



## Resolution 1069 (1995)<sup>1</sup>

# OECD activities in 1994

### Parliamentary Assembly

1. The enlarged Parliamentary Assembly, composed of delegations from OECD and Council of Europe members countries, has examined the activities of OECD in the light of the organisation's 1994 annual report and the reports by the various Assembly committees concerned.

#### *A. Economic policies and co-operation in related fields*

2. In general, OECD member countries are now emerging from a particularly long and severe recession. Growth in the OECD area was 1,2% in 1993 and 2,9% in 1994. It is expected to reach 2,7% in 1995 and remain broadly at this level in 1996, that is at high levels insufficient to reduce significantly unemployment in OECD countries. This growth is slackening somewhat and shows no signs of quickening. Meanwhile, world trade growth accelerated from 3,3% in 1993 to 8,2% in 1994, and is expected to continue at the same rate in the years ahead. There are signs of a weakening of growth in some OECD economies and slower growth in trade volumes in 1995. While continued economic growth is necessary for the creation of employment, it should not be at the expense of social and environmental standards.

3. Inflation in the OECD area was 3,4% in 1993 and 3,9% in 1994. A slight increase to 4,1% is forecast for 1995, with a slight reduction to 3,7% in 1996. Efforts to contain inflation must bear in mind the social consequences of monetary and fiscal policies and the need for appropriate policies to create jobs

4. Unemployment in the OECD area stood at 8,1% in 1994. A reduction to 7,9% is expected in 1995, with a further reduction to 7,6% in 1996. Unemployment remains too high, at unacceptable levels, made worse by an uneven share between certain categories, putting social cohesion at risk. Additional efforts will be required to move closer to full employment and especially to reduce high rates of unemployment among youth and those displaced by rapid economic and technological change.

5. It must be noted that there are considerable differences between OECD member countries. While the recovery seems to be taking hold in most European countries, some other OECD member countries, notably the United States, seem to be experiencing a downturn in their growth cycles, and Japan continues to experience sluggish growth. Levels of unemployment vary considerably among OECD member countries, a sign of the importance of national policies in combating a phenomenon whose causes are increasingly structural as distinct from cyclical in nature. Reducing long-term structural unemployment must therefore become a top national priority of OECD governments as indicated by the commitment stated in the OECD ministerial communiqué of May 1995.

6. Outside the OECD area, several countries in the former Soviet Union and central and eastern Europe are showing significant economic progress, and the rate of growth in the OECD area is overshadowed by rates in southeast Asia. At the same time, other regions, including sub-Saharan Africa and certain countries in

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1. Assembly debate on 28 September 1995 (30th Sitting) (see [Doc. 7348](#), report of the Committee on Economic Affairs and Development, rapporteur: Mrs Durrieu; [Doc. 7377](#), contribution from the Social, Health and Family Affairs Committee, rapporteur: Mr Gusenbauer; [Doc. 7406](#), contribution from the Committee on the Environment, Regional Planning and Local Authorities, rapporteur: Mr Szymanski; and [Doc. 7392](#), contribution from the Committee on Agriculture and Rural Development, rapporteur: Mr Alexander). Text adopted by the Assembly on 28 September 1995 (30th Sitting).



the Asia-Pacific region, continue to experience economic distress and heavy debt burdens. Poverty, environmental degradation and population pressures constitute major challenges for the developing world and for many of the economies in transition.

7. The enlarged Assembly calls on OECD member countries:

7.1. to fight unemployment by building on the conclusions of the OECD's 1994 Jobs Study and the findings in the ILO's 1995 World Employment Report, and in particular to follow OECD's recommendations for structural reform of national economies permitting stronger economic growth, for a better trained and more flexible workforce, and for a system of social protection adapted to the challenges of a new economic reality, especially in the field of employment, and which gives greater incentive to work while preserving social justice and cohesion; and by adopting outline legislation on working time with a view to reducing it and making it more flexible;

7.2. to use the circumstances of economic recovery to restore balance to public finances, in terms not only of expenditure control but also of achieving equitable taxation systems and considering revenue options for financing needed public services; and, through these combined fiscal efforts, to contain interest rates, to free national savings for more productive investment, and to provide the basis for sustaining long-term growth;

7.3. to promote, where appropriate, regulatory reform aimed at structural adjustment;

7.4. to respect fully the Uruguay Round agreement and the authority of the World Trade Organisation, especially as regards the orderly settlement of disputes;

7.5. to maintain the momentum of trade liberalisation as a vehicle for economic growth, including active preparation for an ambitious World Trade Organisation ministerial meeting in Singapore in 1996;

7.6. to intensify efforts designed to correct major current account imbalances, while submitting any trade dispute for settlement within the World Trade Organisation;

7.7. in addition to pursuing sound domestic policies, to take measures to stabilise their currencies by seeking to reform the international financial institutions \_ notably the role of IMF as discussed by the Halifax G7 Summit \_ and to strengthen the supervision of liberalised international financial markets, giving consideration to the issue of excessive volatility arising from short-term speculations;

7.8. to refrain from unilateral decisions and measures which purport to have other countries, or foreign companies operating abroad, alter their practices to comply with such decisions or measures; parliamentarians do not recognise the legitimacy of measures having an extraterritorial impact on trade and investment flows.

8. The enlarged Assembly also calls on OECD member countries, in their relations with economies in transition and developing countries:

8.1. to promote the integration of these countries into the world economy, in accordance with the rules and disciplines adopted under the Uruguay Round agreement and the World Trade Organisation, taking efforts to ensure that all countries are able to benefit from rules-based multilateral trade liberalisation, including the least developed and poorest countries;

8.2. to raise the level and/or quality of assistance to the developing countries in greatest need, in order to achieve sustainable development and human security on a global basis - giving particular attention to the priorities of poverty reduction, basic human needs, education and health, environmental protection, human rights, democratic development, rule of law, good governance, private sector development, the role of women and a strong civil society.

9. With regard to OECD, the enlarged Assembly:

9.1. calls on the organisation to refine further the general conclusions contained in its 1994 Job Study, in order to understand the reasons behind the large differences in unemployment observed among member countries, and to improve the means to combat unemployment;

9.2. asks the organisation to examine the possibility of developing adequate indicators to assess the performance of investment in human capital, as indicated in the ministerial communiqué of May 1995;

9.3. encourages OECD to examine further the significance, direction and means of reform in regulatory regimes;

9.4. invites it to report annually on the action it has taken on the recommendations of the enlarged Assembly;

- 9.5. welcomes the recent ministerial statement of the OECD's Development Assistance Committee, - "Development Partnership in the New Global Context" \_ and encourages the organisation to formulate the major principles to guide development co-operation in the next century;
  - 9.6. in this context calls on the organisation to encourage the reduction of military expenditure in favour of the goals of sustainable development for human security, and to foster the development of innovative international sources of revenue to fund these goals;
  - 9.7. asks it to continue its analysis and dialogue on supporting the process of liberalisation of traditional areas of international trade, while pursuing its research into emerging trade policy issues;
  - 9.8. encourages OECD to study the implications of the new world economy for the social protection systems in member countries, in preparation for its 1996 Ministerial Conference on the Role of Social Protection on the Eve of the Third Millennium, in co-operation with the Enlarged Parliamentary Assembly on OECD, and in addition to assess the economic implications of the ageing populations in OECD countries;
  - 9.9. welcomes OECD's important contribution to economic reform in the countries of central and eastern Europe, the Newly Independent States and the economies in transition in Asia, and encourages it to direct particular resources to those countries facing the greatest difficulties;
  - 9.10. encourages OECD to explore and formulate issues (such as labour and social standards, protection of the environment, competition and investment) for subsequent negotiation in the World Trade Organisation and the Bretton Woods institutions;
  - 9.11. in this regard, welcomes in particular OECD's commitment to negotiating, by 1997, a Multilateral Agreement on Investment which will be open also to non-member countries;
  - 9.12. welcomes OECD's intensified work to combat bribery and corruption in international transactions, and encourages the organisation to intensify its co-operation with the Council of Europe in this field;
  - 9.13. notes with satisfaction the follow-up given by OECD to numerous previous recommendations of the enlarged Assembly, but calls on the organisation to pay greater attention to others, such as ways of reaching greater international currency stability, the economic and social consequences of reduced military outlay, and to continue to monitor the effects of financial deregulation on the world economy;
  - 9.14. welcomes the Uruguay Round's success in integrating agriculture into the final agreement, and calls on OECD to continue to monitor agricultural policies, markets and trade, in particular those covered in the Uruguay Round's so-called "Blue Box".
10. With regard to OECD's membership, the enlarged Assembly:
    - 10.1. welcomes OECD's accession negotiations with the Czech Republic, Hungary, Poland, the Slovak Republic and Korea, and hopes they will be successfully concluded in the near future;
    - 10.2. notes with satisfaction OECD's deepening contacts with numerous other non-member countries and hopes that the organisation will eventually include, or maintain mutually beneficial contact with, all economically advanced democracies;
    - 10.3. recalls, however, the importance of ensuring that all OECD member countries subscribe to the principles and obligations which follow membership, especially as regards an open, multilateral system of trade and investment as well as unqualified adherence to the social, political and economic values that have brought OECD's present membership together, and that they preserve OECD's role as a forum for identifying, examining and tackling economic issues and opportunities;
    - 10.4. observes that a considerably enlarged OECD membership would also cause practical difficulties, and asks the organisation to remain open and selective in its relations with non-member countries, to maintain the tradition of high standards for OECD membership, and to study ways and means of overcoming these difficulties in order to continue to be an effective and efficient organisation for economic co-operation and development, reflecting the realities of the world economy.

#### *B. Agriculture*

11. The enlarged Assembly considers that the conclusion of the GATT Uruguay Round provides a new framework for international trade in agricultural commodities. The agreement will also have important consequences for agricultural policy reforms worldwide.

12. The enlarged Assembly believes that agriculture, in addition to its traditional function of food and animal feed production, could increasingly supply renewable raw materials for industry and the energy sector.

13. It is of the opinion that modern agriculture can produce quality food products at reasonable prices, fully respecting the environment, given the right conditions for such production. The relationship between agriculture or forestry and the environment must therefore find expression in policy reform. Special attention should, however, be given to biotechnological inventions and their use.

14. The enlarged Assembly is of the opinion that rural development must receive increased attention for a variety of social, cultural, economic and environmental reasons. Agriculture, forestry, fisheries, aquaculture and hunting will continue to be important users of the land area of rural regions.

15. The enlarged Assembly considers that the development of agriculture and forestry as part of a broader rural development programme is of vital importance for economic and social stability and progress in the economies in transition.

16. It is anxious that continued over-fishing will deplete fish resources and lead to major difficulties for fishermen and the fishing industry.

17. For these reasons, the enlarged Assembly requests governments of OECD member countries and, where appropriate, OECD itself:

17.1. to continue work on the monitoring and outlook of agricultural policies, markets and trade;

17.2. in this context, to analyse the consequences for the agro-food sector and for rural society of the new Uruguay Round agreement (effects on farm income, vitality of the agricultural sector, etc.);

17.3. to analyse the development of markets for renewable raw materials for industry and the energy sector;

17.4. to increase work on agricultural, forestry and fisheries policy reform with the aim of achieving sustainable use of natural resources and to assure acceptance of this principle in other policy areas, such as trade policy;

17.5. to carefully follow and analyse the consequences of the commercialisation of agricultural and food products derived through modern biotechnology;

17.6. to give more importance to the work on rural development. This work should in particular focus on policy measures for the strengthening of the economic role of rural areas, the economic recognition of their ecological function and for the fostering of their socio-cultural function. Attention should be given to policy reforms for the creation of new employment in rural areas and for the upgrading of traditional employment with a view to attracting young people to the countryside. Decentralisation of decision-making and services could be an important way of stimulating rural development;

17.7. to intensify efforts to assist European economies in transition in the upgrading of their agricultural and forestry sectors, in the development of new markets for agricultural products, and more generally for rural development;

17.8. to continue and intensify work on economic aspects of fisheries management and in particular on the impact of different management techniques on the vitality, health and competitiveness of the fisheries sector as well as on the socio-economic situation of coastal communities.

### *C. Environment, Regional Planning and Local Authorities*

18. The enlarged Assembly strongly endorses the request of OECD ministers in May 1995 for continued work on cost-effective ways for achieving environmental goals and for making economic policies environmentally sustainable - including, as proposed at the May 1995 meeting of G7 environment ministers, by undertaking a study of subsidies, grants and taxes in order to identify disincentives or barriers to sound environmental practices - in preparation for the 1996 meeting of OECD environment ministers, and following up the United Nations Convention on Climate Change.

19. In keeping with the spirit of Assembly [Resolution 1045 \(1994\)](#) on the energy-environment interface adopted on 4 October 1994, the enlarged Assembly calls on the governments of OECD member countries and OECD itself to:

19.1. promote a more realistic price policy which takes account of the social and environmental cost of any form of energy;

- 19.2. encourage more rational use of energy by means of energy savings in households and services but above all in industry and transport;
- 19.3. pay special attention to the energy efficiency of fossil fuels and the new cleaner burning techniques which can be applied to them;
- 19.4. devise and implement genuine policies aimed at:
- a. promoting techniques for recovering energy from industrial waste;
  - b. encouraging the use of renewable energy sources;
  - c. developing alternative energy sources, making them economically viable and using them wherever they can be cost-competitive;
- 19.5. in each policy aimed at environmental sustainability, take due account of the objectives of economic well-being, including through the exploration of measures that combine environmental benefits with job growth;
- 19.6. consider ways of defining the responsibilities of the more highly developed countries vis-à-vis the poorer countries in respect of the cost of the investment required to carry out recommended environmental protection measures, particularly those relating to:
- a. the development of new cleaner burning techniques;
  - b. the safety of nuclear power stations; and
  - c. the selection of environmentally-friendly industrial infrastructures and production methods; and develop a spirit of solidarity in contributing to the financial effort required to protect the global environment.