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MAINTAINING A LEVEL PLAYING FIELD BETWEEN PUBLIC AND PRIVATE BUSINESS FOR GROWTH AND DEVELOPMENT: BACKGROUND REPORT

OECD

BETTER POLICIES FOR BETTER LIVES

Maintaining a Level Playing Field between Public and Private Business for Growth and Development: Background Report

Competitive neutrality occurs where no entity operating in an economic market is subject to undue competitive advantages or disadvantage (OECD, 2012a)

Mandate

1. In their 2012 Ministerial Council Statement, Ministers "welcome the OECD's work to ensure competitive neutrality between public and private owned-businesses". In his Summary, the Chair noted that "the OECD was asked to expand this work, in co-operation with the Russian Federation and Key Partners, and to engage in a dialogue on policies by home and recipient[1] countries related to state-controlled enterprises' international trade and investment, to promote a level global playing field, to fight protectionist practices and support growth and development".

1. Competitive neutrality in context

A need for both public and private investment

2. Investment in productive capacity and infrastructure will provide a way to exit from the crisis and strengthen the recovery. Policy makers need not face a choice between public and private sector investment – in most cases both sources of finance will need to be tapped and complement each other. The challenge will be to enhance the positive inputs of the state while creating conditions for the private sector to invest.

The state intervenes in the markets in many ways…

3. State intervention takes multiple forms, including regulation, public subsidies, industrial policy, and direct ownership participation. The focus of the present report is on state-owned enterprises (SOEs) and equivalent publicly-controlled entities, but other forms of state intervention, including subsidies, are equally important to competitive neutrality and should be the continued subject of analysis and monitoring by OECD.

…including during the recent financial crisis.

4. Most recently, in response to the financial crisis, a number of governments have provided public aid and even temporarily acquired significant ownership stakes in large failing companies in banking and other industries, and the OECD has been monitoring these measures to ensure that they do not have the effect of erecting protectionist barriers.

SOE have been a longstanding form of government intervention.

5. A recent OECD study showed that, of the 2000 largest companies in the world, 204 have significant government ownership (OECD 2013c). Their sales are equivalent to approximately 6 % of worldwide GDP. To a large extent the significant role of SOEs reflects the growth and internationalisation of a number of emerging economies which maintain state ownership in broad segments of their productive economy. It is, however, also influenced by the recent commercialisation and internationalisation of state-controlled public utilities within the European Single Market. As a corollary, SOEs have become increasingly internationally oriented and some concerns about safeguarding a level playing field across jurisdictions have arisen.

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[1] For the purpose of this report, "recipient countries" refer to economies in which a foreign SOE conducts business (whether by investing or by exporting into the country).

Competitive neutrality brings benefits throughout the domestic economy …

6. The main rationale for competitive neutrality (i.e. maintaining a "level playing field") between private and publicly owned businesses is that it enhances efficiency throughout the economy. Where certain economic agents are put at an undue disadvantage, goods and services are no longer produced by those who can do it most effectively. As a growing number of countries strive to develop world-class industries and SOEs are assigned important roles in the pursuit of economic and social development objectives in many of them, they need to give increasing attention to ensure that resources flow to those sectors that can make best use of them. By giving adequate attention to competitive neutrality, governments may minimise the risk of competitive activities being "crowded out" and promote their own private sectors' development, job creation and growth.

… and helps preserve and expand an open international trade and investment environment for SOEs

7. Furthermore, as SOEs expand their commercial activities internationally, their observance of competitive neutrality practices beyond borders contributes to mutual trust and confidence. And this therefore helps avoid protectionist responses in recipient countries that could undermine economic growth and development.

2. Obtaining competitive neutrality in the domestic economy: a balancing act

Implementing competitive neutrality can in practice be challenging…

8. Most policy makers would agree that state-owned enterprises that operate in a purely commercial fashion should compete on an equal basis with other companies. However, in practice any number of problems may arise. A logical starting point would be to identify which SOEs are aimed at supporting primarily commercial purposes, versus those that are serving primarily non-commercial ones. The reality, however, is that many SOEs perform both commercial and non-commercial functions. Blurry lines and/or competing objectives may result in a number of challenges for regulators and policy makers. On the one hand, SOEs may be expected to abide by market principles whilst continuing to fulfil public service obligations, that put them at a disadvantage. On the other hand, there are concerns that SOEs receiving subsidies or guarantees may compete at an advantage, unsettling the competitive landscape and eventually become a fiscal drag for the state.

…including at the sectoral level.

9. A number of challenges are related to the nature of the sectors in which SOEs tend to be concentrated (i.e. sectors where natural or legal monopoly is commonplace). Depending on the level of competition introduced in one sector versus another, the challenges and the policy levers to achieve a level playing field may be different. Sector regulation plays an important role in allowing a country to gradually work towards implementation of a level playing field sector-by-sector through differenciation that can, for example, shield activities that are considered of national security or strategic economic importance.

2.1 Proposing a framework: seven good practices for a level playing field

Practical steps on the road to competitive neutrality

10. To respond to these challenges OECD recently developed a "best practice report" indentifying priority areas for policy makers that are committed to competitive neutrality (OECD, 2012a). The report was based on a large body of earlier OECD studies, guidelines and best practices which, while not directly addressing competitive neutrality, have a bearing on the subject (OECD, 2012c). The main conclusion is that governments wishing to obtain and enforce competitive neutrality need to focus attention on the following seven priority areas:

- *Streamline government businesses either in terms of corporate form or the organisation of value chains.* An important question when addressing competitive neutrality is the degree of corporatisation of government business activities and the extent to which commercial and non-commercial activities are structurally separated. Separation makes it easier for commercial activities to operate in a market-consistent way. Incorporating public entities having a commercial activity and operating in competitive, open markets, as separate legal entities enhances transparency.
- *Ensure transparency and disclosure around cost allocation.* Identifying the costs of any given function of commercial government activity is essential if competitive neutrality is to be credibly enforced. For incorporated SOEs, the major issue is accounting for costs associated with fulfilling public service obligations (if applicable). For unincorporated entities, problems arise where they provide services in the public interest as well as commercial activities from a joint institutional platform.
- *Devise methods to calculate a market-consistent rate of return on business activities*. Achieving a commercial rate of return is an important aspect in ensuring that government business activities are operating like comparable businesses. If SOEs operating in a commercial and competitive environment do not have to earn returns at market consistent rates then an inefficient producer may appear cheaper to customers than an efficient one.
- *Ensure transparent and adequate compensation for public policy obligations*. Competitive neutrality concerns often arise when public policy priorities are imposed on public entities which also operate in the market place. It is important to ensure that concerned entities be adequately compensated for any non-commercial requirements on the basis of the additional cost that these requirements impose.
- *Ensure that government businesses operate in the same or similar tax and regulatory environments.* To ensure competitive neutrality government businesses should operate, to the largest extent feasible, in the same or similar tax and regulatory environment as private enterprises. Where government businesses are incorporated according to ordinary company law, tax and regulatory treatment is usually similar or equal to private businesses.

- *Debt neutrality remains an important area to tackle if the playing field is to be levelled.* The need to avoid concessionary financing of SOEs is commonly accepted since most policy makers recognise the importance of subjecting state-owned businesses to financial market disciplines. However, many government businesses continue to benefit from preferential access to finance in the market due to their explicit or perceived government-backing.
- *Promote competitive and non-discriminatory public procurement.* The basic criteria for public procurement practices to support competitive neutrality are: (1) they should be competitive and non-discriminatory; and (2) all public entities allowed to participate in the bidding contest should operate subject to the above standards of competitive neutrality.

2.2 But what do countries actually do?

OECD has gathered information through an inclusive consultation process…

11. In the process of developing its work on competitive neutrality, OECD has consulted extensively with member and partner countries. The best practice report was based on a stock-taking of national practices (2012b) and has subsequently served as a basis for discussions with a wider group of countries (OECD, 2013a). OECD's global and regional forums in Asia, Latin America and Africa have been involved, and direct inputs concerning national practices were received from 39 countries, including all of OECD's Key Partners. Reflecting the horizontal nature of the project (initially involving OECD's Competition and SOE communities) some inputs were provided by competition authorities, some by SOE ownership functions and some in the context of the two communities' Global Strategy events. Details of the consultation process are provided in Table 1.

…which addressed both attitudes and practical approaches…

12. Three questions have been addressed. First, do governments consider that the concept of competitive neutrality is relevant and applicable in their national jurisdiction? If yes, is there an explicit national commitment (political or otherwise) to obtaining competitive neutrality? Otherwise, has the country nevertheless implemented relevant practices in some or all of the seven priority areas?

… and found a general strong support for competitive neutrality across countries.

13. Overall, the outcome of the consultation process has been encouraging. A significant majority of the participants consider that competitive neutrality is an important public policy goal and should be pursued as a medium to long-term objective. However, there is less agreement on its short-term applicability. A recurrent theme in consultations with partner countries has been the perception that the immediate relevance of competitive neutrality depends on levels of economic development. For example, for countries that place SOEs or other forms of state interventionism at the heart of their national development strategies, implementing a short-term commitment to competitive neutrality may interfere with their immediate policy priorities. Whereas governments in countries at relatively low levels of economic development might be willing to accept an uneven playing field as a consequence of sectoral priorities. However, the consultations also suggested that such policies are fraught with risk because they assume an exceptionally strong capacity of policy makers to identify and remedy obstacles to growth, and they often involve "quick fixes" that may have adverse long-term consequences for competitiveness and development.

Table 1. Consultations of Partner countries conducted by the OECD Corporate Governance and Competition Committees

Country	Respondents			Sources
	Competition Authority	Ownership function	Other	
Brazil	✓	✓		2011 & 2012 CN Questionnaires 2012 SOE Network Consultation 2009 Competition Roundtable
China	✓		✓	2012 Questionnaire (academic sources) 2012 SOE Network Consultation 2009 Competition Roundtable
Colombia	✓	✓		2012 Competition Roundtable 2012 SOE Network Consultation
Egypt	✓			2011 CN Questionnaire
India	✓			2009 Competition Roundtable
Indonesia	✓		✓	2012 SOE Network Consultation 2009 Competition Roundtable
Lithuania	✓	✓		2011 & 2012 CN Questionnaires 2009 Competition Roundtable
Malaysia	✓			2012 Competition Roundtable
Peru		✓		2012 CN Questionnaire
Russia	✓	✓		2011 & 2012 CN Questionnaires
South Africa	✓			2009 & 2012 Competition Roundtables

Consultative meetings	Date, location	Region
Network on Corporate Governance of SOEs in Asia	Bandung, Indonesia 3-4 July 2012	Asia
SOE Network for Southern Africa	Midrand, South Africa 8-9 October 2012	Southern Africa
Latin American Network on Corporate Governance of SOEs	Lima, Peru 11-12 October 2012	Latin America
Global Competition Forum	Paris, France 17 February 2012	Global
Latin American Competition Forum	Santo Domingo, Dominican Republic 18-19 September 2012	Latin America
Workshop on Competition between State-Owned and Privately Owned Enterprises in International Markets	Paris, France 18-19 October 2012	Global

Source: OECD (2013a).

An overarching commitment is found only in a few jurisdictions…

14. Regarding individual country practices, only one country in the world has embraced competitive neutrality in the fullest sense of the word. In Australia, competitive neutrality is enshrined in public policy and is backed by formal implementation mechanisms, including a complaints handling process hosted by the governmental Productivity Commission. The jurisdiction that comes the closest to the Australian example is the European Union, whose supranational rules and enforcement mechanisms on State Aid and transparency – whilst not directed at state ownership *per se* – are unique. A growing number of EU member countries have moreover decided to address the issue of competitive neutrality at the national level. Their main argument has been that by empowering national

authorities (usually, but not always, competition regulators) to oversee competitive neutrality they obtain swifter enforcement than at the Community level. These countries are mostly found in Northern Europe.

…but most countries have taken steps toward competitive neutrality.

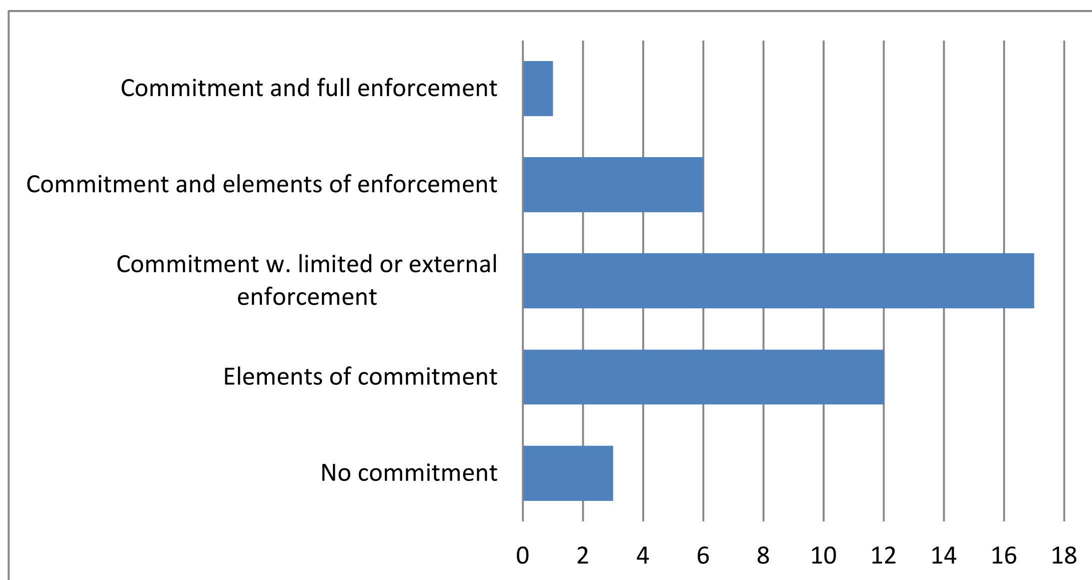
15. Other countries may not have an explicit commitment, but in many cases they have in fact taken constructive steps toward obtaining neutrality. Figure 1 illustrates this by clustering the 39 OECD and Partner countries participating in the survey into five categories:

- Countries with both a commitment and a complete enforcement mechanism. As mentioned above this category currently includes only Australia;
- Jurisdictions that are committed to competitive neutrality and have addressed some or most of the enforcement issues. This group includes the European Union and the individual EU countries that have put in place enforcement mechanisms of their own;
- Countries that have expressed a commitment, but where the enforcement is either weak or reliant on outside forces. This includes essentially two groups of countries. The first includes those EU countries that rely solely on EU rules in this respect. The second group includes a number of Partner countries (not least in Latin America) that have enshrined an equal treatment of businesses regardless of ownership in their constitutions;
- Countries that have no overall or explicit commitment to a level playing field, but have implemented relevant laws and regulations in some or all of the priority areas identified above. Most of the non-EU members of OECD and several Partner countries fall in this category;
- A small group of countries have indicated that equal treatment of state-owned and private enterprises are not a priority for them. Countries in this category generally make active use of SOEs for specific policy purposes.

Therefore, a consensus seems within reach.

16. While the concept of competitive neutrality may be new to most jurisdictions, a vast majority of OECD and partner countries have already undertaken relevant steps towards achieving it. Most countries, for instance, have public procurement rules aimed at preventing preferential treatment of state-owned entities and market incumbents. Moreover, most governments agree that publicly and privately owned business should face the same fiscal and regulatory treatment (at least where fully incorporated entities are concerned) and that SOEs should obtain their financing on market-consistent terms. A tendency in a number of jurisdictions to centralise the State’s ownership function should also make it easier to pursue competitive neutrality-consistent public policy and regulation.

Figure 1: Commitment to competitive neutrality (by number of respondent countries)



Source: Secretariat calculations based on OECD (2012b) and OECD (2013a).

3. The greater challenge of competitive neutrality in international markets

Achieving a level playing field in cross-border transactions is difficult…

17. In the home country of an SOE the relevant authorities have the power to provide a level playing field to foreign entrants as well as domestic companies. Conversely, when an SOE operates in the market of another country, the recipient country's authorities may not be able to ensure that competition in their market remains on "fair" terms as they do not have full jurisdiction on the policy dimensions that affect the foreign SOE's competitive position. Much of the information needed by recipient country governments to effectively maintain level playing fields may also be difficult to obtain in the absence of international co-operation. In some cases, recipient countries may also lack incentives to ensure a level playing field: if both the SOE entrant and the other competitors are located in foreign jurisdictions, then the authorities may not consider it in their interest to discourage subsidies and other advantages enjoyed by the foreign SOE.

…but overcoming the difficulties is vital to avoid the risk of a protectionist backlash.

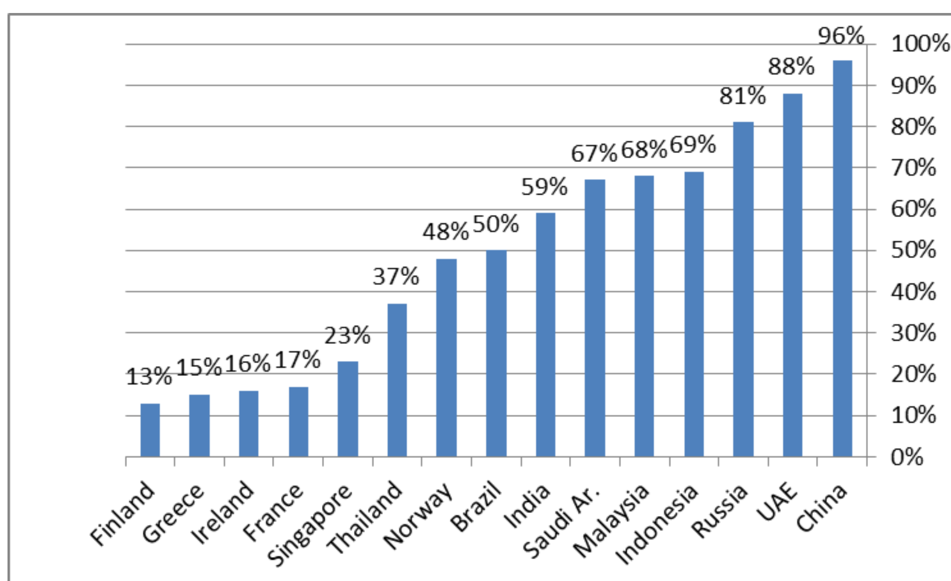
18. In fact, various advantages granted to SOEs by governments (or provided to private firms via SOEs), have been contested as creating anti-competitive effects in the global market place. The most commonly heard concern is that some internationally-active enterprises benefit from loans provided by state-owned entities on concessionary terms. International trade and investment rules, including OECD instruments, generally provide for non-discriminatory treatment of foreign enterprises, including SOEs, but they also have national security and other safeguards. If concerns about unfair competition are not adequately addressed, the risk is that other countries will make justified (or even abusive) recourse to safeguards in order to restrict trade and investment flows from foreign SOEs and thus protect domestic enterprises. Such restrictions may severely damage growth and development in all the countries involved.

3.1 SOEs in international trade

Countries with large SOE sectors are active in international trade…

19. Most of the economies with a particularly high share of SOEs among their largest enterprises (see Figure 2) are important players in international trade in goods and services. Moreover, those segments of the raw materials, manufacturing and services sectors that have the strongest SOE presence account for significant shares of world trade (OECD, 2013c). Therefore, if the SOEs do in fact benefit from advantages granted to them by their government owners then there is a potential for economic distortions in world markets. Because such advantages may have effects on the global market, they may be incompatible with the principles of the WTO rules-based multilateral trading system, where countries have undertaken market access and other obligations under the condition of non-discrimination and in respect of market principles.

Figure 2. SOE shares among countries' top ten firms[2], in %



Note: Only countries with shares above 10% are shown.

Source: OECD (2013c).

…and have occasionally been embroiled in trade disputes focusing on SOEs.

20. OECD's recent study indicates that various actions of SOEs, as well as advantages allegedly granted to them by governments, have at times been contested by competitors as being inconsistent with national or international regulations (OECD, 2013c). Sometimes these complaints have been upheld by the relevant arbitration or regulatory authorities and other times not. This illustrates, first, that governments have at times pursued SOE strategies that were seen by others as having anti-competitive effects. Secondly, it appears that some of these allegations were without merit or, if not, that existing legal frameworks may be only partially fit to deal with cross-border effects of SOEs' activities.

2 Un-weighted average of the largest 10 companies' sales, market value and assets.

Several existing instruments bear on SOE trade activities.

21. Regulatory frameworks that discourage some forms of anti-competitive behaviour by SOEs in international markets include: *OECD Guidelines on Corporate Governance of SOEs* (2005); national competitive neutrality frameworks; national competition laws; the WTO Agreement; and regional trade agreements. Many of these regulatory frameworks have been designed with domestic objectives in mind or were conceived at times when the state sector was oriented primarily towards domestic markets, though examples of recent bilateral or regional trade agreements have more of an SOE focus. Box 1 provides an overview of some of the trade-specific instruments.

Box 1. Selected regulatory approaches dealing with anti-competitive cross-border effects of SOEs

WTO rules are generally ownership-neutral; the disciplines which they impose with respect to government regulations and actions do not distinguish between situations where the provider of the goods or services covered by the regulation or action is a public or a private entity. These ownership-neutral rules do discipline some of the trade distorting government policies that may involve SOEs (e.g. violation of national treatment or most-favoured nation principles, dumping or subsidies).

In addition, the GATT explicitly disciplines some practices in which so-called State Trading Enterprises (STEs), some of which can but do not have to be state-owned, can be used by governments as vehicles to influence international trade. In a similar vein, the Subsidies and Countervailing Measures (SCM) Agreement disciplines subsidies involving financial contributions provided by either governments or "public bodies" which may be SOEs. More generally, in certain circumstances, actions of SOEs can be attributed to states or governments, subjecting them to the same WTO rules as governments are subject to. Here state ownership is also not the determining factor, but it can be arguably related to the degree of state influence and makes such an attribution more likely.

Many existing regional trading agreements include specific provisions on SOEs, attempting to fill gaps in existing multilateral provisions. For example, some agreements explicitly specify that their provisions apply similarly to SOEs, clarify some of the definitional lacunae in the WTO context, or include additional provisions pertaining to services and competition policies.

3.2 SOEs in cross-border investment

International investment by SOEs is on the rise…

22. International investment by SOEs is a relatively new phenomenon. Despite their economic heft, and a number of high-profile examples of international investments by SOEs, a recent OECD study shows that the majority of these firms are either purely domestic or only in the early stages of internationalisation (OECD, 2013b). Nevertheless, recent years have seen a clear upward trend in international investment by SOEs, especially since the start of the global economic crisis in 2008. This trend is associated with the deepening international economic integration and stronger outward orientation of a number of emerging economies.

…mostly reflecting a spike in a few important sectors.

23. During this early phase of internationalisation, international investments by SOEs have been concentrated in a few industries. For example, in 2012 no less than 97% of global international mergers and acquisitions (M&As) by SOEs was in energy, hydrocarbons, mining and metals sectors. This partly reflects the fact that most enterprises in these sectors tend to be internationally active – including private ones. Table 2 shows the SOE share of total cross-border investment activity in the largest 5 sectors. The sectoral concentration is also reflected in the

geographic patterns of international investments by SOEs. For most recipient countries, international investment by SOEs represents a modest share of their total inward investment. However, for economies that are more dependent on extractive industries, in particular developing economies, SOEs can account for much higher shares of inward investment.

Table 2. Share of SOEs in international mergers and acquisitions, by sector (2012)

Sector of acquirer	*M&A undertaken by SOEs (million US$)*	*SOE Share of total (per cent)*
Oil and gas	20,869	34
Energy and other utilities	7,577	19
Mining	3,000	7
Steel and other metal	1,710	5
Professional services	411	4

Source: OECD (2013b).

This has given rise to political concerns…

24. The increase in international investment by SOEs has given rise to policy concerns that this investment might create economic distortions. Part of the discussion has focused on a perception that M&A by SOEs may be driven by non-commercial considerations and facilitated by preferential treatment in the companies' home countries. Another concern has been the risk that countries that have tried to rid themselves of certain economic distortions and inefficiencies through privatisation might see these problems re-emerge from investment by SOE's from abroad. A number of governments have sought to address these concerns through existing laws and regulations dealing with international investment.

…leading some countries to tighten their inward investment regulation…

25. At the domestic level, some of the governments that have in place foreign direct investment (FDI) review mechanisms have incorporated provisions on investment by SOEs. In most instances, these do not aim to deter SOE investment as such. They do, however, tend to mandate a more thorough review procedure for SOEs than for equivalent private investors.

…and others to include SOEs in international investment accords.

26. At the international level, existing policy frameworks dealing with international investment generally do not exclude international investment by SOEs from their coverage. International investment agreements and instruments, including the *OECD Codes of Liberalisation* and the *OECD Declaration on International Investment and Multinational Enterprises*, rarely distinguish on the basis of ownership (an overview is provided in Box 2). State-controlled investors are generally given the same treatment as private investors, including in most cases with respect to their treatment in investor-state dispute mechanisms. Nonetheless, some governments have begun to include competitive neutrality provisions in their international agreements.

Box 2. Existing approaches to recipient country policies toward international investments by SOEs

The vast majority of international investment agreements (IIAs) do not distinguish between investors on the basis of ownership and therefore provide the same protections to foreign SOEs as for foreign private investors and subject to essential security interests and other relevant safeguards, unless the parties have lodged reservations in their lists of specific commitments under the IIA concerned. This is also the case for OECD investment instruments, including the OECD Declaration on International Investment and Multinational Enterprises (which contains the National Treatment Instrument), the OECD Codes of Liberalisation of Capital Movements and of Current Invisible Operations, the Multilateral Investment Guarantee Agency (MIGA) Convention, and the International Centre for the Settlement of Investment Dispute (ICSID) Convention. The Users' Guide for the Codes states that "government-owned industrial, commercial or financial enterprises are treated like private enterprises under the Codes. Where government owned enterprises act, for instance, as service suppliers, host countries should accord them the same rights to provide cross border services as are enjoyed by private enterprises."

The 2008 OECD Declaration on Sovereign Wealth Funds and Recipient Country Policies represents perhaps the first example of an international agreement specifically addressed to the issue of keeping markets open to international investment involving governments. It was followed by the 2009 OECD Guidelines for Recipient Country Investment Policies relating to National Security, providing specific recommendations for recipient country policies that help to make these policies both effective and to ensure that they are not used as disguised protectionism.

Notwithstanding this general indifference in international investment agreements and instruments to the question of ownership, concerns over the potential negative impact of international investment by SOEs have motivated a few innovative initiatives. For example, some regional integration agreements, such as the United States – Australia Free Trade Agreement (signed in 2004), include provisions to promote competitive neutrality. At the domestic level, the main policy tool for dealing with investment by SOEs would seem to be FDI review mechanisms. The extent to which countries have established different rules for SOE investments remains limited. In a survey, only 4 out of 26 countries – Australia, Canada, the Russian Federation and the United States – were found to have different rules for international investments by SOEs. However, given that most reviewing agencies retain the authority to consider any factors deemed relevant for authorizing an investment, it is difficult to determine the extent to which government ownership is a factor in FDI review processes.

4. Moving the international dialogue forwards

These are still early days, but trade and investment by SOEs appears to be on the rise…

27. In sum, international trade and investment by SOEs, and policy responses, are still in the early stages of development. International trade and investment by SOEs could well continue to increase as countries with significant SOE sectors grow and become more internationalised – even though nascent privatisation programmes in some countries pull in the opposite direction. A better understanding of the implications of SOEs' trade and investment for the functioning of international markets is needed to help governments formulate informed, balanced policy responses and to ensure mutually beneficial outcomes for countries home of SOEs and recipient countries.

…so further evidence on SOEs in the global economy must be gathered.

28. Further evidence is also needed on the extent of SOEs' international operations. It is, for example, not clear whether the spike in cross-border SOE investment in recent years is part of a durable shift, an upward trend, or merely a blip reflecting the unfolding financial crisis. OECD is well placed to monitor these developments on a worldwide basis and to bring them to the attention of policy makers. The very extent of competitive advantages which home governments may provide to their SOEs seeking to expand abroad and the material impact these may have on their competitors in international markets also need to be better measured and evaluated.

Dialogue among governments should be needed and involve a wide range of countries.

29. Home governments that see a role for their SOEs as agents of public policy need to give due attention to: (1) avoiding an inefficient resource allocation in their domestic economy with weak enterprises crowding out potentially more efficient ones; (2) preventing an unsustainable competitive situation from arising in the international market place. It is important that countries recipient of SOEs' trade and investment maintain their commitments to market openness and non-discrimination. Governments may wish to consult on how to translate a shared vision for competitive neutrality in the long-term into short- and medium-term implementable priorities. OECD offers an ideal forum, as well as expertise and experience in all relevant policy areas, for taking this dialogue forward. Such a dialogue process could take as a starting point the valuable experiences that were gathered when the "Santiago Principles" for sovereign wealth funds and the OECD Declaration on sovereign wealth funds and recipient country policies were in tandem developed in 2008-9.

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