

OECD FORUM 2005

FUELLING THE FUTURE: Security, Stability, Development

Opening Session

Donald J. Johnston - Secretary-General, OECD

It is a great pleasure for me to welcome each and every one of you to this 2005 edition of the OECD Forum.

The Forum is a very important event in the life of the OECD. It brings together business and labour leaders, civil society personalities, government ministers and leaders of international organisations to discuss the key issues on the agenda of the annual OECD Ministerial meeting. This enables a broad range of interest groups in our society to contribute to the deliberations of OECD Ministers and to work together to reap the full benefits of globalisation.

We are very fortunate in this regard that two Ministers from Sweden will be participating in the Forum debates.

-- Minister of Sustainable Development, Mona Sahlin, who will be speaking following these remarks, will also be participating in the following session on energy and investment. She will take messages from the OECD Forum to the Ministerial meeting of the International Energy Agency which starts this afternoon, and also to tomorrow's joint ministerial session of the IEA and the OECD which will discuss the topic of energy and investment.

-- Swedish Minister for Industry and Trade, Thomas Östros, will be participating in some Forum sessions on trade and investment issues tomorrow, and report to the OECD Ministerial meeting on these discussions.

I should also mention that tomorrow we will have the honour of listening to keynote addresses from the chair of the OECD Ministerial, Sweden's Prime Minister Mr Goran Persson, and Thierry Breton, the Minister of Economy, Finance and Industry, from OECD's host country, France.

In short, this promises to be an exciting Forum. But for the Forum to be truly exceptional, we need the active participation of everyone in the debates and discussions. Under the theme of "Fuelling the Future: Security, Stability, Development", the Forum will deal with some of the most important challenges on the international agenda. I would like to offer a few comments on some of these challenges. First, the energy challenge ...

The energy challenge

Energy, and particularly oil prices, has returned to the headlines over the last year or so. This has reminded us all that energy-related issues represent one of the biggest

challenges facing the world in the 21st century. On the one hand, we know that global energy demand is rising dramatically, especially in developing countries. A massive investment of some 16 trillion dollars is needed to ensure secure and stable supplies to meet what the IEA forecasts will be a 60% increase in primary energy demand between 2002 and 2030. To give that astronomical figure some perspective, the required investment is roughly equivalent to the one-and-a-half times the size of the entire US economy, or about 2,500 dollars for each inhabitant currently on this earth!

This highlights the importance of the Forum discussions on how to ensure that sufficient investment will be forthcoming. Many issues are involved such as the need for greater geo-political stability, and sound regulatory and corporate governance policies in producer countries. Many of these producer countries are found in the Middle East and North African region (or MENA), and I am happy that these countries have asked the OECD to work with them in a new initiative which seeks to help public governance in the MENA countries, as well as to improve the attractiveness of the region for investors by addressing such areas as taxation, corporate governance, investment promotion and the transparency of investment policies. This is a good example of how the OECD can help countries advance towards their economic development goals by drawing on the OECD processes of monitoring and peer review. I am therefore delighted that we have with us at the Forum many representatives from the MENA countries.

I would now like to turn to another aspect of the energy challenge, which is climate change.

The challenge of climate change

Many scientists tell us that greenhouse gases in the atmosphere, especially CO₂, are approaching a threshold beyond which global warming will be irreversible. Clearly, in addition to putting in place adaptation policies to deal with climate change, we need to find a way of meeting our energy needs while reducing greenhouse gas emissions. Nuclear energy is one element in the future global energy mix for responding to the challenge of climate change.

Many, including the renowned scientist James Lovelock, originator of the Gaia hypothesis, deplore the fact that this technology has been abandoned by many countries. He sees nuclear energy as critical to check runaway and potentially catastrophic consequences of global warming. I am inclined to accept Lovelock's opinion over those who seem to indulge in wishful thinking rather than facing the harsh reality of what is happening to our planet.

The climate will probably change no matter what we now do, but we should, at the very least, make every effort to slow it down so as to permit the world to adapt. Nuclear energy is a critical element of that process. We ignore its importance at our peril.

Nuclear energy may also have an important role to play in securing energy supply for the developing world. To accelerate development in much of the non-OECD world, access to secure sources of energy will be essential and nuclear energy could be a

critical element of success in achieving poverty reduction and the long term development goals of the deprived areas of the planet.

I would now like to turn to the challenge of development.

The development challenge

Some five years ago, the international community committed itself to the Millennium Development Goals – development goals relating to fighting poverty, improving education and health, ensuring environment stability and developing global partnerships for development. And while progress is being made towards meeting these goals by 2015, for millions of people and some regions like Africa and the Middle East, progress is just not sufficient.

For its part, the OECD is working to help developing countries achieve the MDGs. In this regard, OECD Ministers will be agreeing on a Statement reaffirming their commitment to the implementation of the Millennium Declaration and the Monterrey Consensus. On behalf of the OECD, I will also be transmitting a longer analysis of OECD's development-related work to the UN Secretary-General for the September 2005 meeting in New York to review progress made since the UN Millennium Declaration.

Access to energy is also one key element for achieving the MDGs as some 1.6 billion people still have no access to electricity. But, the trade negotiations under the Doha Development Round are also of crucial importance. Open trade – promoting both imports and exports - is a powerful engine for economic growth and development. The Doha Declaration places particular attention on the development dimension of trade, and it is vitally important that ambitious market access improvement is achieved in order to realise the potential of trade as a tool for poverty reduction.

This brings me to adjustment challenge.

The adjustment challenge

The OECD has just completed a study which helps put some of the fears about globalisation in a clearer light. This study will be submitted to OECD Ministers tomorrow, and will be the subject of a Forum session tomorrow.

Trade and investment liberalisation can produce substantial increases in GDP for our societies; better prices for consumers; more wealth for investors, producers and wage earners. The impact of trade and capital flows on consumers and workers is central to the debate about the costs and benefits of globalisation. The most visible cost is to traditional sectors that cannot compete with imports when tariff protection is removed. This means that low skilled manufacturing jobs are lost.

There are also other concerns – the effects of globalisation on the environment, the effects on culture or even national sovereignty, and the increased opportunities that

globalisation provides for globalised crime and so on. But the principle cause of opposition to globalisation remains its impact on vested interests, and the employment implications of free trade.

Another much talked about concern among many today is the sharp increase in international sourcing of service inputs from abroad (off-shoring and outsourcing). The ongoing debate on outsourcing and off-shoring to developing countries unfortunately neglects many of the benefits. On the whole, by “allowing” a poor country to gain a competitive edge in certain sectors, the rest of the world may well lose ground in those sectors. The direct benefits of international sourcing are currently accruing to countries such as India and the Philippines, which have become highly competitive in business services. But indirect benefits may be realised by most countries, due to lower costs and increased productivity. Consumers may benefit directly from lower prices and indirectly from enhanced efficiency.

Concluding comments

I would just like to conclude by saying that some 45 years ago, a group of far-thinking world leaders created the OECD based on the belief that trading goods and services was the path to peace, stability and prosperity, not just for their own members but for the world as a whole.

The breadth of vision was astonishing. This becomes clear when you realise that the ideals that inspired them, and which have always been at the heart of the OECD's mission, are just as valid in today's globalised world as they were in 1960.

I would like to wish each and every one of you a very successful Forum. How to respond to the challenges and opportunities of globalisation is an issue for the citizens of all our countries, not just for governments.