

## JAPAN AND THE OECD - A LESSON FOR ROMANIA

*Iustina Luțan\**

### Abstract

*The Organisation for Economic Co-operation and Development (OECD) is a unique forum where the governments of 30 market democracies work together to address the economic, social and governance challenges of globalisation as well as to exploit its opportunities. One of the most important advantages of the OECD over other intergovernmental organizations or academia is the fact that the work, expertise, and know-how is transferred from a wide range of participants, like member countries, senior officials from treasuries, economics, foreign affairs, in close consultation with business, labor and World Bank, IMF, WTO, UNCTAD as well as other non-governmental organizations.*

### OECD short profile

The Organisation for Economic Co-operation and Development (OECD) is a unique forum where the governments of 30 market democracies work together to address the economic, social and governance challenges of globalisation as well as to exploit its opportunities. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, and identify good practice and co-ordinate domestic and international policies.

For more than 40 years, the OECD has been one of the world's largest and most reliable sources of comparable statistical, economic and social data. OECD databases span areas as diverse as national accounts, economic indicators, trade, employment, migration, education, energy, health and the environment. Much of the research and analysis is published.

Over the past decade, the OECD has tackled a range of economic, social and environmental issues while further deepening its engagement with business, trade unions and other representatives of civil society. Negotiations at the OECD on taxation and transfer pricing, for example, have paved the way for bilateral tax treaties around the world.

The OECD is a group of like-minded countries. Essentially, membership is limited only by a country's commitment to a market economy and a pluralistic democracy. It is rich, in that its 30 members produce almost 60% of the world's goods and services, but it is by no means exclusive. Non-members are invited to subscribe to OECD agreements and treaties, and the Organisation shares expertise

---

\* Iustina Luțan, Ph.D, works with the Romanian Agency of Foreign Investments.

and exchanges views on topics of mutual concern with more than 70 countries worldwide, from Brazil, China and Russia to least developed countries in Africa.

## Japan a member of the OECD

Japan signed the **Convention** founding the Organisation for Economic Co-Operation and Development on 28 April 1964, thereby pledged its full dedication to achieving the **Organisation's fundamental aims**, designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

Like all **30 member countries**, the Japanese government maintains a **permanent delegation to the OECD**, composed of an **ambassador** and diplomats. As a member of the Council, Japan's ambassador, in consultation with his peers, agrees the program of work which is described in the **annual report**, validates **strategic work** and establishes the volume of the annual budget, **contributions** being assessed according to the relative size of each country's economy.

“[\*\*A Strategy for Enlargement and Outreach\*\*](#),” targeting non-member states, was adopted following OECD Ministerial Conference in May 2004 in Paris, also known as the Noboru Report, named after the Ambassador of Japan to OECD. It was brought to fruition by all OECD Ambassadors under the Chairmanship of Ambassador Noboru of Japan. The strategy provided for the actions needed to be taken with respect to OECD candidate countries and the corresponding reform of the Organization.

Members of the Japanese Delegation monitor the work of the OECD's various **committees** as well as the activities of the European Conference of Ministers of Transport (**ECMT**), the International Energy Agency (**IEA**), the Nuclear Energy Agency (**NEA**) and the **Sahel and West Africa Club**, of which Japan is a member.

Delegations thus play a vital communication role in providing liaison between the **OECD Secretariat** and national authorities. They represent their governments' positions in multilateral negotiations, indicate areas in which their governments seek OECD expertise and endeavor to help disseminate OECD recommendations in their respective countries. In doing so, they ensure that there is a good fit between OECD work and the issues of concern in their country.

## **The advantages of OECD membership**

The benefits for Japan, as well as for the other member countries are many. Through its country surveys and **comparable statistical** and economic data, the OECD provides its member countries the necessary tools to analyze and monitor their economic, social and environmental policies. Countries can take advantage of the OECD's expertise, including **peer reviews**, and they can access the research works and analysis conducted by the Secretariat. Covering the full economic and social spectrum, this work could not be carried out by any one country alone.

In addition to its economic intelligence functions, the OECD is above all a forum within which countries can discuss and share national experience, identify best practices and find solutions to common problems. The OECD having working relationships with over **70 non-member economies**, members benefit from dialogue and consultations with all players on the world scene, in a context of **increased interdependence** that demands global rules of the game.

The **OECD Tokyo Centre** constitutes an additional advantage for Japan. As a regional contact point, the Centre's role in communications is paramount, in that it can address targeted messages to all components of society, often in their own language. The OECD Tokyo Centre was established in 1973 to market the publications of the OECD in Asia and the Pacific and to serve as an information center for this region. The Centre is engaged in public outreach activities and acts as a liaison office to the Japanese legislative and executive branches.

## **OECD recommendations for Japan**

Japan is emerging from a decade of economic stagnation, but is left with a large GDP-per capita gap vis-à-vis the best performing countries due to a major productivity shortfall, although the economic growth is projected to 2% in 2007-2008, due to buoyant business investment underpinned by record corporate profits and private consumption. In this context, the OECD recommendations for Japan regard:

➤ Further liberalize retail and professional services through easing policies such as entry restrictions and zoning regulations that may have the effect of favoring small and less productive retail stores compared with new large-scale stores. Additionally it is advisable to expand the range of qualifications that permit foreign personnel to work in Japan and increase the number of sectors where foreign workers are allowed to include non-technical areas, such as caring for the elderly.

➤ Reform employment protection legislation for regular employment by removing judicial uncertainty that discourage the hiring of regular workers, establishing more precise and transparent statutory guidelines and reducing

employment protection for regular workers, thereby lowering the incentives to circumvent strict conditions by hiring non-regular workers.

➤ Further reduce the level of support to agriculture, while shifting its composition away from market price supports and towards direct support for farmers to reduce the distortion of trade and production decisions.

➤ Encourage innovation by improving framework conditions, including by removing obstacles to the development of venture capital markets. Upgrade the education system through further reducing regulation and removing entry barriers to foreign universities.

➤ Raise productivity through higher foreign direct investment: remove obstacles that potential investors may face by fully opening the M&A market to foreign firms and by easing product market regulations, especially in the service sector and network industries.

## **Romania and the OECD**

One of the foreign policy objectives at the multilateral level is the development and enhancement of the relations with OECD as a means for Romania to meet the accession conditions for joining the working groups and structures of the organization. OECD accession is an objective outlined in the 2005 -2008 Government Program. On 28 April 2004, the Government of Romania officially applied for OECD membership.

Currently, Romania is part of the following OECD structures:

- Full-fledged member of OECD Development Centre and holding a position in the “Governing Board” (Centre’s co-ordination body);
- Member of the Declaration and Decisions on International Investment and Multinational Enterprises – DDIIM (together with the other 38 signatory countries);
- Full-fledged member of OECD Local Economic Employment Development;
- Observer in the Council Working Party in Shipbuilding;
- Observer in the Nuclear Law Committee within the Nuclear Energy Agency;
- Observer in the Steel Committee and undergoing full membership ratification procedure;
- Observer in Scheme II of the Committee for Agriculture (OECD certification scheme for fodder seeds, cereals, sugar beet, vegetables seeds and OECD regime for the implementation of international standards for fruits and vegetables);
- Observer in the Maritime Transport Committee;
- Observer in the Committee on Competition.

## **Romania member of OECD Declaration on International Investment and Multinational Enterprises**

The OECD Declaration on International Investment and Multinational Enterprises is a political agreement among adhering countries for co-operation on a wide range of investment issues to improve the investment climate, encourage the positive contribution multinational enterprises can make to economic and social progress and minimize and resolve difficulties which may arise from their operations.

The Declaration consists of four elements, each of which has been underpinned by a Decision by the OECD Council on follow-up procedures:

- The Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises. They provide voluntary principles and standards for responsible business conduct consistent with applicable laws. The Guidelines aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate and to enhance the contribution to sustainable development made by multinational enterprises. Observance of these Guidelines is encouraged and facilitated by adhering governments through National Contact Points;

- **National Treatment** : Adhering countries shall accord to foreign-controlled enterprises on their territories treatment no less favorable than that accorded in like situations to domestic enterprises;

- **Conflicting requirements** : Adhering countries shall co-operate so as to avoid or minimize the imposition of conflicting requirements on multinational enterprises;

- **International investment incentives and disincentives** : adhering countries recognize the need to give due weight to the interest of adhering countries affected by laws and practices in this field; they will endeavor to make measures as transparent as possible.

The Investment Committee provides the structure where adhering countries meet to discuss application and implementation of these legal instruments through the unique peer review process.

Romania is a member of the OECD Declaration on International Investment and Multinational Enterprises since April 2005 and in this quality had to establish the Romanian National Contact Point. Romanian National Contact Point (RNCP) is responsible for encouraging the observance of the OECD Guidelines for Multinational Enterprises in the national context and for disseminate information on these in the business communities and others interested parties.

Romanian National Contact Point (RNCP) gathers the information regarding the national experiences of OECD Guidelines promotion discusses the questions raised by business community regarding OECD Guidelines and assists their solving.

The Coordination of the Romanian National Contact Point is assured by Ministry of Foreign Affairs. The executive function is assured by Business Environment Department and the President of the Romanian Agency for Foreign Investments. The technical secretariat is assured by Ministry of Foreign Affairs and Romanian Agency for Foreign Investments.

RNCP's activities from its establishment until present focused on promoting its role, responsibilities and structure as well as the OECD Guidelines for Multinational Enterprises. Thus, RNCP developed an ample information and promotion campaign towards central and local public authorities, multinational companies, Foreign Investors Council in Romania, regional development agencies, local and bilateral chambers of commerce, foreign embassies in Bucharest and Romanian embassies abroad, employers' associations, labor unions, professional associations. The RNCP's sub-site was developed starting from the Romanian Agency for Foreign Investment central site ([www.arisinvest.ro](http://www.arisinvest.ro)) including information in Romanian and English such as: RNCP's role, responsibilities, structure, Resolution of Issues Related to Implementation of OECD Guidelines, OECD Investment Policy Review Romania, OECD Guidelines for Multinational Enterprises, Useful links and Contact coordinates. A leaflet presenting RNCP and OECD Guidelines for Multinational Enterprises was edited as well and presented at the first Annual Conference of Romanian National Contact Point (autumn 2005).

## **Conclusions**

One of the most important advantages of the OECD over other intergovernmental organizations or academia is the fact that the work, expertise, and know-how is transferred from a wide range of participants, like member countries, senior officials from treasuries, economics, foreign affairs, in close consultation with business, labor and World Bank, IMF, WTO, UNCTAD as well as other non-governmental organizations. Moreover, the Investment Committee where Romania is present represents the investment policy community from countries which are the source of 90 per cent of global investment flow and provides a forum for international co-operation in the field of FDI.

Romania confirmed the relevance of the work done by the OECD Investment Committee involving high-level public officials in the investment policy evaluation document and establishing its own resource to follow-up, respectively the Romanian National Contact Point.

## References

OECD. 2007. *Economic Policy Reforms: Going for Growth*.

OECD. 2006. "Japan: Historic recovery continues", *OECD Observer* No. 258/259, December.

[www.oecd.org](http://www.oecd.org);

[www.oecd-tokyo.org](http://www.oecd-tokyo.org);

[www.mae.ro](http://www.mae.ro);

[www.arisinvest.ro](http://www.arisinvest.ro);