Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1224 (2000)[1]

OECD and the world economy

Parliamentary Assembly

1. The enlarged Parliamentary Assembly, composed of delegations of the OECD and Council of Europe member states, has examined the recent activities of the OECD as they relate to the world economy, in the light of the report prepared by the Assembly's Committee on Economic Affairs and Development and the contributions from various other committees of the enlarged Assembly. The enlarged Assembly in this context reiterates its earlier wish that it would welcome a written response from the OECD to this resolution.

2. The enlarged Assembly notes with satisfaction the bright outlook for the world economy, especially in the OECD area, which is expected to grow at 4% in 2000 and 3% in 2001. It also welcomes the resumed growth in world trade, which, after a slower rise of 5.7% in 1999, is projected to increase by over 10% in 2000 and over 8% in 2001 – indicating greater international economic integration and the maintenance of World Trade Organization (WTO) - inspired open trade.

3. In another welcome development, unemployment in the OECD area continues to fall, from 6.6% in 1999 to a projected 6.3% in 2000 and 6.1% in 2001. Inflation is, notwithstanding, being held at bay – rising from 2.5% in 1999 to a projected 2.8% in 2000 and 2.5% in 2001. However, there is a danger of rising oil prices stoking inflation. OECD member countries in this situation need to avoid any over-heating of their economies, by maintaining interest rates at the required levels and by pursuing structural reform in all areas.

4. The enlarged Assembly in this context expresses its support of the OECD's project to promote regulatory reform in member countries, notably through country studies highlighting successes for emulation by others. It asks the Organisation eventually to extend the project to all its members, emphasising not only the smoother functioning of markets, but also wider concerns such as social fairness, public health, safety and the environment. It also welcomes the comprehensive labour and product market reforms pursued by several OECD member countries in accordance with the recommendations in the OECD Jobs Strategy.

5. The enlarged Assembly is concerned by the social effects of globalisation and considers that it would be vital today to examine the mechanisms of economic liberalism carefully and perform a comprehensive assessment of the social effects of globalisation in its present form. It would be advisable to lay down new common rules and to improve co-ordination of international commercial and financial bodies' strategies so as not to further weaken economic and social institutions in the countries worst affected by poverty.

6. The enlarged Assembly views with concern the recent weakening of the euro vis-à-vis the dollar and other currencies. This trend points to the need for more co-ordinated economic management and economic policies among European Monetary Union participating countries and others, for the pursuit of budgetary and fiscal discipline. The enlarged Assembly in this context welcomes the pledge in favour of orderly exchange rates between the major currencies given at the G7 meeting in Prague in September 2000.

7. With the United States economy growing at a strong pace for the ninth consecutive year – at a projected 4.9% in 2000 and with only a mild slowdown to 3% foreseen for 2001– other industrialised countries, notably Europe and Japan, are called upon to play the role of locomotives for the world economy.

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1. Enlarged Assembly debate on 27 September 2000 (29th Sitting) (see Doc. 8804, report of the Committee on Economic Affairs and Development, rapporteur: Mr Lotz; and Doc. 8842, contribution of the Committee on Culture and Education, rapporteur: Mr McNamara). Text adopted by the enlarged Assembly on 27 September 2000(29th Sitting).

The enlarged Assembly in this context welcomes the recent signs of economic recovery in Japan and hopes that it can continue, aided by greater consumer confidence, an appropriate monetary policy and fiscal structural reform, and the further opening of the economy to foreign trade and investment.

8. The enlarged Assembly notes with satisfaction the solid growth – around 5% – in several more recent OECD member countries, such as Hungary, Poland and Mexico, and the spectacular recovery of Korea, where growth is projected at 8.5% in 2000 and 6% in 2001. The enlarged Assembly sees these new centres of dynamism as having greatly benefited from OECD membership, as contributing to a more multi-polar world economy, and as serving as examples to countries around them.

9. The enlarged Assembly welcomes Slovakia's imminent entry as the OECD's thirtieth member country. It also recognises the economic progress reached by other countries aspiring to OECD membership – in particular the Baltic states of Estonia, Latvia and Lithuania – and hopes that they, too, will also be accepted in the near future.

10. Noting the Russian Federation's relative, although still fragile, economic recovery since its financial crisis n 1998, the enlarged Assembly asks the OECD to intensify its assistance to that country, in particular as concerns its continued path toward a more complete democracy, the reform of its tax system, bankruptcy legislation and the banking system, and its fight against economic crime and corruption. It is concerned by the slow transformation from an economy excessively dependent on raw materials to one more oriented toward advanced products and services.

11. The new information and communications industries (ICTs) – often referred to as the "new economy" – are increasingly recognised as being a major factor behind the sustained and remarkable growth in the United States and many other countries, notably in their enhancing market transparency, competition and productivity. OECD countries should do whatever is in their power to facilitate the development of these industries, nationally and in international co-operation. Policies must go beyond ICTs proper so as to include the reorganisation of industries and markets and their opening to competition; expanded investment in human capital via education and labour markets; the encouragement of entrepreneurship; research; and the rapid diffusion of innovations through international co-operation. Both the OECD and the enlarged Assembly of the Council of Europe should deal more seriously with the existing gaps in economic competitiveness among different nations and regions. The creation of more favourable conditions for the development of the new economy at national level is a task for politicians as well as economists. Only political will and consensus concerning the serious economic problems of our world will reduce opportunities for violence. When violence occurs, dialogue ends.

12. The enlarged Assembly invites the OECD to carry out a special study – if possible in co-operation with the enlarged Assembly's Committee on Economic Affairs and Development and other interested committees – on the nature and impact of the "new economy" of information and communications industries on the overall economy, individual markets and society – including in the social, cultural and educational fields, and as concerns distribution of income and technological gains at national and international level.

13. The OECD is to be commended on its significant contribution to the Stability Pact for Southeastern Europe, in particular through its "Investment Compact" project aiming to improve the investment climate in the region, and through its Anti-Corruption Initiative undertaken in co-operation with the Council of Europe. At this critical juncture in the region's recovery process, it is important that donor countries should maintain their long-term commitment to the pact and that the recipient countries should genuinely work together. It is also vital to ensure speedy clearing of the Danube and the repair of bridges and other infrastructure in the region following the Kosovo conflict, and to reconcile the participation of the Federal Republic of Yugoslavia in the pact with that country's return to democracy.

14. The OECD's contribution to the WTO process is of special importance following the failure of the WTO Seattle Summit of December 1999, notably by promoting its members' economic performance and market openness and by forging a consensus among member countries on negotiation areas subsequently raised in the WTO. The enlarged Assembly welcomes the prospect of China's early entry into the WTO following preliminary agreement by the United States and the European Union. Finally, it salutes the preparedness of the WTO's Director General for closer parliamentary involvement in the WTO process – for instance through a "standing body" of parliamentary representatives – and suggests for this purpose the establishment of an enlarged assembly along the lines of that on "the OECD and the world economy".

15. A growing number of countries are implementing comprehensive tax reforms, in particular through the introduction of new environmental taxes with a parallel reduction of existing ones. The enlarged Assembly expresses its wish to promote a reinforcement of the link between fiscal and environmental policies.

16. The enlarged Assembly shares the opinion of the OECD that the trade provisions contained in the Multilateral Environment Agreements (MEAs) are essential for carrying out environmentally sound projects. Therefore, it urges all its member states to comply with the strict measures contained in the MEAs and in the Basel Convention on Transboundary Movements of Hazardous Wastes in order to avoid unlawful trade practices which could hamper the multilateral trade system.

17. The enlarged Assembly invites the OECD to support the position of the Council of Europe and the European Union regarding the WTO negotiations to preserve diversity in cultural and audio-visual services in the upcoming round of liberalisation of the different service sectors. It also invites the OECD to support the Council of Europe's proposal for an international charter on cultural diversity and to take an active part in the international dialogue on the preparation of this fundamental instrument.

18. The enlarged Assembly asks the OECD to intensify its work on the public health, environmental, social and economic impact of genetically modified food. While such food could increase yields and help reduce the use of pesticides and other inputs, it could also present as yet unknown hazards to man and nature. Great circumspection is therefore required. It is essential that solutions such as proper labelling and indication of origin be found. The OECD should continue to play an effective role in international policy dialogue on food safety, engaging all stakeholders including NGOs of both developed and developing countries.

19. The enlarged Assembly welcomes the entry into force of the OECD's Convention on Combating Bribery of Foreign Public Officials, so far ratified by twenty-three OECD and Council of Europe member states. It calls on all remaining countries to follow suit as soon as possible and asks the OECD to extend the convention also to cover the private sector, or to prepare a new convention to this effect.

20. Finally, the enlarged Parliamentary Assembly welcomes the approach, and results, of the report on damaging tax practices, noted by the OECD Ministerial Council meeting of 27 June 2000. It expects the OECD Ministerial Council to follow up and promote the activities of the member states until the forty-seven cases of tax relief recognised as being potentially damaging are eliminated in the OECD area as of April 2003. With regard to tax havens, the enlarged Parliamentary Assembly calls upon the OECD to intensify co-operation with third-party states in connection with the elimination of those practices that fail to meet basic international standards with regard to transparency, bank secrecy, and legal co-operation. Third-party states willing to co-operate should be granted comprehensive assistance by the OECD in adopting these international standards and alternative development paths leading towards sustainable economic development should be pointed out in co-operation with international development assistance organisations. States who fail to declare their willingness to engage in any co-operation based on serious endeavour should be addressed with appropriate and commensurate countermeasures as of July 2001.