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Progress Report on Enhanced Engagement



1. Introduction

1. This report provides Members with an update on the Enhanced Engagement process. Enhanced Engagement is the result of a decision by the Council at Ministerial level in May 2007 “to invite the Secretary-General to strengthen OECD co-operation with Brazil, China, India, Indonesia and South Africa through Enhanced Engagement programmes with a view to possible membership.” It represents the Organisation’s endeavour to have a structured relationship with these countries, in order to address the global challenges we are facing. It means integrating them in our policy discussions, and supporting their reform agenda with the OECD expertise. It is both a top down exercise, including the Secretary- General’s contacts and activities in these countries, and a bottom up one, with the integration of these countries in the OECD’s regular work programme, in particular through participation in OECD Committees and involvement in their output results, such as surveys, databases and publication series. The participation of the Secretary- General and senior Secretariat officials in G20 meetings provide useful opportunities for high-level contacts with EE5 officials.

2. Through its Enhanced Engagement process, the OECD is advancing its relationship with major world economies, guided by its evidence-based policy advice and its standards. It gives Members and the five countries an opportunity to examine one another’s policies as peers, helping to present OECD thinking, as well as these countries’ experience, and to build consensus on policy standards.

3. Over the past few months, the Secretary-General has undertaken visits to China, India (both in March) and Indonesia (November), meeting with several Ministers, including the Minister of Foreign Affairs of China, Yang Jiechi¹ and Deputy Chairman of India’s Planning Commission, Montek Singh Ahluwalia. All expressed their satisfaction with the development of the relations between their countries and the OECD. In Indonesia, the Secretary-General presented the first Economic Survey and the first Investment Policy Review of Indonesia. On 13-14 June 2011, he will attend a cluster of “OECD in India” events, including an OECD-India Symposium entitled “Towards Balanced Development and Inclusive Growth; the Indian Experience”, the launch of the second Economic Survey of India and a high-level tax event that will launch a 3-year programme of co-operation with India. At the G20 Summits, he has exchanged views with the leaders of these countries.

4. Previous progress reports on Enhanced Engagement² mentioned the fact that the five countries’ participation in Committees had increased sharply since 2007, while noting that this increase took largely the form of more ad hoc observerships (as shown in table 1, below). There remained a potential for a more comprehensive participation by the five countries to working with the Organisation as a whole. This led the Council in July 2010 to issue a set of Guidelines to Committees for the deepening of Enhanced Engagement [C(2010)100/FINAL], with a view to “improve the quality, the depth, the breadth and the level of trust with our Enhanced Engagement partners.”

5. A first progress report on Committees’ implementation of the Guidelines was issued in February 2011 [C(2011)22/REV1]. It concluded that all Committees had responded to the Guidelines by launching reviews and updates of their Global Relations strategies, some of which preceded the launch of the Enhanced Engagement process (2007). Committees had been creative in developing methods of engagement besides the partner countries’ regular participation in Committees. Both the Committees and the partner countries showed a growing interest in more structured and sustained forms of participation besides ad hoc observership, including full participant status. A number of Committees had encountered

¹ More information on these visits is provided in the Annex, on developments in individual countries.

² In 2010, progress reports were issued under reference C/MIN(2010)8 and ECSS(2010)6.

challenges in convincing Enhanced Engagement countries to participate in their work, some of them for substantive reasons, others related to a lack of capacity of the countries to participate.

Table 1 – Invitations as Ad-hoc Observers in OECD Bodies

	2007/08**		2008/09**		2009/10**		2010/11**	
	Bodies	Notifications*	Bodies	Notifications*	Bodies	Notifications*	Bodies	Notifications*
Brazil	13	17	29	47	30	49	43	83
China, P.R. of	21	25	36	64	48	96	60	132
India	14	19	31	51	38	64	59	123
Indonesia	6	7	25	44	34	56	57	118
South Africa	12	15	28	59	27	46	44	93

* The number of notifications is taken as a proxy for the number of meetings for which invitations were sent; in some cases, one notification was issued for two or more meetings of a body over a period of up to a year.

** 1 June-31 May; for 2010-11 situation as of 12 May 2011.

NB, see the caveat in footnote 5.

2. The Council Guidelines and the Committees' Response

6. The Guidelines which Council issued in July 2010 have had a number of visible effects. The first is that all Committees have undertaken to review and update their Global Relations strategies. Table 2 (page 9) shows Committees' progress. A number of them have completed the process; others will do so over the course of this year. To ensure that the strategies remain relevant, the Guidelines call for their periodic updating in parallel with the preparation of the Committees' biennial programmes of work. Modalities for this exercise will be proposed before the end of 2011.

7. Another visible effect of the Guidelines is that the revised strategies of many Part I Committees recognise an ultimate goal of involving some or all of the five countries on a basis of equality, *i.e.* as full participants. As table 3 (page 10) shows, some Committees are moving towards recommending that Council issue invitations to this effect.

8. Finally, the Guidelines have encouraged Committees to take a comprehensive approach in their dealings with the five countries. They consider or implement options for engagement in addition to participation in Committee meetings, notably inclusion in databases, in publications series, adherence to policy standards, disciplines and instruments.

9. Once Committees have completed the updating of their Global Relations strategies, they can start working on the Plans for Engagement which the Guidelines suggest they might develop, specifying actions, and their possible sequencing, with individual Enhanced Engagement partners, as appropriate. The Committee for Fiscal Affairs, for example, is developing a "Roadmap for Engagement" which will include concrete actions and their sequencing. Other Committees also report undertakings to develop engagement plans, such as the Insurance and Private Pensions Committee, the Committee on Financial Markets and the Territorial Development Policy Committee (Brazil, China and South Africa).

3. Full Participation in Committees

10. Full participant status has, until now, been accorded only for part II bodies, with one exception (the Working Group on Bribery in International Business Transactions). The fact that several Part I Committees are now contemplating full participant status for selected partners is a new and welcome

development. Brazil has formally expressed its interest in obtaining this status in the Public Governance Committee and a recommendation to Council to this effect is expected soon. The Committee on Fiscal Affairs has agreed to launch negotiations with China, India and South Africa with the objective of full participant status and to explore Argentina's interest as well. Its preliminary assessments of South Africa and China are in process. Some other Committees, such as the Competition Committee, see this as a near-term prospect for one or more of the Enhanced Engagement countries. Some (the Investment and Corporate Governance Committees) focus on full participation in the framework of a specific project.

11. Those Committees where some or all of the EE5 already participate actively in all the work, could be expected to consider the possibilities for full participation as a matter of priority. However, as table 3 shows, not all Committees regard full participant status as an option for the immediate future, but are exploring the countries' interest in regular observership instead, such as the Environment Policy Committee and the Committees in the knowledge economy (DSTI) and the trade, agriculture and fisheries (TAD) areas. Usually, full participant status is seen as an ultimate objective, to be considered in earnest only if and when the country concerned already has a good track record of participation in the Committee and/or involvement in its analytical work in the form of country reviews or inclusion in databases.

4. Mainstream Committee Work

12. Involving the Enhanced Engagement countries as equal partners requires their incorporation into the Committees' mainstream work. For an evidence-based Organisation, it is essential to have access to data on the countries concerned and to include them in publications such as country surveys, Outlooks, "At a Glance" series and country review series. On these points, the past years have seen considerable progress. The five countries figure in the biannual *OECD Economic Outlook* and the annual *Going for Growth* series. *Economic Surveys* on each of them are published every 2-3 years. The Secretariat has engaged with them to collect data for the *Main Economic Indicators* and the *OECD Factbook*. All five countries have been invited to join Members in the development of the *Environmental Outlook to 2050*. Plans exist for data collection to allow their inclusion in *Government at a Glance*, the *Regional Outlook* and *Regions at a Glance*. The Secretariat has intensified its efforts to develop the relationship with the countries' national statistical services with a view to collecting key data and metadata more systematically, in particular for the OECD's national accounts and population statistics. Considerable efforts have been made to involve the five countries in developing the Green Growth Strategy. These efforts have started to bear fruit with China, Indonesia and South Africa, which participated in the Green Growth Strategy Workshop on 10-11 February 2011. China and Indonesia also provided comments on the draft Green Growth Strategy report and India has started demonstrating interest in OECD green growth work.

13. Some of the Enhanced Engagement countries have associated themselves with OECD legal instruments. Brazil did so as early as in the 1990s (Declaration on International Investment and Multinational Enterprises, the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the Hard Core Cartel Recommendation). Brazil is also a full participant to the Sector Understanding on Export Credits for Civil Aircraft and has just joined the Council Acts related to the Mutual Acceptance of Data in the Assessment of Chemicals ("MAD") as a full adherent. Very recently, India also became a full adherent to these Acts. South Africa did so in 2003 and it joined the anti-bribery Convention in 2007. Enhanced Engagement countries have been associated with other OECD standards as well; an overview is provided in the "snapshot" on Enhanced Engagement attached to this note (table 4, page 13).

14. The Committees responsible for the legal instruments mentioned above generally regard all Enhanced Engagement countries as potential adherents. The Working Group on Bribery aims at facilitating the adherence to the Convention by China, India and Indonesia. The Secretariat has visited China to explain its rights and obligations in adhering to the MAD Decisions and to discuss obstacles, and

it has offered to organise a seminar on MAD in Indonesia. The alignment of partner countries' measures and practices with OECD standards could be expected to receive greater attention as the drive to expand full participant status gathers momentum.

5. Some Innovative Methods of Engagement

15. Some Committees have been innovative in finding ways of securing a greater commitment among non-Members to their work. A few of them, such as the Committees on Fiscal Affairs, Investment and Corporate Governance, have created advisory bodies to help the Committees plan and manage their Global Relations efforts and they allow non-Member observers to participate in them. The OECD's work on financial education is supported by the Advisory Board of the International Network on Financial Education, in which Brazil, India, Indonesia and South Africa participate.

16. The Trade Committee has agreed to implement a structured format for EE5 participation in its meetings on issues in which mutual benefit is assured. The specific structure will take the form of a G20 grouping³. Invitations to other meetings, and events in which issues of mutual benefit are discussed, would supplement this core co-operation. The same is true for the inclusion of the Enhanced Engagement countries, G20 and Southeast Asian countries in relevant projects and databases.

17. The Bureau of the Committee on Statistics has established a "Partner Programme", in which specific Members and the Secretariat should develop partnerships with the five countries, building on the well-established contacts and knowledge of certain national statistics offices have of the statistical activities in the partner countries. The OECD Members will help to explain OECD programmes and requirements to their colleagues in partner countries. They will also serve as "mentors" to assist the partner countries' statisticians in following international standards for statistical concepts and methodologies.

18. Other Committees are working on similar arrangements. Trade Committee Delegates have agreed to consider informal twinning relationships with a particular Enhanced Engagement country, which would give them responsibility for reaching out proactively to this country. The Fisheries Committee encourages Delegates to set up informal "pairing" relationships with a particular Enhanced Engagement country, working as advocates for the Committee's work and assisting the country in providing data or reports. The Committee for Agriculture is considering using country task forces composed of contacts in the Secretariat and Committee Delegates to create networks of key contacts in the Enhanced Engagement countries. The Committees on Consumer Policy and on Industry, Innovation and Entrepreneurship encourage international organisations, and Member and Observer Delegates to help involving the Enhanced Engagement countries by acting as "champions" for the Committee's work.

19. Inviting visiting experts from the Enhanced Engagement countries helps to strengthen the ties with these countries, as it creates local expertise and promotes personal contacts. An official of the South African Department of Trade and Industry has been assigned to the Secretariat of the Investment Committee. Other Directorates, such as Trade and Agriculture, also think of a visiting expert programme as a useful mechanism for co-operation. Chinese officials have been seconded to the Secretariat, mainly to work on China-related outputs (e.g. the Global Forum on Trade meeting in Chengdu and the *Economic Survey of China*).

20. When countries are leaders in their regions for certain areas as work, as e.g. Brazil and South Africa in the field of competition, they will often make important contributions to the OECD regional

³ The Trade Committee and the G20 have a shared focus on promoting trade liberalisation and a strong alignment of participants. The only G20 Member not currently engaged with the Trade Committee in some capacity (Member, regular observer, accession or Enhanced Engagement country) is Saudi Arabia.

work. The South African Treasury has championed the creation, as of this year, of an OECD Centre for African Public Debt Management and Bond Markets as a home base for seminars and workshops addressing African countries. This is one example of South Africa's acting as a facilitator for the OECD's work in Africa, a role it also plays in areas such as taxation, corporate governance and budget reform. Other countries have occasionally assumed the role of regional driver of OECD work. For example, Indonesia, Chair of ASEAN meetings in 2011, will play a key role in the Investment Committee's expanding work programme in Southeast Asia. The Regulatory Policy Committee will invite the Enhanced Engagement countries to help initiate and support regional networks of regulatory officials.

6. An Interim Assessment

21. The information above holds positive signals for the future involvement of the Enhanced Engagement countries in the OECD's work. On the Committees' side, the Guidelines on Deepening Enhanced Engagement have induced all of them to update their Global Relations strategies to reflect the importance of engaging with the economies that have emerged as global players. Committees have been innovative in devising ways to foster partnerships and many have stated full participant status for the five countries, and adherence to their instruments as an objective, long-term or short. On the whole, Committees seem to be satisfied by the quality of the Enhanced Engagement countries' participation in the Committees where they have regular status⁴.

22. On the side of the partner countries, there have been a number of signs of interest in more committing forms of participation in OECD work than ad hoc observerships. Brazil and India have completed their full adherence to the Council Acts on Mutual Acceptance of Data in Chemicals. India is willing to join the Network on Fiscal Relations across Levels of Government as a full participant. China is showing interest in the anti-bribery Convention, which it is using as a reference for its new bribery law. India is also interested. The possibility of inviting South Africa and China to join the Committee on Fiscal Affairs as full participants is under discussion. Brazil has expressed its interest in joining the Public Governance Committee in this capacity. Brazil, India, Indonesia and South Africa have been active participants in the OECD Freedom of Investment roundtables, which provides a forum for inter-governmental co-operation on international investment policies. The five countries are also becoming more involved in the Committees' mainstream work, through inclusion in databases, policy reviews and publication series.

23. The Organisation's active role in the G20 reinforces this trend. The regular contacts which the Secretary-General and his Deputies maintain with the leaders and high-level officials of the G20 countries, including during G20 summits, have promoted the understanding of the OECD goals and contributions and widened the network of contacts with officials from those countries. Committees are alert to the importance of involving G20 countries in relevant aspects of their work, as demonstrated, for example, by the Trade Committee's initiative to create a G20 group for a dialogue with partner economies to determine shared policy priorities. The non-OECD G20 countries may eventually be invited as full participants in the Task Force on Financial Consumer Protection, which helps the CMF to deliver G20-related work. The Council's invitations to join projects on Freedom of Investment and the updating of the MNE Guidelines also addressed all G20 countries outside the OECD's membership.

24. It is important to note the greater degree of comfort with the co-operation among high-level officials of the countries concerned. During the Secretary-General's recent visits to China and India,

⁴ This is indicated by Committees' assessment of the quality of participation of regular observers in the context of the biennial renewal of observers' invitations. Only in two instances involving Enhanced Engagement countries did a Committee rate this quality as less than fully satisfactory over 2009-10.

Ministers, including the Chinese Minister of Foreign Affairs, expressed their satisfaction with the way in which the co-operation has developed, as well as their desire to strengthen our relations further. The recent visits by the Ministers of Finance of South Africa and Indonesia also indicate the value they attach to the OECD as a partner for economic policy dialogue.

25. At the same time, the five countries' participation as ad hoc observers in Committees continued to surge⁵, especially so for the three from Asia, which have fewer regular observerships. This is in itself a welcome trend: the countries have often been made valuable contributions in this capacity, *e.g.* in the Economic Policy Committee and its Working Parties. While an increasing interest in full participant status is emerging, there has been little demonstrated interest in new invitations as regular observer since 2007, neither from the five countries nor the Committees. Although it is early for firm conclusions, a pattern seems to be emerging that both sides prefer either to stay with the more flexible option of ad hoc observership, or to go all the way to full participant status. This makes it advisable for the Organisation to consider whether its current palette of options for non-Member participation, which dates from 2004⁶, *i.e.* long before Enhanced Engagement was launched, is still adequate to meet the interested parties' needs.

26. While the engagement with the five countries has expanded considerably, the Enhanced Engagement process has also met with a number of challenges. One of the main challenges has been to persuade the countries to participate in activities on certain subjects in which they are important players, but are reluctant to participate. Examples are China's limited participation in the work on fisheries and Brazil's reluctance to participate in the work of the Environmental Policy Committee. Further participation could be encouraged by involving the countries in the governance of projects, thus allowing them to engage on a par with members at the horizontal level. The Committees are encouraged to use the plans for engagement which Council has suggested they formulate, to explore all the options at their disposal to achieve a more active role for the countries in their work programmes, including in the design of programmes and in projects. As they succeed, Enhanced Engagement will, over time, be less defined in terms of country-specific output results and more in terms of their integration into the Committees' mainstream work and their general output results.

7. Principal Conclusions

27. This report provides background information for the discussion at the MCM on the Secretary-General's Strategic Orientations [C/MIN(2011)1]. The following conclusions are particularly relevant.

- The Council's 2010 Guidelines on Deepening Enhanced Engagement have resulted in a long overdue review and updating by all Committees of their Global Relations strategies.
- There has been a marked increase in the Enhanced Engagement countries' participation in Committee work, not only in meetings, but also in the Committees' output results, such as reviews and databases.
- With respect to participation in Committees, the preference on the side of Committees and partner countries appears to be either for more flexible arrangements than regular observership,

⁵ As a caveat, this observation is based on the number of invitations, as presented in table 1, and anecdotal information on the Enhanced Engagement countries' participation, rather than data on their actual participation, which are not collected systematically.

⁶ The current arrangements for non-Member participation in Committees are governed by the Resolution of the Council concerning the Participation of Non-Members in the Work of Subsidiary Bodies of the Organisation [adopted by Council on 8 July 2004; C(2004)132/FINAL].

or for more committing ones, in the form of full participant status. In this light, it is desirable that the External Relations Committee undertake a review of the present arrangements for non-Member participation [Resolution C(2004)132/FINAL] – which, unlike the Committees’ Global Relations strategies, have not been updated since Enhanced Engagement was launched – with a view to making appropriate recommendations to Council.

- Committees have been swift in aligning their strategies with the need for deeper forms of Enhanced Engagement, but the implementation phase, which should now follow, will be more demanding. Committees are expected to translate their strategies into engagement plans with individual partner countries. This will be a two-way process and the true test of Committees’ ability to find common ground with the partner countries. Enhanced Engagement implies working with these countries in the sharing and development of high-level standards. And, as the Secretary-General puts it in his Strategic Orientations [C/MIN(2011)1, executive summary], our standards and perspectives can contribute to their thinking and development process. Meeting certain standards is the corollary of full participant status in Committees, on which some Committees are now focusing their engagement strategies. Committees are also expected to find ways to encourage countries that are major players in their areas of work to join them. There are hopeful signals that Committees and partner countries are moving towards more committing forms of engagement, but much of the progress remains to be realised.
- While we have seen considerable progress in the technical co-operation with the five countries, there is scope for reinforcing the engagement at the higher political levels. The greater degree of comfort with the co-operation among high-level officials of the countries concerned is reassuring and could pave the way for strengthening their interaction with the OECD through appropriate new mechanisms.
- An issue not to be overlooked is that of the capacity to interact, for which there is still considerable scope for strengthening. The Secretariat will continue to stress the mutual interest of the Organisation and the partner countries in active and senior-level liaison offices at the Paris embassies in charge of the relations with the OECD. It will also involve Members more actively in fostering relations with the countries concerned, including through their embassies in these countries’ capitals. Furthermore, the OECD’s involvement in the G20 is an opportunity to present its credentials as a trusted and competent partner and contributor to the work on relevant subjects. This is a positive element in the OECD relationship with these countries.

TABLE 2 – Global Relations Strategies of the OECD Subsidiary Bodies

Subsidiary Body	Review Date
Economic Policy Committee	January 2011
Economic and Development Review Committee	January 2011
Committee on Statistics	June 2011
Public Governance Committee	November 2010
Regulatory Policy Committee	April 2010
Territorial Development Policy Committee	December 2010
Trade Committee	December 2010
Committee for Agriculture	June 2011
Fisheries Committee	December 2010
Investment Committee	October 2010
Working Group on Bribery in International Business Transactions	March 2011
Insurance and Private Pensions Committee	June 2011
Committee on Financial Markets	April 2011
Competition Committee	October 2010
Corporate Governance Committee	November 2010
Committee on Fiscal Affairs	January 2011
Committee for Scientific and Technological Policy	March 2011
Committee for Information, Computer and Communications Policy	March 2011
Committee on Consumer Policy	April 2011
Steel Committee	May 2011
Council Working Party on Shipbuilding	July 2009 – May 2010
Committee on Industry, Innovation and Entrepreneurship	March 2011
Working Party on SMEs and Entrepreneurship of the CIIE	April 2011
Co-operative Action Programme on Local Economic and Employment Development	November 2010
Tourism Committee	September 2011
Employment, Labour and Social Affairs Committee	March 2011
Health Committee	December 2010
Education Policy Committee	April 2010
PISA Governing Board	November 2010
Programme for Institutional Management in Higher Education	October 2010
Centre for Educational Research and Innovation Governing Board	November 2010
Environment Policy Committee	October 2011
Joint Meeting of the Chemicals Committee and the Working Party on Chemicals, Pesticides and Biotechnology	June 2011
Steering Committee for Nuclear Energy	April 2010
Development Assistance Committee	October 2011
Governing Board of the Development Centre	March 2011

TABLE 3 – FULL PARTICIPANT STATUS IN OECD SUBSIDIARY BODIES

Subsidiary Body	Plans for Full Participant Status
Part I	
Economic Policy Committee	The EE5 and Russia have been invited as ad hoc observers to the meetings of EPC and its working parties STEP, WP1 (including discussions on the work programme) and WP3 (China only). The possibility of full participant status has not yet been discussed, but could be considered.
Economic and Development Review Committee	The EE5 and Russia are invited on an ad hoc basis. Actual attendance has been spotty and the thrust is to encourage more participation. Once this has been established, further steps could be considered.
Committee on Statistics	The Committee will consider whether, within the context of its updated Global Relations strategy, any of the EE countries should be considered for full participant status.
Public Governance Committee	The PGC Enhanced Engagement Strategy proposes full participant status for Brazil, which has confirmed its interest.
Regulatory Policy Committee	The possibility of Brazil becoming a full participant is being discussed informally.
Territorial Development Policy Committee	Discussions on the TDPC's engagement with the EE5 in the run-up to the Committee's June and December 2011 meetings could lead to inviting these countries not only as a regular observer but as full participant, with particular focus on Brazil and South Africa by end-2011.
Trade Committee	Full participant status is not considered for the time being.
Committee for Agriculture	Full participant status is not considered for the time being.
Fisheries Committee	Full participant status is not considered for the time being.
Investment Committee	Brazil, Argentina, and six other non-Members have adhered to the Declaration on International Investment and Multinational Enterprises and in this capacity are participants in the Investment Committee's attendant work. These countries, plus others, including the Enhanced Engagement countries, have been invited as full participants in the Freedom of Investment project. Among the EE5, only Indonesia has formally accepted this status. Furthermore, the G20 Members outside the OECD have been invited as full participants in the updating of the OECD Guidelines for Multinational Enterprises. Brazil and Argentina were already entitled as adherents to the Declaration; the other countries have not yet accepted the invitation.
Working Group on Bribery in International Business Transactions	Brazil and South Africa are Parties to the Anti-Bribery Convention and hence full participants in the WGB. The WGB will discuss a timetable for engagement with China, India, and Indonesia in June 2011, with a view to their eventual accession to the Anti-Bribery Convention. The proposed timetable will keep the G-20 Anti-Corruption Action Plan 2012 deadline for stronger WGB engagement or accession to the Convention in mind.

Insurance and Private Pensions Committee	The IPPC and its WP on Private Pensions will raise the issue of full participant status during the review of their Global Relations strategies in June 2011.
Committee on Financial Markets	The possibility of full participant status for non-members in the Task Force on Consumer Protection will be discussed.
Competition Committee	The Committee recently acknowledged that Brazil and South Africa, as regular observers, already participate as quasi members and agreed that full participant status should be contemplated if they express an interest. The Secretariat intends to test this interest informally.
Corporate Governance Committee	In April 2011, the Committee considered invitations to the EE5 as full participants in a possible review of the OECD Corporate Governance Principles. The Committee's Working Party on State Ownership and Privatisation Practices will discuss possible invitations to the EE5 as well as Argentina, Russia and Saudi Arabia be invited as full participants in a new project on SOEs and Competitive Neutrality, which would give them the opportunity to formally associate themselves with any recommendations emerging from the project.
Committee on Fiscal Affairs	The Committee agreed in January 2011 to launch discussions with China, India and South Africa regarding full participation and to explore Argentina's interest in the same. The CFA has commenced preliminary assessments of these countries as a first step.
Committee for Scientific and Technological Policy	Full participant status is not considered for the time being.
Committee for Information, Computer and Communications Policy	Full participant status is not considered for the time being.
Committee on Consumer Policy	Full participant status is not considered for the time being.
Committee on Industry, Innovation and Entrepreneurship (CIIE)	Full participant status is not considered for the time being.
Working Party on SMEs and Entrepreneurship of the CIIE	Strengthening EE5 participation is foreseen in the new Global Relations strategy, first in the form of ad hoc observership, but over the longer term, the objective will be full participation.
Tourism Committee	The EE5 are invited on an ad hoc basis to the meetings. The Committee will define the steps to further involve the EE5 as part of the review of its Global Relations strategy in 2011.
Employment, Labour and Social Affairs Committee	Full participant status is not considered for the time being.
Health Committee	Full participant status is not considered for the time being.
Education Policy Committee	The EE5 will continue to be invited to all EDPC sessions as ad hoc observers until such time that they request to become regular observer or full participant.
Environment Policy Committee	Full participant status is not considered for the time being.

Chemicals Committee	Discussions are underway with South Africa on their possible full participation in the Chemicals Committee. No other countries are being considered for full participant status for the time being. (but see under Part II, Joint Meeting)
Development Assistance Committee	Indonesia and South Africa are <i>de facto</i> members of the DAC Working Party on Aid Effectiveness. Full participant status is not considered for the time being in the DAC proper, but efforts to strengthen the dialogue with EE5 countries (beyond participating in DAC Senior and High Level Meetings) are being pursued.
Part II	
Steel Committee	Brazil, Romania and Russia are full participants; China, India and Ukraine have been invited; their acceptance has long been pending. No other non-Members considered for full participant status for the time being.
Council Working Party on Shipbuilding	Croatia and Romania are full participants. China has been invited as full participant and its acceptance is pending. No other non-Members are considered for full participant status for the time being.
Co-operative Action Programme on Local Economic and Employment Development	Latvia, Lithuania and Romania are full participants; South Africa has been invited and its acceptance is pending. The Directing Committee will encourage full participation of the EE5 in the LEED Programme and has several mechanisms in place to promote their integration.
PISA Governing Board	All non-OECD Members that implement the survey can participate in the PISA Governing Board as observers. This includes the EE5 except South Africa. Non-Members can qualify as full participants after having completed three successive assessments. Brazil and Indonesia meet this criterion and have been invited as full participants, but not yet taken their decisions.
Centre for Educational Research and Innovation Governing Board	The current Global Relations strategy seeks to involve the EE5 as observers, but under the 2012-2016 mandate the strategy may be made more ambitious, seeking also full participant status of these countries.
Joint Meeting of the Chemicals Committee and the Working Party on Chemicals, Pesticides and Biotechnology	Brazil, India, South Africa and Singapore are full participants in MAD-related work.
Steering Committee for Nuclear Energy	There are no full participants in the NEA Committees for now, but the NEA is open to non-OECD Members with non-proliferation credentials and whose participation can be of mutual benefit.
Governing Board of the Development Centre	The Board has no regular observers, but 17 non-Member full participants, including all EE5 except China, which the Board sees as a priority country for full participant status.

TABLE 4 – OECD’s Engagement with Major Partner Economies: A Snapshot (12 May 2011)

	OECD BODIES, PROJECTS AND INSTRUMENTS	Brazil	China	India	Indonesia	South Africa
FULL PARTICIPATION	Freedom of Investment, National Security & Strategic Industries project (Investment Committee)				✓	
	Global Forum on Transparency and Exchange of Information for Tax Purposes	✓	✓	✓	✓	✓
	Governing Board of the Development Centre	✓		✓	✓	✓
	Joint OECD/ITF Transport Research Committee			✓		
	Steel Committee	✓				
	Working Group on Bribery in International Business Transactions (Investment Committee)	✓				✓
	For work related to the <u>Declaration on International Investment and Multinational Enterprises</u> : • Investment Committee	✓				
	<u>For Mutual Acceptance of Data only</u> : • Joint Meeting of the Chemicals Committee and the Working Party on Chemicals, Pesticides and Biotechnology (Environment Policy Committee) ○ Working Group on Good Laboratory Practice ○ Working Group of National Co-ordinators of the Test Guidelines Programme	✓		✓		✓
REGULAR OBSERVERS	Committee for Agriculture <i>and its subsidiary bodies</i>	✓				✓
	Committee on Consumer Policy			✓		
	Committee on Fiscal Affairs <i>and its subsidiary bodies</i>		✓	✓		✓
	Committee for Information, Computer and Communications Policy <i>and its subsidiary bodies</i>			✓		✓
	Committee on Statistics <i>and its subsidiary bodies</i>	✓		✓		✓
	Competition Committee <i>and its subsidiary bodies</i>	✓			✓	✓
	Committee for Scientific and Technological Policy <i>and its subsidiary bodies</i>	✓	✓			✓
	Investment Committee <i>and its subsidiary bodies</i>	✓				
	Joint Meeting of the Chemicals Committee and the Working Party on Chemicals, Pesticides and Biotechnology					✓

OECD BODIES, PROJECTS AND INSTRUMENTS		Brazil	China	India	Indonesia	South Africa
	Joint Working Party on Agriculture and Trade	✓				✓
	Joint Working Party on Trade and Environment	✓				
	Programme for International Student Assessment (PISA)	✓	✓ ⁷	✓ ⁸	✓	
	Public Governance Committee <i>and its subsidiary bodies</i>	✓				
	Steel Committee			✓		✓
	Territorial Development Policy Committee <i>and its subsidiary bodies</i>					✓
	Trade Committee <i>and its subsidiary bodies</i>	✓				
	Working Party on Aid Effectiveness (Development Assistance Committee)				✓	✓
	Working Party on Private Pensions (Insurance and Private Pensions Committee)	✓		✓		✓
OECD INSTRUMENTS	Agricultural Schemes and Codes: Application of International Standards for Fruit and Vegetables					✓
	Agricultural Schemes and Codes: Seed Schemes	✓		✓		✓
	Agricultural Schemes and Codes: Official Testing of Agriculture and Forestry Tractors		✓	✓		
	Bologna Charter on SME Policies	✓		✓	✓	✓
	Convention on Combating Bribery of Foreign Public Officials in International Business Transactions	✓				✓
	Council Decisions on Mutual Acceptance of Data in the Assessment of Chemicals			✓		✓
	Council Recommendation Concerning Effective Action against Hard Core Cartels	✓				
	Declaration on Access to Research Data from Public Funding		✓			✓
	Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs (Istanbul Declaration)	✓		✓	✓	
	Declaration for the Future of the Internet Economy (Seoul Declaration)			✓	✓	
	Declaration on International Investment and Multinational Enterprises	✓				

⁷ Shanghai is a PISA survey participant (not PISA Governing Board participant)

⁸ Himachal Pradesh and Tamil Nadu are PISA survey participants (not PISA Governing Board participants)

	OECD BODIES, PROJECTS AND INSTRUMENTS	Brazil	China	India	Indonesia	South Africa
	Declaration on International Science and Technology Co-operation for Sustainable Development		✓			✓
	Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance	✓				
	Paris Declaration on Aid Effectiveness and Accra Agenda for Action		✓	✓	✓	✓
	Sector Understanding on Export Credits for Civil Aircraft	✓				
	Statement on the Global Financial Crisis and Export Credits	✓	✓		✓	

ANNEX – DEVELOPMENTS IN INDIVIDUAL COUNTRIES

Brazil

1. Brazil's integration in OECD Committees as a full participant or regular observer has advanced rapidly. Brazil has full participant status in five official bodies, participates in several programmes on education, including PISA and is a regular observer in 16 official Committees or Working Parties and their subordinate bodies (see table 4). It is particularly active in the Competition Committee and the Public Governance Committee, sending high level delegates and undertaking peer reviews. The government has expressed its willingness to be considered for full participant status in the latter Committee.

2. More recently, Brazil has attended the Health Committee on an ad hoc basis and may seek regular observership. It is also increasingly receptive to invitations to participate in the work of the Employment, Labour and Social Affairs Committee. For example, Brazil will be presented by a Deputy Minister at this Committee's upcoming Ministerial in May. However, Brazil is still cautious about becoming an observer to the Committee on Fiscal Affairs and, in this policy area, concentrates its attention on the Global Forum on Transparency and Exchange of Information. Brazil continues to show reticence in engaging with the Organisation on environmental issues.

3. Brazil has adhered to several OECD instruments, including notably the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the Declaration on International Investment and Multinational Enterprises, the Council Recommendation on Effective Action against Hard-Core Cartels and Seed Schemes. Most recently, Brazil adhered to the Council Acts related to the Mutual Acceptance of Data (MAD) in Chemicals.

4. The Brazilian Ministry of Foreign Relations acts as co-ordinator for OECD relations, facilitating initial contact and joint projects. The Ministry's General Co-ordination of Economic (CORG) oversees an Inter-Ministerial Consultative Group which organises and monitors Brazil's participation in the activities of the OECD. In particular, CORG's approval is required before other Ministries apply for invitations to be regular observers on OECD Committees and it can decide to terminate Brazil's observership positions. CORG is supported by an OECD office in the Embassy in Paris. Composed of four staff members and led by a Minister-Counsellor, this office sets the standard for efficiency and effectiveness in handling Brazil's relations with the OECD.

5. The External Relations Committee's informal Reflection Group on Brazil is now led by the Polish Ambassador, Mr. Pawel Wojciechowski who, like his predecessor Ambassador Eduardo Ferro, intends to continue the practice of co-leadership with the Brazilian Minister-Counsellor, Mr Ricardo Guerra. In view of the recent change of government in Brazil, in the coming months, IRG discussion will focus on how OECD Delegations foresee the relationship between the OECD and Brazil under Ms Dilma Rousseff's Presidency.

6. The government has also been active in helping to raise the profile of the OECD in Brazil and participated actively in the preparation of a promotional brochure. In addition, Brazil has hosted a number of OECD meetings and launches of OECD reviews. In April 2011, the Brazil Office of the Comptroller General launched the *Public Integrity Review of Brazil* in Rio de Janeiro back to back with the World Economic Forum for Latin America.

People's Republic of China

7. OECD's relationship with China has evolved markedly over the past 15 years. China has taken a step by step approach and has incrementally increased its multilateral co-operation with the Organisation. China is a full participant in the Global Forum on Transparency and Exchange of Information for Tax Purposes, taking an active role as Vice-Chair of the Steering Group. It is a regular observer in two bodies (Committee for Scientific and Technological Policy and Committee on Fiscal Affairs) and Shanghai is a survey participant in PISA. China has also endorsed and substantially implemented the standards for transparency and exchange of information based on Art. 26 of the OECD Model Tax Convention and has adhered to three non-legally binding OECD instruments. Thus far, China's level of engagement with OECD Bodies and instruments has been relatively low compared to other EE partners. Yet its participation as an ad-hoc observer has increased significantly. The Chinese 12th Five-Year Plan and its focus on "opening up" may give renewed impetus to the co-operation with the OECD, as there seems to be increasing recognition among Chinese leaders that international co-operation, including with the OECD, can support the implementation of needed domestic reforms.

8. A number of important publications on China have been issued in recent months. These include a *Review of Corporate Governance* (launched in December 2010 in Shanghai by Deputy Secretary-General Boucher), and a *Territorial Review of Guangdong Province* (December 2010). The 3rd *Economic Survey of China* is due in 2012. China also participates in regional OECD work in Asia, e.g. on corporate governance, anti-bribery and budget management.

9. China has hosted a number of important OECD meetings in the latter part of 2010: the Global Forum on Trade (14-15 October, Chengdu) and the OECD Asian Roundtable on Corporate Governance (16-17 December, Shanghai). Most recently, it also invited the OECD to co-host the 3rd China Trade in Services Congress (1-3 June 2011, Beijing).

10. OECD and Chinese senior officials have discussed the advancement of co-operation on several occasions in 2010. Most recently, on 19-22 March 2011, the Secretary-General conducted an official visit to China and met with Minister of Foreign Affairs Yang Jiechi, Minister of Commerce Chen Deming, Minister of Finance Xie Xuren, Governor of the People's Bank of China Zhou Xiaochuan, and the President of the Development Research Centre of the State Council Zhang Yutai. In the context of the China Development Forum, where he was invited to give two speeches, he also had the opportunity to meet with Premier Wen Jiabao and Vice Premier Li Keqiang. In their discussions with the SG, Chinese leaders were particularly positive about the OECD and its G20 contributions and were forthcoming about future co-operation. Deputy Secretary-General Boucher followed up with a visit in April 2011.

11. The Chinese Ministry of Commerce (MOFCOM) acts as the main co-ordinator for OECD-China relations, facilitating initial contact and joint projects. MOFCOM's Beijing team is supported by one official in the Chinese Embassy in Paris. In addition, the OECD Secretariat has one full-time Senior Advisor in Beijing. The External Relations Committee's Informal Reflection Group on China is led by Ambassador Hur from Korea, who recently took over from Ambassador Ringborg (Sweden).

India

12. India's relationship with the OECD has made great strides in the past few years with Indian officials participating in a significant range of OECD activities accompanied by an increasing number of high-level OECD visits to India. The country is a full participant of the Global Forum on Transparency and Exchange of Information for Tax Purposes and is a member of the Development Centre and the International Transport Forum. India has been invited to become a full participant in the OECD Network on Fiscal Relations across Levels of Government, as the first non-Member to do so. India has full

participant or regular observer status in 10 OECD bodies and adheres to seven OECD instruments, its most recent adherence being to the OECD Council Acts related to Mutual Acceptance of Data in the Assessment of Chemicals (MAD). India has also stated its position *vis-à-vis* the OECD Model Tax Convention on Income and on Capital and signed the “Statement on the Global Financial Crisis and Export Credits” (2009). India’s participation as an ad-hoc observer has increased significantly in the last year.

13. Recent OECD work on India includes the second *Economic Survey of India*, which was peer reviewed in the Economic Development and Review Committee on 4 April 2011. The release of the study is planned for June 2011. India has also agreed to start preparations for a second *Investment Policy Review*. Work is underway on the *Perspectives on Global Development on Social Cohesion* (to be released in late 2011), which will explore priority areas for India, namely rising inequality within countries and the pursuit of pro poor growth. From early 2010, the states of Tamil Nadu and Himachal Pradesh have taken part in a pilot for PISA; the final report will be published in December 2011.

14. India will host the 16th Steering Group Meeting and 7th Regional Conference of the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific, 27-30 September 2011 in New Delhi. The country will also host the 4th OECD World Forum on Measuring Progress on “Statistics, Knowledge and Policy” in 2012. The country has increasingly been incorporated in OECD statistical databases in areas such as foreign direct investment, official development assistance, population statistics, economic indicators, pensions and energy, among others.

15. OECD and Indian senior officials have met on several occasions in recent months to advance OECD-India relations. The Secretary-General visited New Delhi in March 2011 to be a keynote speaker at a seminar organised by the International Institute of Finance (IIF) and hold bilateral meetings with high-level Indian officials: Mr. Montek Singh Ahluwalia, Deputy Chairman of India’s Planning Commission, Finance Minister Pranab Mukherjee, Commerce and Industry Minister Anand Sharma, Home Affairs Minister P. Chidambaram, Agriculture Minister Sharad Pawar, Urban Development Minister Kamal Nath and Secretary of Economic Relations Manbir Singh at the Ministry of External Affairs. Mr. Singh is responsible for OECD matters. All were very positive about the co-operation and the prospects for strengthening it further.

16. Deputy Secretary-General Boucher has undertaken a number of official visits to India in the past six months (September and November 2010) for on-going discussions with Indian officials on deepening OECD-India co-operation in several areas. He did so again in April 2011.

17. The OECD, along with Indian partners, are organising a cluster of events in New Delhi, on 13-14 June 2011. The “OECD in India” events will include (i) the launch of the second *Economic Survey of India*, (ii) an OECD-NIPFP Symposium on “Towards Balanced Development and Inclusive Growth: The Indian Experience”, and (iii) a high-level taxation event entitled, “Adapting Tax Systems and International Tax Rules to the New Global Environment; A Shared Challenge for India and the OECD”.

18. The Ministry of External Affairs is the co-ordinating body for OECD-related activities. They are supported by the Economic Section of the Embassy of India in France. The OECD External Relations Committee’s Informal Reflection Group on India is led by Ambassador Edmond Wellenstein from the Netherlands.

Indonesia

19. Co-operation between the OECD and Indonesia has accelerated in recent years, reflecting the country’s economic dynamism and the government’s desire to implement a reformist policy agenda and enhance its engagement with international organisations. Indonesia is a full participant in two official

Bodies: the Development Centre – in which it acts as a Bureau member since January 2011 – and the Global Forum on Transparency and Exchange of Information for Tax Purposes. In addition, it is the only Enhanced Engagement country that has formally accepted the invitation as full participant in the Freedom of Investment project of the Investment Committee. Indonesia is also a regular observer in the Working Party on Aid Effectiveness and in the Competition Committee and participates in PISA (being also a member of its Governing Board).

20. Among the important outputs of last year's programme of work with Indonesia were the first full-fledged *Economic Survey of Indonesia* and the first *Investment Policy Review of Indonesia*, which were both launched by the Secretary-General and Mr. Agus Martowardojo, Minister of Finance and Mr. Hatta Rajasa, Coordinating Minister for Economic Affairs in Jakarta on 1 November 2010. On this occasion, the Secretary-General also held bilateral talks with Mr. Boediono, Indonesia's Vice-President, Ms. Pangestu, Minister of Trade, Mr. Nasution, Governor of Bank Indonesia, Mr. Fauzi Bowo, Governor of Jakarta and Mr. Achmad Kurniadi, Vice Chairman of Indonesia's Investment Co-ordinating Board (BKPM), who all expressed strong support for deepening the cooperation with the OECD.

21. Indonesia's Minister of Finance, Mr. Agus Martowardojo also visited the OECD, on 18 February 2011. At this occasion he reiterated his appreciation of the co-operation with the OECD and indicated that his Government would rely on OECD recommendations for prospective domestic reforms. He also presented the *Investment Policy Review of Indonesia*. Future joint work with Indonesia includes a *Regulatory Reform Review* (2012) and an *Agricultural Policy Review* (May 2012), the latter to include a chapter on sustainable investment in agriculture. A *Review of Education Policies* will begin in 2011. In addition, Indonesia is also considering scaling up its co-operation with the OECD in the areas of corporate governance and the fight against bribery. In this regard, it hosted a regional OECD Conference on Combating Foreign Bribery in International Business Transactions in Bali, on 10-11 May 2011. Indonesia co-chairs the G20 Working Group on Anti-Corruption. An active participant in the OECD work on financial literacy and financial education (via the International Network on Financial Education), Indonesia will also host the OECD-South East Asian Workshop on Financial Literacy and Inclusion planned for mid-2011.

22. Indonesia also participates actively in the OECD's regional activities with Asia, e.g. the *Southeast Asian Economic Outlook*, the Project on Employment and Skills Strategies in Southeast Asia (ESSA), the OECD's work on pensions (in the Asia-Pacific region), the Innovation Review in Southeast Asia and tax and competition-related capacity building programmes. In addition, as this year's chair of ASEAN, Indonesia looks forward to deepen OECD-Southeast Asia co-operation.

23. The Government of Indonesia has set up an OECD Co-ordination Unit within the Ministry of Finance. This Unit is supported by the Indonesian Embassy in Paris (Ministry of Foreign Affairs) which appointed a new Economic Counsellor in charge of OECD and G20 issues, Mr. Tri Tharyat, who co-leads the informal Reflection Group on Indonesia with Ambassador Christopher Langman (Australia).

South Africa

24. South Africa has continued to participate actively in a considerable number of official bodies. It became a regular observer to the Joint Working Party on Agriculture and Trade in February 2011, bringing the number of official bodies in which it has regular observer or full participant status to 15. However, its acceptance of two invitations⁹ remains pending. South Africa also takes an active part in a number of Committees, including the Economic Policy Committee, its WP1 and WP STEP, on an ad hoc basis.

⁹ The LEED Programme and the Employment, Labour and Social Affairs Committee.

25. South Africa is discussing the possibility of its participation in the Committee on Fiscal Affairs as a full participant. Some other Committees, such as the Competition Committee and the Territorial Development Policy Committee, also regard South Africa as a potential full participant (see table 2 for a full overview).

26. On 30 March 2011, the South African government approved the establishment of an OECD Centre for African Debt Management and Bond Markets. The memorandum of understanding, noted by Council on 16 December 2010, may be signed during the MCM. This will be the first centre which the OECD co-founds in a non-Member country. Supporting the OECD's work in Africa and the Enhanced Engagement process with South Africa, it confirms South Africa in its role of conduit of good OECD practice towards other African countries.

27. Other examples of South Africa's regional leadership include SOE governance. It hosted the Southern Africa Network on SOEs in 2008 and has continued to support this initiative. The OECD supports the work of a South African Presidential SOE Review Committee and co-organised a South Africa-OECD seminar on SOE corporate governance in Pretoria, on 6-7 December 2010.

28. South Africa also hosts the African Tax Administration Forum (ATAF) Secretariat and supporting the ATAF programme of work, providing a valuable link between the Committee on Fiscal Affairs and the rest of Africa. Furthermore, South Africa sits on the Advisory Board of the International Network on Financial Education and will host a conference on financial education in Cape Town, in October 2011, which the Secretary-General will attend. The South African Treasury manages the Collaborative Africa Budget Reform Initiative (CABRI), which co-operates with the OECD's Senior Budget Officials Network. Finally, South Africa is co-chair of the NEPAD-OECD Investment Initiative, which is holding its 2011 Ministerial conference in Dakar in April.

29. South Africa has been actively engaged in the update of the OECD Guidelines for Multinational Enterprises. It seconded an official to the Investment Division in 2010 and agreed to extend the arrangement until end March 2011 to work on the relationship between South Africa's international investment legal framework and OECD investment instruments. South Africa's Special Envoy to the Great Lakes Region has given strong support to the adoption of OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

30. The first non-Member to adhere to the Council Acts related to the Mutual Acceptance of Data (MAD) in Chemicals (2003), South Africa plays a leading role in the Chemicals Committee, including in the safety testing on gold nanoparticles in close collaboration with laboratories from the United States and Korea. South Africa is also active in the Task Force for the Safety of Novel Foods and Feeds, which deals with products derived from genetically engineered plants.

31. The OECD and South Africa are co-organising a high-level Policy Forum on income distribution and poverty in South Africa on 7 June 2011. The Secretariat is exploring the possibility of a roundtable on innovation in the first quarter of 2012. These subjects were the focus of earlier OECD studies on South Africa.

32. This year, the OECD's *Territorial Review of Gauteng province* will be published; however, a rural policy review is currently on hold. For next year, the second *Economic Survey*, as well as an *Environmental Policy Review of South Africa*, are planned.

33. Minister of Finance Pravin Gordhan visited the OECD Secretariat in a half-day seminar on 1 March 2011. The Treasury has continued to fulfil the role of focal point in Pretoria for South Africa's co-operation with the OECD. South Africa's Embassy supports the co-operation in Paris. Like her

predecessors, South African Ambassador, Ms Dolana Msimang, and her staff participate in the meetings of the informal Reflection Group on South Africa, which she co-leads together with Ambassador Agustín García-López (Mexico).



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