Forum themes

Role of Corporate Responsibility and the OECD Guidelines for Multinational Enterprises:

How effective have been efforts to date to implement corporate responsibility programmes ? To what extent can partnerships between all stakeholders play a greater role ? How can the OECD Multinational Enterprise Guidelines make a vital difference in the way companies conduct business ? Foreign investment is important for economic growth and multinational enterprises contribute to economic, social and environmental progress. At the same time, public concerns remain about the impact of their activities on home and host countries. Many enterprises have responded to these public concerns by developing internal programmes, guidance and management systems that underpin their commitment to good corporate citizenship, good practices and good business and employee conduct. The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises. They provide voluntary principles and standards for responsible business conduct in such areas as human rights, disclosure of information, anti-corruption, taxation, labour relations, environment and consumer protection. The common aim of the governments adhering to the Guidelines is to encourage the positive contributions that multinational enterprises can make to economic, environmental and social progress and to minimise the difficulties to which their various operations may give rise.

In working towards this goal, governments find themselves in partnership with the many businesses, trade unions and other non-governmental organisations that are working in their own ways toward the same end. Indeed, a revision of the Guidelines was completed in 2000 in collaboration with the OECD Business and Industry Advisory Committee, the OECD Trade Union Advisory Committee and non-governmental organisations.

The Guidelines express the shared values of the 38 countries that have adhered to them -- the 30 OECD Member countries and 8 non-members (Argentina, Brazil, Chile, Estonia, Israel, Latvia, Lithuania and Slovenia. The Guidelines' recommendations are addressed to all entities within the multilateral enterprise, parent companies and/or local entities. The National Contact Point -- often a government office -- is responsible for encouraging observance of the Guidelines and for ensuring that the Guidelines are well known and understood by the national business community and by other interested parties. There is growing evidence that the Guidelines are becoming an important international benchmark for corporate responsibility. A study of 49 extractive industry companies shows that they cite the Guidelines as often as they cite other major corporate responsibility initiatives, such as the UN Global Compact. While their overall visibility has grown, more needs to be done to raise public awareness and demonstrate that the Guidelines can make a vital difference in the way companies conduct business. All parties to the Guidelines process -- business, trade unions, NGOs and governments themselves -- recognise the need to clarify the respective roles of governments and companies.

Obesity and Health:

What are the causes and threats of the rising obesity in many countries ? What is the responsibility of government, business, civil society and citizens in addressing obesity?

Obesity is a growing health concern in many countries. The rate of obesity has more than doubled over the past twenty years in Australia and the United States, while it has tripled in the United Kingdom. More than 30% of the adult population in the United States is now considered to be obese. In Australia, Mexico and the United Kingdom, the rate has risen to more than 20%. In continental European countries obesity rates are lower, but have also increased substantially over the past decade.

Obesity is a known risk factor for diseases such as diabetes, hypertension, cardiovascular diseases, respiratory problems (such as asthma), musculoskeletal diseases (including arthritis), and even cognitive conditions, such as Alzheimer's disease. The economic and non-economic consequences of obesity are large. In the United States, a recent study estimated that obesity is associated with higher average health cost increases per year compared with the cost related to smoking. In Canada, the total direct costs of obesity have been estimated to be over CAN$1.8 billion, or 2.4% of total health-care expenditure in 1997. And in the United Kingdom, obesity is estimated to result in 30,000 avoidable deaths per year. Policies to prevent or treat obesity aim to address its root causes, including bad nutrition and lack of physical activity. Governments in OECD countries are at various stages in experimenting with a range of policies and programmes to try to achieve the objectives of promoting better nutrition and physical activity. But health systems are more focused on curing illnesses today than preventing illness and disability tomorrow.

In fact, just 5 cents out of every health care dollar is spent on initiatives designed to keep people healthy. Yet population health can improve greatly thanks to preventive measures like public awareness campaigns, regulation and taxation. Notable is the dramatic reduction in rates of smoking that has taken place in most OECD countries since the 1960s, leading to a decline in the incidence of lung cancer. Stepped-up attention to prevention strategies is highly desirable in light of the difficulty in treating obesity.

Financial Education:

What is the appropriate role of financial intermediaries, governments, regulators and civil society groups in the provision of financial information and financial education?

Recent events in several countries have underlined the importance of improving financial education for consumers and individual investors. Major companies have gone bankrupt with the result that individual investors have lost most, if not all, of their savings. In other cases, individual investors were encouraged to invest in scheme or companies that were very risky without being given information about the high degree of risk.

Financial education has become vitally important to both individuals and policymakers. Throughout the OECD countries, more individuals than ever before are investing in securities, purchasing insurance, and taking on the responsibility for planning their retirement. As individuals increase their use of financial markets, it becomes more important that they understand at least the basics of saving and investment. Policymakers need to be able to identify individuals who are most in need of financial education and the best ways to improve that education, whether through government programmes, employers, financial institutions, schools or some combination of these approaches.

Most OECD countries are offering many different kinds of financial education programmes. In fact, in some countries, there are so many financial education programmes that there is concern about information overload for consumers. Several countries have undertaken financial literacy surveys. And some countries have given considerable thought to evaluating financial education programmes and to identifying the characteristics of effective financial education programmes. A few countries consider financial education so important that they are developing national strategies to coordinate and direct their financial education programmes.

Financial education involves more than the provision of information about financial issues and products. It also involves helping individuals internalise this knowledge and apply it to their personal situations. It involves changing behaviour, ensuring that individuals acquire the skills and ability to understand financial terms and concepts, to be aware of financial opportunities, choices, and consequences, to become questioning and informed consumers, and to feel confident to make decisions that improve their financial well-being, whether these decisions are about everyday banking or complicated investing (but depending on actual consumer needs). We therefore define financial education as the provision of information, assistance, and support so that consumers develop the skills and confidence to be aware of financial opportunities, to know where to go for help, to make informed choices, and to take effective action to improve their financial well-being.

Financial intermediaries have a responsibility to provide consumers information that clearly and accurately represents the terms and conditions associated with the products they offer, openly describe the interests of the financial intermediary and its relationship to the information provided, and avoids deceptive language in marketing materials. Financial intermediaries also have an implicit obligation to offer only products appropriate to consumers' financial position. And, increasingly, they need to reach out to minority and underserved communities to make sure that these consumers are aware of the financial services available and know how to access them.

Media, especially TV and radio, and the nationwide distribution of consumer groups' publications should be used to disseminate information about financial education.

Sustainable development Moving from Words to Actions:

Working Together Towards Sustainable Development: The OECD Experience [PDF]

Corporate Governance -- Improving Standards:

How to improve corporate governance standards following high-profile cases of corporate governance failure ? What are the respective roles of government, regulators, business, civil society groups and international organisations ?

Good corporate governance underpins market confidence, integrity and efficiency, and hence promotes economic growth and financial stability. It requires transparent and reliable disclosure mechanisms about corporate performance. Clearly defined responsibilities and effective powers among the shareholders, the board and management are also needed.

The OECD plays a leading role in the international movement towards raising the quality of corporate governance. The OECD Principles of Corporate Governance, first issued in 1999, reflect a call by Member countries for a set of corporate governance standards to guide policy makers, regulators, investors and other private sector actors. Today, the OECD Principles enjoy worldwide recognition and have been endorsed as one of the Financial Stability Forum’s twelve key standards considered essential for financial stability.

The numerous high-profile cases of corporate governance failure have focused the minds of governments, regulators, companies, investors and the general public on the weaknesses in corporate governance systems and the associated threat posed to the integrity of financial markets. In response, in 2002 OECD Ministers called for an assessment and review of the Principles to be presented to the Ministerial Council Meeting of 2004. Observers from key international institutions participated actively in the assessment process and consultations were held with the private sector, labour, civil society and with non-OECD countries. Public comments on a draft of the Principles were sought via the Internet and attracted many constructive suggestions.

The assessment concluded that the Principles should be revised to take into account new developments and concerns, while retaining their non-binding principles-based-approach which recognises the need to adapt implementation to varying legal, economic and cultural circumstances. The revised Principles include a new chapter which sets broad principles for effective implementation and enforcement, including those to be followed when new regulatory measures are being considered. Good corporate governance relies on effective checks and balances. To strengthen them, the revised Principles aim to tighten the oversight of management by the board, and to improve the accountability of the board to shareholders. New principles call for the exercise of informed ownership by shareholders through both strengthening their ability to influence the board and by lowering the costs of exercising ownership rights. In addition, the Principles call for an increased attention to managing conflicts of interest through enhanced disclosure and transparency. The need to declare and manage conflicts of interest now concerns not only managers and controlling shareholders, but also institutional investors, auditors, brokers and analysts.

The Principles are the centrepiece of the numerous activities undertaken by the OECD to improve corporate governance. In particular, in co-operation with the World Bank, the OECD has used the Principles as a reference for policy dialogue in Asia, Latin America, Eurasia, Southeast Europe and Russia. Heads of State at the 2003 Evian G8 Summit endorsed the review of the OECD Principles and called for continued global efforts to enhance corporate governance. The effectiveness of the revised Principles now calls for their active use by governments, regulators and private parties, as well as continuing international policy dialogue and the sharing of experiences with successful implementation policies.

China -- Governing for Development:

What are the prospects and challenges for continued development in China? What are the main governance challenges?

China's progress during the economic reform era that began in 1978 has been one of the great economic success stories of the post-war era. A major driving force has been the liberalisation of its trade and investment policies since the mid-1980s. China has become the world's seventh largest economy and the second largest recipient of foreign direct investment. China's performance is all the more remarkable in that its reforms have been gradual and its development has occurred despite extensive, though declining, state ownership and intervention in the economy.

The accession of China to the World Trade Organisation marked an important milestone along the reform path China has been following for more than twenty years, rather than a new direction. WTO accession seems to have provided an important stimulus to China's economic growth which is still today running at very high rates. As it has throughout the reform era, the realisation of China's economic potential, including the full benefits of trade and investment liberalisation, rests on its success in continuing and strengthening its domestic economic reforms.

China's economy has reached a stage that calls for important structural reforms to maintain the momentum of development. The key reform challenges facing China are: creating more effective and flexible macroeconomic policy capabilities; establishing a stronger financial system to support the development of the real economy; improving the institutions and legal/regulatory frameworks necessary for effective market functioning; bolstering the efficiency and competitiveness of the business sector; raising living standards and employing the rural labour force; achieving better integration of China's regions; and establishing a sustainable social safety net and system of social benefits.

Implementing such reforms will be a challenge because of the unique Chinese context, via: (i) a country in transition from a centrally planned economy to a market-driven economy; (ii) the central and western regions are still very much a developing economy; (iii) the south-east coastal regions now have the characteristics of an emerging economy; (iv) a one-party system of government; and (v) a huge country. In this context, there are four main governance challenges that will need to be addressed: (a) remodelling of the government organisations; (b) transforming the devices that ensure the coherence and control of the state; (c) increasing state capacity and efficiency; and (d) improving governance arrangements for policy-making.

Special Lecture -- "In Defense of Globalisation":

Globalisation is the most powerful force for social good in the world today. That is the belief Professor Jagdish Bhagwati of Columbia University. This special event celebrates the launch of economist Professor Bhagwati's new book In Defense of Globalization (Oxford University Press, 2004).

Bhagwati argues that when globalisation leads to greater general prosperity in an underdeveloped nation, it reduces child labour and increases literacy (when parents have sufficient income, they send their children to school, not work). He will also show how economic growth, when coupled with the appropriate environmental safeguards, does not necessarily increase pollution.

Jagdish Bhagwati is a University Professor at Columbia University. He has also served as economic policy advisor to the director-general, GATT (1991-1993), as special adviser to the UN on Globalization and as external adviser to the WTO (2002-03). Professor Bhagwati works with several NGOs in the US and India. He is on the Academic Advisory Board of Human Rights Watch (Asia) and has published more than 300 articles and 45 volumes.

World economy in 2004:

What are the prospects and risks for the world economy ? Is continental Europe being bypassed by economic recovery ?

Globally, economic growth prospects have continued to improve and the recovery is broadening across regions and sectors. A global investment revival is underway led by the United States, where it was late in coming, partly as a consequence of over-investment in the late 1990s. In Japan, investment is rising much faster than the average of earlier recoveries. In France and Germany, but not yet in Italy, it has at last begun to pick up.

The US and UK expansions have considerable momentum while in Japan a genuine recovery seems to be in train. Growth has firmed in many non OECD economies across Asia, Eastern Europe and Latin America. In contrast, anaemic growth in the largest euro area countries -- especially in Germany and Italy -- has remained a cause for disappointment, even if activity is projected to strengthen gradually. So far, the global recovery has created fewer jobs than usual, but a pick-up in employment is expected. Among the new members of the European Union, growth is gathering momentum in the Czech Republic, Hungary, Poland and the Slovak Republic. Canada and Mexico are rebounding, but less vigorously than in past US-led upturns. This partly reflects the lagged effects of substantial exchange rate appreciation in the case of Canada, and heightening competition from Asia in the case of Mexico. Following measures to prevent overheating, activity in China is projected to slow marginally, but real GDP growth would remain in the 7 to 8 per cent range. China's remarkable dynamism reflects the global recovery but even more the impact of trade and investment liberalisation in the context of accession to the World Trade Organisation. Helped by rising commodity prices and with domestic demand strengthening, Latin America should start catching up, with real GDP growth projected to recover to 3½ per cent in Brazil by 2005. The expansion in Russia is expected to continue at a pace of over 7 per cent in 2004, driven by continuing strong increases in oil production and exports. The recovery is unfolding against the backdrop of several tensions and vulnerabilities. Risk premia in corporate and sovereign debt markets have narrowed to unusually low levels, supporting the recovery thus far but also highlighting the possibility of an adverse bond or equity market shock. Inflated housing prices remain a source of potential instability in some countries. Fiscal and external imbalances especially although not exclusively in the case of the United States are not projected to diminish much in the near term. Insofar as they put pressure on exchange rates and interest rates, disruptive adjustments cannot be ruled out.

OECD Economic Outlook: MAKING THE MOST OF THE RECOVERY [PDF]

Contribution of Research and Innovation Systems to Improving the Performance of Health Systems

Health Ministers Roundtable:

Do current government policies provide sufficient support for innovation? Are innovations in the health sector (e.g., new medicines and treatments) well-focused on addressing health conditions that are viewed as the highest priority ? Are new models and partnerships needed to deliver greater convergence between innovation, health care needs and sustainable health care financing?

Health care innovation has transformed the practice of medicine over the course of the last century. Technological innovations, particularly in the fields of biotechnology, genetics, and information and communication technologies, are bringing substantial benefits in the prevention, diagnosis and treatment of disease, as well as access to care.

Such research and innovation is costly and is predominantly carried out in the private sector, drawing on knowledge created, in part, in the public sector science base. Innovation is also a risky process with many promising leads failing at successive hurdles before a safe, efficacious and high quality product is brought to the market.

Meanwhile, many OECD countries are seeking to establish health priorities. In principle, such priorities should take account of, and help guide, the direction of innovation – so a better match is delivered between innovation and a society's health needs.

However, there is only limited information on the practical steps that OECD member countries take to deliver such a match. Whilst a range of possible policy measures can influence innovation, such as direct research funding and premium pricing agreements for high priority innovation, current measures often lack coherence and clarity in the way they are applied. Indeed, some healthcare policies do not seem to take any account of the impact they have on innovation. Similarly, a number of countries are using foresight-type exercises (such as horizon-scanning) to identify possible future technologies, but there is little evidence of adapting health priorities to advances in the science base.

To avoid sending mixed or conflicting signals to innovators, it seems sensible that OECD countries consider how to develop and implement policies that deliver and direct incentives towards a better match between innovation and health priorities. Such consideration would have to take account of the realities of the innovation cycle, barriers, costs and likely investor behaviour. An aim could be to promote the development of more coherent innovation policies that take account of the evolving impact of R&D on health system performance, and deliver more efficient and purposeful R&D resource allocation – in both public and private sectors.

OECD health ministers and round-table participants might like to discuss whether a closer convergence between innovation strategies and health priorities is desirable and begin to share views on possible considerations that need to be borne in mind in taking steps in this direction.

Partnerships in Research: Government, Business and Civil Society:

How have the respective roles of government, business and civil society evolved in R&D systems ? How can partnerships between these different stakeholder groups (and within these stakeholder groups) be better leveraged to improve the efficiency of R&D systems ? How can governments strengthen R&D systems -- decision-making process that governs priority setting, the allocation of funds and the management of human resources -- in a way that efficiently responds to the concerns of the various stakeholders involved in R&D ?

Research and development (R&D) have always made a significant contribution to economic growth and social welfare. But new trends and issues are emerging. The business share of total R&D funding has grown sharply over the last two decade (from 50 to over 60 per cent), with a commensurate decline in the government share. And there has been a dramatic increase in the share of R&D in the higher education and government sectors financed by the business sector.

This trend and the often blurred distinction between basic and applied research have given rise to more intensive and diversified linkages between public and private sector research activities. As innovation becomes more science-intensive and as firms restructure around their core competencies and restructure their research strategies, business makes more intensive use of public research, seeking access to both results of high-quality research and highly skilled young researchers and engineers. The relationships between industry and the public R&D system take on many forms, all of which are expanding (including on an international basis): funding of public research institutions, collaborative research and public-private research partnerships. Different companies are also increasingly joining forces in collaborative R&D efforts.

The public (in general and through specific interest groups) is also exerting greater influence on the directions of R&D, both directly and indirectly. In some countries, private non-profit organisations already play a significant role in funding public research in some fields, especially those related to health and the environment. The interests of these groups are varied, but collectively they press social relevance of public research and seek to win greater priority for their specific fields of interest in government-funded research. The public also expects governments to pay greater attention to ethical concerns and technological risks, and expects the public research system to provide independent information and advice in this respect. A civil society that is more active as a stakeholder in public research also encourages the government to seek greater accountability and efficiency in funding research.

The increase in the share of R&D financial resources coming from the business sector or that are earmarked for co-operation with the business sector entails greater vulnerability of the R&D system to the business cycle and to sudden changes in business strategies. This can significantly affect levels of business funding for public research, as firms reduce their budget for externally performed research, shift areas of research emphasis and relocate R&D capacity on a global scale. Long term trends in overall funding of the R&D system will be similarly affected and core capabilities will rsik being eroded unless compensated by government funding. When the cost of re-building the capacity that would be lost exceeds that of maintaining it through a downturn, there is a strong case for sustained government commitment to R&D support.

Sustaining the health of the R&D system over the long term requires maintaining mutual trust among all stakeholders and sustaining a fair distribution of the benefits accruing to the actors of the R&D system. Governments need to find ways to ensure that research institutions can directly appropriate some of the economic benefits derived from their scientific activities. However, as the research community pursues research with more tangible economic rewards, business, government and the general public must be able to maintain their trust in the quality and objectivity of research results. Recognising that the potential economic benefits of public research vary considerably across research fields and academic disciplines, universities will have to decide on wise systems to use the benefits for a strong R&D base as a whole, but at the same time not lesson the incentive for public-private partnerships. Universities and other public research organisations need to develop their management capabilities to address these growing challenges.

Attention also needs to be paid to public research infrastructure -- research equipment, information networks, etc -- used in the process of conducting research and which cannot be allocated to specific projects. This issue has become of greater concern as the unit cost of certain research equipment has climbed, the rate of obsolescence of some equipment and components has accelerated, and the share of project-based funding of public research has increased.

Research in the public and private sectors depends on an adequate supply of researchers, and sustaining the flow of human resources in science and technology education, and then into research careers. This represents a permanent challenge to the long-term health of the R&D. Despite the overall increase in tertiary university graduates across OECD countries, the number and share of graduates in science and technology fields has declined in a number of OECD countries in recent years.

Trade, Jobs and Adjustment:

What is the extent of off shoring of service sector activities from OECD to emerging and developing economies ? Is this causing adjustment problems ? How should OECD governments respond ?

The rapid expansion of international trade in services has raised concerns regarding the "hollowing out" of the service sector in advanced OECD countries. Such worries are not new: blue-collar manufacturing jobs were seen to be migrating to Japan in the 1960s and 1970s, to South-East Asia and Latin America in the 1980s and 1990s, and to China more recently. Advances in information and communication technologies now facilitate the "off shoring" (or international sourcing) of white-collar service-sector jobs, most prominently from English-speaking OECD countries to India and China but also to countries such as Malaysia, the Philippines, Sri Lanka and South Africa, and from France and Germany to North Africa and Central Europe. While anecdotal evidence abounds, no reliable data are available on the scale of the phenomenon. At a time when total employment is not picking up as rapidly as in earlier recoveries, this has led to measures or proposals aimed at preventing or slowing down off shoring.

Over the long run, employment in manufacturing has indeed been on a declining trend in advanced OECD countries, as has agricultural employment. But at the same time, existing service sectors have expanded and new ones have emerged. In fact, in the United States, some 15 million jobs more than one out of ten disappear every year, whilst on average a slightly larger number are created. Even though the rate of churning is lower in most other OECD economies, the size of the usual labour market flow dwarfs the number of job terminations associated with off shoring. Only a tiny fraction of those who become unemployed in any given period lose their job due to outsourcing.

In addition, off shoring itself entails the creation of new domestic jobs. Part of the additional income arising abroad flows back in the form of extra demand for goods and services or as repatriated earnings. Furthermore, the cost savings to domestic firms that are not passed on to consumers in the form of lower prices will be partly reinvested, generating new jobs, be it in the same sector or elsewhere. In terms of overall welfare, the process of off shoring is thus beneficial to both the source and the host country. One striking aspect of IT off shoring in the United States is that it translates into a compositional shift towards higher-skill and higher-wage occupations. While both lower-skill jobs (in data entry and the like) and some higher-skill ones (in computer programming and software development for example) are being relocated overseas, the number of highly qualified IT jobs in the United States has increased over the past few years.

Over the longer run, off shoring raises living standards in all countries, as does labour-saving technical progress. But in the short run, job turnover associated with off shoring is not costless and may disproportionately affect certain regions, sectors and firms. Indeed, US experience shows that a sizeable minority of workers, concentrated among women and the low-skilled, do lose out when imports displace domestic production, even though a majority of the affected workers find new employment fairly rapidly.

The size of the adjustment costs borne by those caught on the downside of the turbulence created by off shoring hinges on the smooth redeployment of the workforce across sectors and firms. This calls for a sufficient degree of labour market flexibility -- but significant scope for progress remains in many OECD countries particularly in continental Europe. The reallocation of labour will also be facilitated if the workforce is adaptable, pointing to the crucial role of schooling and lifelong learning. Exploiting international comparative advantage to the full also calls for a research and development-friendly environment, for product markets where competition fosters innovation, and for a climate conducive to a high business birth-rate and to service-sector job creation. As regards R&D and innovation, many European countries lag behind best practice. In a context where trade policy frictions and tension are already high, it would be most unfortunate if countries resorted to ineffectual but harmful protectionist measures.

E-Health and the Informed Patient:

What is the potential of e-health ? What are the impediments ? What does the emergence of the informed and e-ready patient mean for health care systems ?

Health systems are facing tremendous pressure to improve the quality, accessibility and outcomes, while cutting costs. Digital delivery of goods and services offers great potential to address these challenges. Digital delivery is expected to influence all aspects of health care in the future. A wide range of knowledge, goods and services in health are amenable to digital delivery, notably consumer-oriented health web sites, electronic exchanges between patients and providers, online health records, patient monitoring and home care, remote consultation, medical imaging, clinical transactions; research: e.g. biomedical databases, research collaboration and clinical research; teaching: e.g. distance learning and continuing medical education; and evaluation: e.g. peer review publication and data gathering for evaluation of impact of digital delivery on health outcomes and effectiveness of related ICT policy.

While some aspects of digital delivery such as claims processing are fairly mature, it seems that we are still at the tip of the iceberg in terms of exploiting the potential of e-health. Currently most consumer health oriented digital delivery applications are focused on providing information such as information on drugs and diseases. As individuals from the "baby boomer" generation age, develop more chronic illnesses and increasingly take responsibility for their own care while at the same time traditional health delivery channels become more stressed and overburdened they will seek more effective means to manage their health. Digital delivery is an ideal medium for providing personalized and responsive health management solutions.

The most common drivers for new digital delivery applications in health are cost containment or reduction, quality improvement and support, realisation of health policy such as universal access to care, and dramatic realisation of the benefits of international co-operation. However, the "e-ready" patient is emerging as perhaps the most important strategic driver in health systems. E-health consumers are more informed and more active. Consumers with chronic diseases are highly motivated to use digital delivery systems to improve their quality of life, particularly those with hypertension and diabetes which are chronic diseases which require high consumer involvement to prevent and control and also have a very high pay back in terms of future cost avoidance and improvement in quality of life. From the point of view of the consumer, the Internet has already become a critical resource when researching health information, making decisions about treatment options, and interacting with health professionals and organizations. Once the basic infrastructure for digital delivery is in place (most critically, the interoperability of diverse systems and acknowledging important privacy and security concerns), digital delivery is likely to diffuse rapidly if unevenly, and likely to lead to widespread impacts on healthcare.

The most significant and most common impediments to the growth and implementation of digital delivery are primarily human and organisational. Issues such as security and trust driven by the need to be confident in the quality of information as well as the need for privacy and confidentiality create significant drags on the rate of diffusion and implementation of digital delivery systems in health. Reimbursement rules that do not allow claims for services delivery electronically are another. There is a lack of rigorous evidence based case studies to convince decision-makers of the value of digital delivery applications in health care. Lastly, because benefits often accrue downstream from where investments need to be made to ensure readiness for digital delivery, political or competitive boundaries can hamper investment in the kind of system wide infrastructure that is required.

Trade Ministers Panel - Creating Momentum in the Doha Development Agenda:

There is an urgent need to create new momentum in the Doha Development Agenda by moving forward on issues of substance and by addressing developing country concerns. OECD countries need to re-assert their commitment to the multilateral trading system and related policy areas in an effort to increase the benefits of globalisation and enhance human welfare in all countries.

In order to ensure a successful conclusion of the DDA, it is important to make concrete progress in the negotiations as quickly as possible. One of the major stumbling blocks at Cancún was agriculture, which is of particular importance to the economic prospects of many developing countries. It is in the interests of OECD countries to reduce, and even eliminate the costly tariffs and export subsidies in agriculture. And by permitting developing countries to expand their agricultural exports, this would help raise millions of people out of poverty.

Market access negotiations for goods and services are a major pillar of the DDA, and a key component for success will be finding ways to provide enhanced special and differential treatment for countries that need it most. Recent OECD Trade Directorate research shows that the potential welfare gains from dismantling tariff barriers are substantial for all regions of the world: up to USD 100 billion globally, with up to 70% of those gains going to developing countries. While developing countries have much to benefit from improved access to the developed country markets, a substantial share of their potential gains is associated with the liberalisation of their own tariff regimes. A number of developing countries have, however, expressed concerns that multilateral tariff reductions may in some cases have negative economic impacts associated with declining tariff revenues and shrinking preference margins.
In addition to tariffs, DDA negotiations in the field of market access for non-agricultural products also include the reduction or elimination of non-tariff barriers (NTBs). Intergovernmental discussions have made clear that the issue is not only traditional border non-tariff measures, such as import licensing, quotas and prohibitions, but also difficulties arising from behind-the-border policies in importing countries. To support and facilitate the NTB discussions, the OECD has taken stock of the range of non-tariff measures that are of concern to traders, and is currently pursuing a more detailed examination of the use and trade impact of individual types of border and behind-the-border measures.
A key challenge in the trade in services negotiations is to ensure that all countries actively participate in the negotiations. OECD work on trade in services provides analysis on issues and challenges for DDA negotiations on services and tools to assist governments in managing those negotiations. Recent OECD work on Services Trade Liberalisation: Identifying Opportunities and Gains has identified concrete examples of developing country services exports and presented the latest economic research quantifying the gains from liberalisation. The movement of people as service suppliers is among the most difficult issues in the services negotiations, and is particularly important for ensuring that developing countries fully reap the benefits of liberalisation. To inform this important debate, the OECD has recently produced a study on mutual recognition agreements.
International trade has grown rapidly in recent years, and with it the relative importance of border procedures such as customs requirements, adding to the transaction costs for governments, businesses, and ultimately the customer. Surveys suggest that border-related costs could total as much as 15% of the value of the goods being traded in some cases. This is why trading nations have been seeking ways to make the whole process of trading simpler and smoother, an endeavour now commonly called trade facilitation. The OECD Trade Committee has carried out extensive analysis of this topic to help better understand the potential gains from international cooperation in the area of trade facilitation, as well as to identify possible approaches for putting any agreement into practice at the national level.
In the context of the ongoing Doha mandate for WTO negotiations, a number of sensitive issues continue to present stumbling blocks to the negotiations. In view of the setback at Cancún and uncertainty since then at the WTO about the possibility of continuing previous work in Geneva on the "Singapore Issues", including trade and investment and trade and competition, OECD Members have generally been eager to keep analysis and dialogue alive on these important trade-related subjects through OECD Committees and various outreach events. An important new Initiative on Investment for Development is underway at the OECD to help promote investment in developing countries. OECD work on trade and competition continues to address concerns of developing countries.

Combating Infectious Diseases:

Over 17 million people die each year from infectious diseases, many of which are classified as emerging or neglected. New forms of diseases are cropping up more often than in the past. Recent trends in how we live our lives, with increased travel, migration and concentration in urban areas, often side-by-side with animals, have accelerated the spread of new forms of infectious disease.
Micro-organisms have a natural propensity to change and adapt. As a result of this natural process, together with changes in society, new diseases are emerging at an unprecedented rate, with dramatic resurgence in some epidemic-prone diseases. Variants of micro-organisms that are resistant to the anti-microbials that form the front line of society's defenses are developing.

The emergence of SARS is by no means an isolated event. Since the 1970s, at least 30 new infectious diseases have emerged for which no effective treatment exists. One of the most destructive diseases the modern world currently faces was virtually unknown 20 years ago, but today the HIV/AIDS epidemic has infected more than 40 million people world wide. HIV/AIDS, together with the other global "priority" diseases, tuberculosis and malaria, account for over 300 million illnesses and more than 5 million deaths each year. These diseases are immensely destructive in economic and social as well as in human terms. Yet these "big three" still account for less than a third of the estimated annual total of 17 million deaths caused by infectious diseases.

Advances in the life sciences -- biotechnology, genomics and informatics -- can, if properly harnessed, contribute a great deal towards meeting this most important of humankind's battles with nature. But a large proportion of deaths are associated with so-called "neglected" or "emerging" diseases. Private and public investment in developing ways to treat such diseases is generally small and insufficient. In the field of pharmaceutical treatment, for example, only 1 % of the new chemical entities that were subsequently commercialised between 1975 and 1997 were designed specifically to treat tropical diseases.

These 17 million premature deaths and innumerable serious illnesses obviously affect economic growth, development and prosperity, as well as security and sustainability. If the global community is serious about achieving sustainable development and growth in the world economy, the rise in infectious diseases will need to be halted. The international community has come to recognise the urgency of this issue, and a strong consensus has been developing on the need to address inefficiencies in global health research for infectious diseases, the barriers to effective R&D and market failure.

In 2000, the G8 community at Okinawa stated the need to sustained action and coherent international co-operation to fully mobilise new and existing medical, technical and financial resources in the fight against infectious diseases. A number of public/private partnerships have been established, also at the international level. A number of potential products for treating emerging and neglected diseases are ready for late-stage development, but lack funding to bring them through late phase clinical trials. While many of these recent high-publicity ventures focus on the "big three" and several are making notable progress, there are far fewer initiatives on the emerging or neglected diseases that account for such large-scale human suffering.

OECD countries could do a great deal in this area. Official development assistance, co-operative research and development programmes, and strategies to overcome market failures all can play a role in turning back the real tide of infectious disease. But what we need most is a real international partnership, with OECD countries shouldering much of the responsibility for delivery of the most vital of the pillars of sustainability -- good health for all. The tools for combating infectious diseases include: making public-private partnerships work to develop needed medicines and vaccines; harnessing the phenomenal advances in the life sciences and technology in order to prevent and treat disease; and finding new ways to bring benefits of intellectual property rights to a broader base of beneficiaries. OECD countries have a particular responsibility in addressing these problems since together they account for a high proportion of global research and development capacity and market power.

International trade and investment:

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Health policy challenges:

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