.

(61 96 30 1) ISBN 92-64-15325-X, 304pp.
FF380 £49 US$75 DM119 ¥8,000

Indicators of Energy Use and Efficiency

August 1996

(61 96 22 1) ISBN 92-64-14919-8, 180pp.
FF250 £32 US$49 DM73 ¥5,200

North Africa Oil and Gas

October 1996

(61 96 33 1) ISBN 92-64-15330-6, 210pp.
FF290 £37 US$57 DM85 ¥6,100

Regulatory Reform in Mexico's Natural Gas Sector

October 1996

In recent years Mexico has implemented remarkable structural changes in its economy. But until recently its important energy sector was largely unreformed. This is now changing. In 1995 the Mexican government introduced legislative changes permitting private-sector involvement in natural-gas storage, transport and distribution. Subsequent directives set up a detailed regulatory framework. These developments offer considerable promise, not only for development of the natural-gas sector but also for growth in the closely linked electricity sector.

This study analyses the changes which have taken place and the rationale for the regulatory framework which has been established. The study also contains recommendations to assist the government of Mexico in implementing effectively its reforms of the natural-gas sector and in maximising the benefits to be realised through the new regulatory framework.

(61 96 24 1) ISBN 92-64-14926-0, 224pp.
FF310 £40 US$60 DM90 ¥6,500

NEA (Nuclear Energy Agency)

SATIF-2
Shielding Aspects of Accelerators, Targets and Irradiation Facilities

September 1996

(66 96 11 1) ISBN 92-64-15287-3, 322pp.
FF350 £45 US$69 DM103 ¥7,400

Environment

OECD Environmental Performance Reviews

Sweden

September 1996

This report is part of the recent OECD Environmental Performance Review Programme which conducts peer reviews of environmental conditions and progress in each member country. It scrutinises efforts to meet both domestic objectives and international commitments. Evaluating progress in reducing the pollution burden, improving natural resource management, integrating environmental and economic policies, and strengthening international co-operation is also central to these reviews. The analyses presented are supported by a broad range of economic and environmental data.

Environmental performance reviews of Austria, Bulgaria, Canada, Germany, Iceland, Italy, Japan, the Netherlands, New Zealand, Norway, Poland, Portugal, the United Kingdom and the United States have already been published.

(97 96 11 1) ISBN 92-64-15280-6, 204pp.
FF180 £23 US$35 DM55 ¥4,140

Eighth Addendum to the OECD Guidelines for the Testing of Chemicals, July 1996

September 1996

(97 96 54 1) ISBN 92-64-15277-6, 60pp.
FF130 £17 US$26 DM38 ¥2,700

Washington Waste Minimisation Workshop
Volume I: Five Waste Streams to Reduce
Volume II: Which Policies, Which Tools?

September 1996

OECD countries continue to generate increasing amounts of waste. Governments, local communities, industries and consumers must contend with the serious challenges of managing this waste, and its associated costs. Consequently, policy-makers have come to envisage a new integrated, preventive approach to avoid or reduce waste generation and its hazards.

A workshop, bringing together representatives from governments, industry, environmental non-governmental organisations and inter-governmental organisations, was organised in Washington DC to allow OECD countries to share experiences with respect to waste minimisation and to highlight common policy problems.

These Workshop Proceedings, published in two volumes, provide a unique synthesis of knowledge and experiences carried out in many countries. The first volume, *Five Waste Streams to Reduce*, focuses on minimising five particularly representative waste streams: packaging, electronic scrap, used lead-acid batteries, metal-plating waste and end-of-life vehicles. The second volume, *Which Policies, Which Tools?* raises five cross-cutting issues related to waste minimisation. How do we measure and assess waste streams? What are the most efficient instruments for reducing waste? It also includes the

Corrigendum

In the table accompanying 'An Agreement on Investment' by William H. Witherell (**The OECD Observer**, No. 202, October/November 1996, p. 9), Spain was omitted. The complete table is reproduced below.

Table
Direct Investment Flows in OECD Countries, 1993–95
$million

	Inflows			Outflows		
	1993	1994	1995[a]	1993	1994	1995[a]
Australia	3,381	3,789	..	1,087	5,908	..
Austria	982	1,314	530	1,467	1,201	1,050
Belgium-Luxembourg[1]	10,458	8,899	..	3,843	2,492	..
Canada[1]	4,980	6,031	11,182	5,805	4,778	4,782
Czech Republic	568	862	2,558	90	116	..
Denmark	1,684	4,890	4,179	1,379	4,040	3,018
Finland	865	1,578	917	1,407	4,298	1,517
France[1]	12,142	10,955	12,156	12,167	10,895	9,582
Germany	240	–3,003	9,012	19,557	14,587	34,890
Greece	977	981	..	..	..	..
Hungary	2,339	1,320	4,570	11	49	1,480
Iceland[1]	–5	..	..	16	..	..
Ireland	88	90	..	..	..	..
Italy[1]	3,751	2,236	4,347	7,231	5,108	3,210
Japan[1]	86	888	37	13,714	17,938	22,262
Mexico	4,901	7,978	4,500	..	..	..
Netherlands	6,507	4,371	5,889	10,993	11,502	7,929
New Zealand	2,376	2,790	2,796	–1,455	2,259	1,483
Norway	1,951	651	1,363	882	1,862	2,446
Portugal	1,378	1,254	533	107	283	606
Spain[1]	6,746	10,024	6,936	2,599	3,899	3,532
Sweden	3,690	6,328	13,672	1,394	6,612	10,367
Switzerland	–83	3,229	..	8,765	11,026	..
Turkey	1,016	830	935	175	78	165
United Kingdom	14,536	11,066	29,910	25,697	29,721	37,839
United States	41,108	49,448	74,701	72,601	49,370	96,897
Total OECD	126,662	138,799	190,723	189,532	188,022	243,055

a. Provisional figures.
1. Reinvested earnings are excluded from national statistics.
Source: OECD

conclusions and recommendations of the Workshop.
(97 96 10 1) ISBN 92-64-15295-4, 310pp. + 246pp.
FF550 £70 US$108 DM160 ¥11,600

Financial, Fiscal and Enterprise Affairs

Model Tax Convention on Income and on Capital September 1996 Condensed Version

August 1996

This publication is the second edition of the condensed version of another OECD publication entitled *Model Tax Convention on Income and on Capital*, which is produced in a loose-leaf format to accommodate yearly updates. This shorter version contains the full text of the Model Tax Convention as it read on 1 September 1996, but omits the historical notes and annexes, which include a detailed list of tax conventions between OECD countries and the text of the Recommendations of 31 March 1994 and 21 September 1995. It is the intention of the OECD to continue to regularly publish condensed versions that will take into account all previous updates to the Model Tax Convention.
(23 96 03 1) ISBN 92-64-15284-9, 254pp.
FF150 £19 US$30 DM44 ¥3,150

Revenue Statistics 1965–1995 1996 Edition

August 1996
(23 96 01 3) ISBN 92-64-04841-3, bilingual, 300pp.
FF320 £41 US$63 DM94 ¥6,740
Also available on diskette and magnetic tape.

OECD Reviews of Foreign Direct Investment

France

September 1996

Liberalisation of foreign direct investment (FDI) has been an essential element in the increasing internationalisation of the economy, and has enhanced France's image as an FDI host country. Thanks to a surge in direct investment flows since 1984–85, France has become the third-ranking country in the OECD area in terms of inward FDI and fourth in terms of outward FDI at end 1994. The abrogation in early 1996 of the prior approval regime for non-European Union member states has eliminated the discriminatory element from French regulation, setting foreign investors on an equal footing.

What role does French policy on FDI play in the national economy? What are the consequences of the rationalisation of the state's role in the economy and of private practices on FDI? This book assesses the important policy changes made and recommends new measures to open up certain sectors to all OECD investors.
(21 95 54 1) ISBN 92-64-15281-4, 96pp.
FF115 £15 US$20 DM37

OECD Documents

Tax Treaties OECD Member Countries and Dynamic Non-Member Economies

October 1996
(23 96 04 1) ISBN 92-64-15331-4, 224pp.
FF160 £21 US$32 DM47 ¥3,400

Industry, Science and Technology

Maritime Transport 1994 1996 Edition

August 1996

How can the liberalisation of maritime transport be consolidated and sustained? How can the enforcement of safety rules be improved? How can a better framework for free and fair competition be achieved, as well as better convergence of competition rules? Can the rollback of government support to the shipping industry be envisaged? These are the issues that the OECD countries are trying to solve, both within the Organisation and as part of the dialogue with non-member countries.

1994 was a good year for shipping. The economic climate was better than in previous years and almost all the markets benefited, although developments in the oil-shipment market were disappointing. Further restructuring began in liner shipping, with the introduction of large vessels and substantial changes to industrial co-operation agreements. These new investment programmes could increase the danger of overcapacity and a decline in freight rates.
(76 96 01 1) ISBN 92-64-14893-0, 170pp.
FF180 £24 US$36 DM53

Science, Technology and Industry Outlook 1996

October 1996
(92 96 07 1) ISBN 92-64-14910-4, 378pp.
FF365 £47 US$72 DM106
Also available on diskette and magnetic tape.

STI Review No. 18 Special Issue on Technology, Productivity and Employment

August 1996
(90 96 18 1) ISBN 92-64-14719-5, 170pp.
FF170 £20 US$32 DM53

OECD Documents

SMEs: Employment, Innovation and Growth The Washington Workshop

September 1996
(92 96 08 1) ISBN 92-64-15300-4, 73pp.
FF50 £6 US$10 DM15 ¥1,050

Labour Market and Social Issues

Employment Outlook, July 1996

July 1996

See 'The OECD Employment Outlook: Countering the Risks of Labour-Market Exclusion', **The OECD Observer**, No. 202, October/November 1996.
(81 96 08 1) ISBN 92-64-14900-7, 220pp.
FF305 £39 US$60 DM89

The Public Employment Service Germany, Austria, Sweden

September 1996

What should a national public employment service do for the unemployed? Austria, Germany and Sweden have similar policies and practices. Each country offers very extensive social safety nets and a traditionally strong commitment to 'active' goals of labour market policy, such as job-search assistance and enhancing the skills of the workforce. The employment service in all of these countries co-ordinates the three principal types of public intervention which the unemployed require: compensation, job counselling and brokerage, and admission to active labour market programmes. This publication examines these three core functions and explores the problems in implementing them efficiently.
(81 96 09 1) ISBN 92-64-14930-9, 124pp.
FF85 £10 US$18 DM25 ¥1,800

Social Policy Studies, No. 19

Caring for Frail Elderly People Policies in Evolution

September 1996

See Patrick Hennessy and Joshua Wiener, 'Paying for Care for the Elderly', **The OECD Observer**, No. 201, August/September 1996.
(81 96 06 1) ISBN 92-64-14892-2, 306pp.
FF325 £42 US$64 DM95

OECD Documents

The Changing Social Benefits in Russian Enterprises

August 1996
(14 96 15 1) ISBN 92-64-15282-2, 148pp.
FF100 £12 US$20 DM30 ¥2,100

Public Management

Integrating People Management into Public Service Reform

September 1996

In the context of major public-sector reform efforts in many OECD countries, increasing attention is being focused on the people-side of the reform equation – the human-resource management policies and practices available to public-sector managers to shape and direct the workforce to achieve new organisational goals.

The experiences of OECD countries show, that improving individual policies and practices is only part of the reform equation. The key factor lies in integrating human-resource management with the core business of the public service – the outcome and output goals of individual departments and agencies – and in doing so, ensuring that effective management of people is recognised as an indispensable ingredient for accomplishing the business of government.

Using surveys and selected country case studies, this monograph identifies the factors driving human-resource management reforms in the national public administrations of OECD countries. In offering the lessons drawn from these wide-ranging experiences to the attention of policy makers and practitioners, it identifies promising reform strategies for ensuring that human-resource management policies evolve in ways consistent with broader public-management reforms aimed at building more productive, performance-oriented and responsive public services.
(42 96 02 1) ISBN 92-64-15279-2, 278pp.
FF280 £36 US$55 DM82 ¥5,900

Public Management Occasional Papers

No. 9: Performance Management in Government Contemporary Illustrations

September 1996
(42 96 59 1) ISBN 92-64-15290-3, 110pp.
FF80 £10 US$16 DM23 ¥1,700

No. 10: Pay Reform in the Public Service
Initial Impact on Pay Dispersion in Australia, Sweden and the United Kingdom
September 1996
(42 96 60 1) ISBN 92-64-15293-8, 58pp.
FF40 £5 US$8 DM12 ¥850

No. 11: Managing Structural Deficit Reduction
September 1996
(42 96 61 1) ISBN 92-64-15294-6, 201pp.
FF150 £19 US$30 DM44 ¥3,150

No. 12: Building Policy Coherence
Tools and Tensions
October 1996
(42 96 62 1) ISBN 92-64-15335-7, 44pp.
FF35 £5 US$7 DM10 ¥750

Statistics

Main Economic Indicators
Sources and Definitions
May 1996
July 1996
This publication is the essential source of short-term statistics for OECD countries. It provides a complete and timely picture of the most recent changes in the economies of the OECD countries and puts them in an international context. The indicators selected cover national accounts, industrial production, business surveys, money and domestic finance, deliveries, stocks and orders, construction, domestic trade, labour, wages, prices, foreign finance, interest rates, foreign trade and balance of payments.
(31 96 13 1) ISBN 92-64-14921-X, 124pp.
FF155 £20 US$30 DM45

Services
Statistics on Value Added and Employment
August 1996
(30 96 07 3) ISBN 92-64-04851-0, bilingual, 322pp.
FF390 £50 US$77 DM114 ¥8,200
Also available on diskette.

Historical Statistics 1960–1994
1996 Edition
July 1996
(30 96 09 3) ISBN 92-64-04850-2, bilingual, 180pp.
FF200 £26 US$39 DM59 ¥4,210
Also available on diskette.

Territorial Development

Territorial Indicators of Employment
Focusing on Rural Development
September 1996
See pp. 22–26 of this issue of **The OECD Observer**.
(04 96 08 1) ISBN 92-64-15276-8, 182pp.
FF150 £19 US$30 DM44 ¥3,200

Tourism

OECD Tourism Statistics
Design and Application for Policy
September 1996
How does one measure the economic importance of tourism, one of the fastest growing industries worldwide? The OECD has developed a statistical approach to capture the economic weight of the tourism sector in terms of 'tourism economic accounts'. This publication demonstrates the analytical value of the approach and describes its application in OECD countries using a number of case studies. It also indicates that further work is required to complete the picture of the contribution of tourism to OECD economies.
(78 96 02 1) ISBN 92-64-15327-6, 96pp.
FF120 £15 US$24 DM35 ¥2,500

Trade

Trade, Employment and Labour Standards
A Study of Core Workers' Rights and International Trade
September 1996
See Raymond Torres, 'Labour Standards and Trade', **The OECD Observer**, No. 202, October/November 1996.
(22 96 03 1) ISBN 92-64-15270-9, 248pp.
FF245 £32 US$48 DM72 ¥5,200

Antitrust and Market Access
The Scope and Coverage of Competition Laws and Implications for Trade
September 1996
See Barry E. Hawk, 'Antitrust Policy and Market Access', **The OECD Observer**, No. 201, August/September 1996.
(22 96 04 1) ISBN 92-64-15274-1, 228pp.
FF350 £45 US$70 DM102 ¥7,400

Indicators of Tariff and Non-tariff Trade Barriers
September 1996
See pp. 27–31 of this issue of **The OECD Observer**.
(11 96 02 1) ISBN 92-64-14916-3, 66pp.
FF75 £10 US$15 DM22 ¥1,580
Also available on CD-ROM.

Transport

ECMT (European Conference of Ministers of Transport)

Speed Moderation
Road Safety
September 1996
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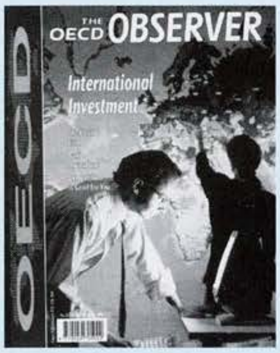

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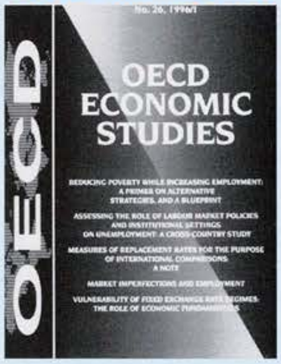

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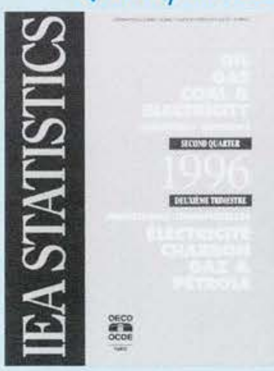

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(96 96 08 1) ISBN 92-64-15319-5, 1996, 120 pp.
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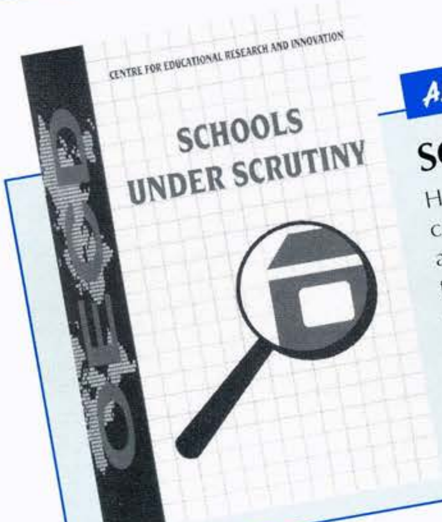

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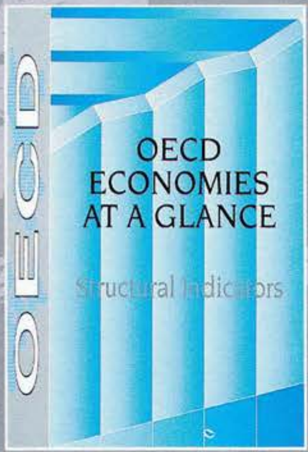

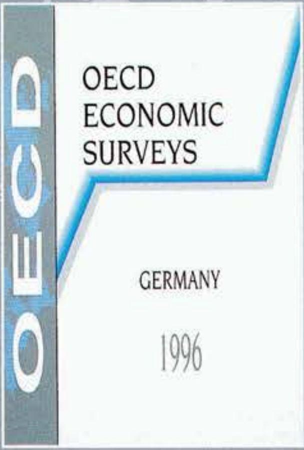

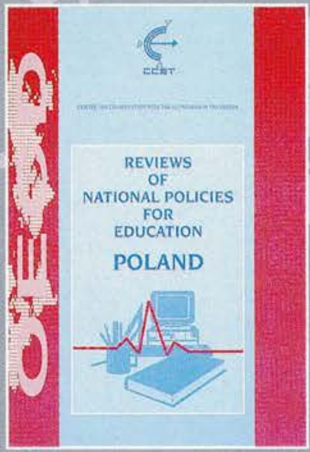

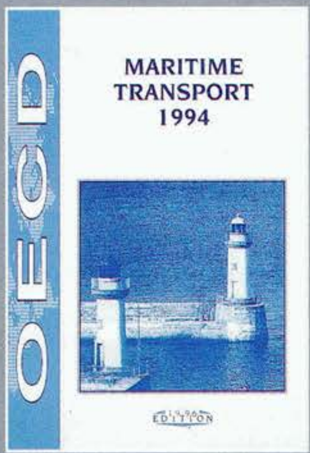

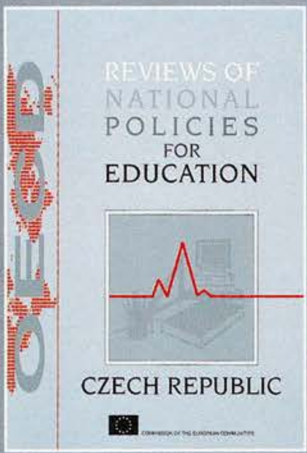

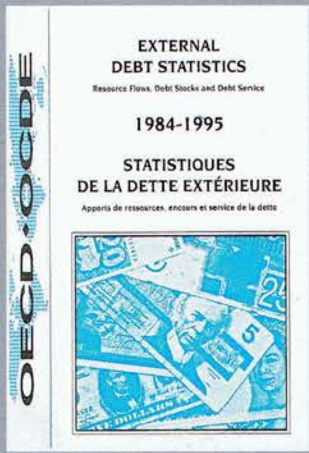

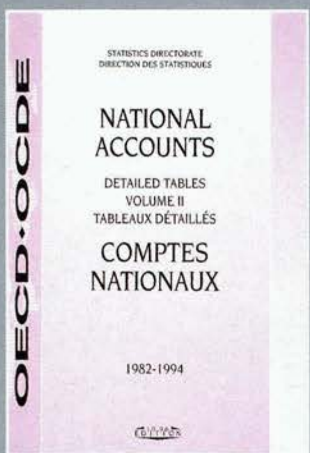

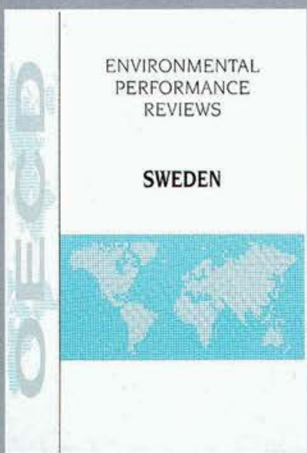

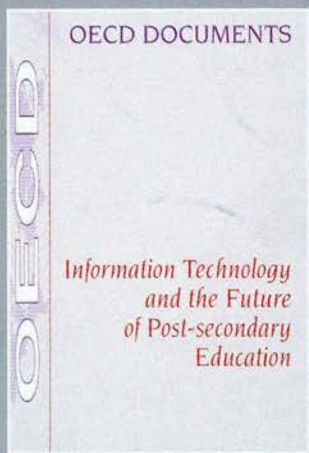

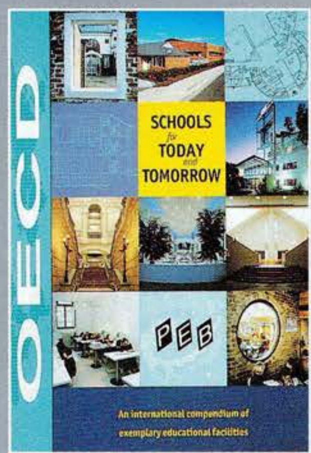

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