Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1167 (1998)[1]

OECD and the world economy

Parliamentary Assembly

1. The enlarged Parliamentary Assembly, composed of delegations of OECD and Council of Europe member states, has examined the recent activities of the OECD in the light of the report prepared by the Assembly's Committee on Economic Affairs and Development and the contributions made by various committees of the Assembly. It welcomes this annual opportunity to provide a parliamentary input into the OECD's work, but would also welcome a written response from the OECD to the enlarged Assembly's resolution.

2. The enlarged Assembly expresses its serious concern over the economic crisis in Asia. This crisis not only affects the livelihood of millions of people in the countries concerned and reduces their ability to share in the benefits of globalisation, but also risks undermining the stability of the world economy as a whole. It calls on the countries of Asia to undertake speedily the necessary political, economic and social reforms; on the international financial institutions to support these reforms; and on the member states of the enlarged Assembly to assist them in this endeavour. It welcomes the fact that the OECD has established a special programme addressing structural issues arising from financial instability in non-member countries. It emphasises that democracy, human rights, the rule of law and transparency are not "luxuries" which countries may or may not "afford", but essential for sustainable economic development.

3. The enlarged Assembly expresses concern over the situation in Japan, a situation which it sees as crucial to economic developments in the region and the world as a whole. It believes that swift and speedy action is needed on the part of the Japanese Government to remedy this situation. It welcomes Japan's recent measures to stimulate its economy. It shares the views expressed by the OECD ministers in April that further progress in the strengthening of the financial system and in structural reform would help establish a sound basis for sustainable growth, while, over the longer term, fiscal consolidation remains an important goal in a rapidly ageing society. However, it believes that the Japanese economy needs to be even more open to foreign trade and investment and that the Japanese banking system needs to be urgently reformed.

4. The enlarged Assembly notes that although the OECD area as a whole was forecast to grow by 2.4% in 1998 and 2.5% in 1999, the potential global economic crisis poses serious risks across the world, including OECD member countries. The enlarged Assembly therefore cautions against any complacency over the situation and emphasises the need for the closest possible international co-ordination of policies, in the light of recent events in other continents.

5. The OECD should heed the current problems facing the world economy by adopting new approaches capable of responding effectively to changing circumstances. The enlarged Assembly in this context believes that urgent measures, including clear accounting standards and transparency, are needed to enhance the capacity of global markets to function properly and with stability. The enlarged Assembly also believes that the IMF alone is not likely to be able to address simultaneously the economic crises taking place in many parts of the world, and that there is an urgent need to establish additional mechanisms to safeguard against sudden movements of speculative short-term funds. OECD governments should work co-operatively with other

1. Enlarged Assembly debate on 23 September 1998 (29th Sitting) (see Doc. 8179, report of the Committee on Economic Affairs and Development, rapporteur: Mr Davis; Doc. 8185, contribution by the Committee on Migration, Refugees and Demography, rapporteur: Mrs Aguiar; and Doc. 8200, contribution by the Committee on the Environment, Regional Planning and Local Authorities, rapporteur: Mr Besostri). Text adopted by the enlarged Assembly on 23 September 1998 (29th Sitting).

nations to explore practical options for curbing damaging short-term financial speculation, with the aim of restoring a more orderly global system that promotes needed long-term investment flows and mitigates the dominance of speculation over productive enterprise.

6. The enlarged Assembly regrets that unemployment is still unacceptably high in many OECD countries and is particularly concerned about unemployment among young people. In that regard, OECD governments need to find ways to increase the employment of young people through incentives of various types. The enlarged Assembly notes the wide differences in unemployment among OECD countries and encourages them to draw upon one another's experiences in this regard, taking inspiration from the OECD's Jobs Strategy and the organisation's follow-up work in this field.

7. The enlarged Assembly welcomes the successful efforts of OECD countries to keep inflation - which stood at 3.7% in 1997 for the area as a whole - at historically low levels. It trusts that policies will be followed to avert any risk that such low inflation may turn into deflation and higher unemployment in view of the highly negative effects that such a development would have. In the light of more recent developments, especially in the Russian Federation and South America, the enlarged Assembly emphasises that, if a world recession is to be avoided, OECD member countries must take co-ordinated action with regard to reducing the general level of interest rates.

8. The enlarged Assembly welcomes the progress made by many countries in transition in central and eastern Europe and believes that the OECD's co-operation with them can be further intensified. It also welcomes the OECD's growing co-operation with many non-member countries, especially China whose smooth integration into the world economy is vitally important.

9. The Assembly expresses its concern over the deep financial and economic crisis in the Russian Federation which followed rouble devaluation and default on public debts, as well as over its effects on the neighbouring countries. The Assembly believes that further efforts of the international community will be required to assist the countries concerned to overcome their present difficulties and to further advances along the road of market reform and establishing a really functioning modern economy.

10. On the eve of the start of Economic Monetary Union among eleven European Union countries at the beginning of 1999, the enlarged Assembly registers with satisfaction that the divergence in these countries' economic cycles has recently been reduced – a fact which will facilitate the establishment of a single interest rate for the entire area. It trusts that sufficient policy co-ordination and structural reform will be undertaken by all participating countries, and that measures will be taken to ensure that non-participating European and other countries will not be negatively affected by the project but will be adequately consulted and involved.

11. The enlarged Assembly also commends OECD countries on their efforts to maintain, in spite of the Asian crisis, an open, multilateral world trade system which respects World Trade Organisation (WTO) rules and principles and will permit world trade to rise by an expected 7.1% in 1998 with a further increase of 7% in 1999. It urges that any protectionist tendencies should be withstood in order to allow recovery to be resumed in the countries most affected by the crisis.

12. The enlarged Assembly in this context points to the importance for world trade and economic growth of a similarly open and rule-based system for international investment. With respect to the OECD negotiations to conclude the Multilateral Agreement on Investment (MAI), scheduled for resumption in the autumn of 1998, the enlarged Assembly believes these must take into account the strongly-expressed views of parliaments and citizen's groups. Any MAI should in particular incorporate effective provisions, including institutional mechanisms, for preserving the cultures of different countries and for upholding progress on environmental and labour standards. It should also aim for the regulation of short-term capital movements and the promotion of long-term investment flows.

13. The enlarged Assembly believes, furthermore, that any provisions for investor-state arbitration must safeguard the right of governments to act for legitimate public purposes, notably respecting a healthy environment. With that in mind, what might be taken to constitute "expropriation", or other grounds for investors to challenge government laws and regulations, should be given a clear and narrow definition in any MAI. Furthermore, its dispute resolution procedures should be open, accessible and transparent.

14. The enlarged Assembly reiterates the call made in its Resolution 1134 (1997) for the negotiating process to be as transparent and democratically accountable as possible and to involve national parliaments to a greater extent than hitherto. It also urges the OECD to take into account the concerns of member states and non-governmental organisations as regards socially responsible behaviour, strong environmental and

labour standards, and national cultural objectives. Since the OECD's work on migration indicates that free trade agreements may also affect migration, the Assembly recommends that the migration implications of the MAI should be taken into account in the forthcoming negotiations.

15. The enlarged Assembly would welcome the convening, by the Parliamentary Assembly of the Council of Europe, of a public hearing on the subject as soon as possible through its Committee on Economic Affairs and Development, with the participation of the other committees concerned.

16. The enlarged Assembly congratulates the OECD on its progress in the struggle against economic crime and corruption. It welcomes the signing of the Convention on Combating Bribery of Public Officials and hopes that this open treaty will be signed and ratified by all OECD and Council of Europe member states. In this context, it recalls Resolution 1147 (1998) on the threat to Europe from economic crime adopted by the Parliamentary Assembly of the Council of Europe in January 1998 and encourages the OECD and the Council of Europe to intensify their close co-operation in this field.

17. The enlarged Assembly commends the OECD on its efforts to monitor the compliance by its member countries with the United Nations Framework Convention on Climatic Change and particularly the convention's first protocol concluded in Kyoto in December 1997. It recalls the importance of fully respecting the Kyoto protocol in order to reverse the trend in the emission of CO2 and other greenhouse gases. It also asks OECD member countries to pay particular attention to the preparation of the negotiations which will take place at the next conference of the parties (Buenos Aires, November 1998), and which will be decisive for the effectiveness of the convention. It stresses the importance of involving national parliaments in preparation of these negotiations.

18. The enlarged Assembly expresses its satisfaction with the meeting of OECD Ministers of Agriculture (Paris, 5-6 March 1998), who recognised the importance of agriculture for the world economy, particularly in OECD countries. Agriculture is currently undergoing major change, and agricultural policies are being radically reformed: follow-up to the Uruguay Round, reform of the European Union's Common Agriculture Policy and agricultural restructuring in the countries of central and eastern Europe. It is important to continue discussions on rural development and diversification, development of the food-processing industry, introduction of new technologies and food safety and health. The enlarged Assembly invites the OECD and the Parliamentary Assembly to continue their activities in this field.

19. The enlarged Assembly asks OECD member countries to shape policies which take into account the continuing decline of "work" in its traditional form and its changing character in a "global knowledge economy". The rationalisation of work resulting from computerisation and robotisation - leading to a decline in many forms of manufacturing and an increase in the "brain content" in products and services - should encourage the formulation of policies which permit an expansion of the more labour-intensive service sector and which promote the capacity of the labour force to adapt to technological change. Social security guarantees are also needed for the increasing number of people employed in the part-time work system and other atypical forms of work.

20. The enlarged Assembly is aware of the recent G8 report on the threat to international business, especially banking and financial services, telecommunications, transport and infrastructure, of the failure of many of the computer systems involved to recognise the century date change. It is particularly concerned that there is no agreed international standard for year 2000 compliance. It urges the OECD to consider, as a matter of urgency, the establishment of such a standard (the British Standards Institution's Year 2000 standard, for example), and the need to ensure that member states are taking the action necessary to avoid national and international disruption, and are drawing up contingency plans to cover the key sectors of their economies. The enlarged Assembly calls for an international test day for the millennium compliancy of computer systems. It looks to the OECD to take a leading role in organising such a day with other international institutions, most notably the United Nations, provided financial resources are available.

21. The enlarged Assembly expresses its concern over the medium and long term consequences of the rapid ageing of the populations in the OECD area, as identified by the OECD. These consequences - especially noticeable from the year 2010 - will include a smaller tax base, higher pension, public health and long-term care expenditure, lower savings and a generally less dynamic society. The enlarged Assembly calls on OECD member countries to utilise fully the organisation's policy findings in this field in order to avoid these developments.