



## “The OECD’s Evolving Role in Shaping International Tax Policy”

Opening Remarks by Angel Gurría,  
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Ladies and Gentlemen:

Thank you for joining us at this conference on the OECD's evolving role in shaping international tax policy. Thank you to USCIB and BIAC for jointly organising this conference with us, and to all the sponsors who have provided their support.

We have come together here at a time of unprecedented global economic crisis. As never before, we must concentrate our efforts towards a sustainable recovery and a stronger, cleaner and fairer world economy. No other event in our lifetime has revealed so dramatically the level of interdependence among nations, the risks of unregulated and indisciplined globalisation, and the need for cool-headed analysis and steady cooperation across borders.

So what role does the OECD have to play in contributing to the solutions?

The OECD traces its very roots to another grave crisis, the devastated European economy in the aftermath of World War II. It was the vision of George C. Marshall, a great American, to create a framework in which governments could work together to restore the confidence of the European people in their own economic future. The Marshall Plan gave birth to the Organisation for European Economic Co-operation, which by 1961 evolved into the OECD, with a more global mission.

With a strong commitment to democratic ideals and to a fair and open market economy, we provide a setting where governments compare policy experiences, seek answers to common problems, identify good practice, develop "soft" and occasionally "hard" laws, and coordinate policies, to promote trade and investment, good governance, economic growth, social welfare, and environmental sustainability.

We also share expertise and exchange views with more than 100 other countries, and we have an ambitious enlargement process underway to expand our membership to important emerging economies.

I don't need to persuade this audience of international tax experts about the value of the OECD's role as standard setter in the tax area. The Model Tax Convention and Transfer Pricing Guidelines facilitate cross-border trade and investment by reducing the potential for double taxation, and we will share developments related to these topics in the next day and a half. They are long-standing pillars of international tax policy, with global reach.

We are also developing international guidelines in the consumption tax area to reduce the potential for double taxation. The current international environment for consumption taxes, especially with respect to trade in services and intangibles, is creating obstacles to business activity, hindering economic growth and distorting competition. These are just a few examples of our efforts in the international tax policy area.

Let me turn now to the OECD's overall strategy to respond to the current crisis.

The OECD's policy response is proceeding along two tracks. First, the immediate priorities are to revive demand, address the social impact of the crisis and repair the financial system. Second, action towards these ends should be consistent with a general re-orientation of policies across a wide front so that the exit from the crisis is towards a stronger, cleaner and fairer world economy.

We have already seen action taken by governments to provide unprecedented fiscal stimulus. Careful choices are required to increase both aggregate demand in the short run and productive capacity in the long run. Stimulating the right kind of investment, - such as in infrastructure-, while keeping an eye on design features, including exit strategies, that can accommodate long-term fiscal sustainability, is a must.

Avoiding protectionist tendencies in an atmosphere of political pressure is also key. There is a clear value in independent analysis to help governments and politicians make the right choices. This is what the OECD has to offer.

The new global economy towards which we must strive must be not only stronger but also cleaner and fairer.

A stronger global economy will require many countries to adopt a program of fiscal consolidation as the recovery develops. High and rising ratios of public sector debt to GDP risk being a potential source of future instability. Moreover, especially as and when interest rates return to more normal levels in the medium term, debt servicing costs could grow rapidly. All else equal this would reduce the resources available for other public expenditure to support wider social and economic objectives.

In developing plans for fiscal consolidation over the medium term, it will be important to maintain a growth-oriented focus that helps to strengthen the supply side of the economy. The OECD study, *Tax and Growth*, published last year, provides some valuable analysis here. It will also be important to identify whether any features of our tax regimes may have contributed to the excessive risk-taking that preceded the financial crisis and whether there are practicable reforms that might address them.

A cleaner and fairer economy also means tackling international bribery, governance, tax evasion and money laundering.

We all know the corrosive effects of corruption. The U.S. was the first country to criminalise international bribery and was instrumental in the development of the OECD's Anti-bribery Convention. We will continue to set and promote international anti-corruption standards and monitor their implementation. Only last week the OECD Council approved a new recommendation to strengthen the role of tax authorities in countering corruption.

Tax havens and lack of transparency in the tax area are high on the U.S. and OECD tax agendas. It is now more important than ever, given the current deficits and questions about government's effectiveness, to ensure full compliance with the tax laws so that the costs of the necessary recovery measures are fairly shared and thus politically viable. The principles developed by the OECD's Global Forum on Transparency and Exchange of Information have been endorsed by the UN and the G20 and accepted by 84 jurisdictions around the world.

We have made historic progress in the fight against this problem. In fact, we have made more progress in the last three months than in the 10 years before that. It is clear that President Obama as well as IRS Commissioner Shulman, from whom you will hear tomorrow, share our commitment to combat offshore tax evasion and ensure the transparency and integrity needed for fair and effective tax enforcement. We welcome their support for these principles.

The Financial Action Task Force, housed in the OECD, engages a worldwide network on its recommendations against money laundering. The OECD Guidelines for Multinational Enterprises outline standards for business behaviour in the fields of employment, industrial relations, environment, competition, taxation and others. They are part of our investment policy principles. The OECD Principles of Corporate Governance set out broad rules to guide business conduct.

All these initiatives can help rebuild the post-crisis global economy. They are aimed at guaranteeing the level playing field, integrity, transparency, fairness and predictability that are the cornerstones of a healthy international economy in which businesses can compete fairly. These standards are not always easy to enforce, and their viability depends upon widespread acceptance and support. As influential business leaders, your voice in support of these standards can be crucial to their survival and propagation. We hope you will continue to join us in that effort.

The OECD also plays an increasingly important role in providing objective analysis and advice to governments that are undertaking tax policy reforms. We draw upon our vast store of comparative data and analysis of approaches tried or considered in various countries. Here in the United States, President Obama has recently put forward a bold set of proposals for revising the domestic and international provisions of the Internal Revenue Code.

The package reflects serious policy choices on important issues: what is the right level of taxation on foreign versus domestic source income of multinationals? What is the appropriate level of progressivity for an income tax? How should certain financial sector activities be taxed? What is the right approach to ensuring compliance on resident individuals' income received offshore?

We welcome the President's proposals to reduce the tax burden on lower income groups, the hardest hit by the crisis. This will lead to a fairer sharing of the costs of exiting from the crisis. We are also particularly pleased that the President has extended the tax credits for research and development. Work done at the OECD shows that this can be very effective in encouraging enterprises to invest in innovative technology.

We also welcome the new emphasis placed on achieving better tax compliance across all segments of the taxpaying population. In fact, last week in Paris our Forum on Tax Administration met. Commissioner Shulman played a leading role in the Forum. The key message was that all governments are now very focussed on countering aggressive tax schemes, the use of tax havens and the ways that certain banks and high net worth individuals exploit the tax system to reduce their effective tax burden. This forum can take forward the President's compliance agenda and I welcome Commissioner Shulman's very active participation.

I am pleased that the President is also looking further at a more fundamental reform of the U.S. tax system. Nobody can deny that the existing system is too complex or that there are too many loopholes that are open to exploitation.

The crisis makes this initiative all the more important as it is unclear whether the existing system can raise the revenues needed to plug the unprecedented deficit that is foreseen over the next 4-5 years.

The United States is not alone in reviewing its tax system and trying to find the right balance between the relative tax burden placed on inward and outward investment, the need to provide a competitive business tax environment and the need to ensure good compliance. As we have done with other countries, the OECD stands ready to help with the analysis of these proposals. We have the capacity to put them in international context, looking at the interface with existing instruments.

As an Organisation that has always promoted an active dialogue between governments and business, the OECD has developed its core principles, instruments and recommendations through a process which has benefitted immeasurably from the input of business representatives like you. Governments and business can come together at the OECD to debate and strive jointly to find the best way forward on the most pressing issues, so that the solutions reached can be accepted as widely as possible. We welcome your active participation in our work, and we look forward to the next day and half of discussion on key international tax policy issues.

Thank you very much.