

Resolution 1259 (2001)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 enlarged Assembly's Committee on Economic Affairs and Development and the contributions from various other committees.

The terrorist attacks against the United States on 11 September 2001

2. The enlarged Assembly expresses its horror and revulsion over the atrocious terrorist attacks perpetrated against the United States on 11 September 2001. It shares in the grief of the families and friends of the victims. It states its total support for that country and for the international community as a whole in their fight against those associated with these acts, which it considers as having been directed against the very concept of civilisation. As far as the economic consequences for the world economy resulting from these events are concerned, the enlarged Assembly calls on the international community to do everything in its power to overcome them in unison – including, if necessary, taking exceptional measures.

General economic situation and prospects

3. The enlarged Assembly notes the recent slowdown in the world economy and the reduction in growth in the OECD area. It remains confident, however, of the likelihood of an early upturn in the economy, led by lower interest rates and tax reductions in key countries and the hoped-for prospect of economic recovery in the US with repercussions worldwide. It also counts on continued healthy world trade and inflation limited to the OECD area to support such a recovery.

4. Vigilance is called for in view of the considerable stock market correction occurring over the past year, especially in technology shares, with its potential impact on business and consumer confidence. Trade imbalances, as reflected especially in the major US current account deficit, are a further source of concern, requiring both policy and currency co-operation among the leading economies in order to maintain sustainable growth for the global economy.

5. The enlarged Assembly notes that the long hoped-for sustainable economic recovery of Japan has not yet materialised – a situation which, if it continues, may hamper regional and worldwide growth along with deceleration of the US and European Union economies. It welcomes the reforms recently started in that country and encourages the new Japanese Government and the Diet to pursue their structural reform with renewed energy in the private sector, particularly the banking sector, as well as in the public sector.

6. In addition, weakening growth and reduced business confidence, which is also felt in Europe, show that it is not immune to outside influences. The continued weakness of the euro harbours the risk of renewed inflationary pressure and shows the urgent need for Economic and Monetary Union (EMU) countries to

1. Enlarged Assembly debate on 26 September 2001 (29th Sitting) (see [Doc. 9171](#), report of the Committee on Economic Affairs and Development, rapporteur: Mr Matějů; [Doc. 9199](#), contribution of the Committee on Culture, Science and Education, rapporteur: Mr Varela i Serra; and [Doc. 9229](#), contribution of the Committee on the Environment and Agriculture, rapporteur: Mrs Mikaelsson). Text adopted by the enlarged Assembly on 26 September 2001 (29th Sitting).



harmonise economic and other policies, follow fiscal policies that are in full conformity with EMU obligations and pursue structural reform in close co-operation with each other. However, this process should maintain a balance with policies put in place to promote social cohesion in Europe.

7. While OECD countries in central Europe continue to show healthy growth, they remain particularly vulnerable to any slowdown in western Europe and the world at large. The same holds for other countries in central, eastern and South-eastern Europe. It is therefore important to establish a clear and speedy timetable for European Union enlargement, accompanied by efficient measures to assist candidate countries to progressively come into line with social and economic standards established within the European Union.

8. The enlarged Assembly in this context recognises the major economic progress achieved by various transition countries aspiring to OECD membership and hopes they will also be able to join at an appropriate time. It also notes the comparatively healthy growth in Mexico and in Korea in 2000, and recognises the major economic and structural reforms which have been undertaken in Korea in line with OECD recommendations. Furthermore, it acknowledges the benefits that these two countries have reaped from their OECD membership and hopes that OECD relations with other countries in their respective regions can continue to intensify within the context of its outreach programme of co-operation with non-member countries.

9. The enlarged Assembly welcomes the Russian Federation's strong economic growth of over 7% in 2000 and the major reforms now under way in that country. It asks the OECD to encourage and assist the Russian Federation – as well as its neighbour Ukraine, which is also introducing reforms – in the implementation of reforms, considering the importance of these countries for the surrounding region.

10. The enlarged Assembly welcomes the important role played by the OECD in preparing issues to be included in a new World Trade Organisation (WTO) round and notes OECD ministers' commitment to such a round. It is now urgently needed in order to adapt the world multilateral trading system to new realities, failing which there would be a risk of an intensification in shifts of opinion, protectionist reflexes and measures that would lead to a more fragmented world trading system. The enlarged Assembly asks the OECD to do its utmost to contribute to the launching of a new round at the WTO ministerial meeting to be held in Qatar in November 2001.

11. In the context of any future WTO negotiations, the enlarged Assembly also strongly urges OECD governments to support increased involvement by parliamentarians with a view to enhancing the transparency and democratic oversight of the WTO negotiating process. The enlarged Assembly calls on the OECD to work with the WTO towards meeting these objectives and in that regard welcomes the recent publication of WTO policy issues for parliamentarians: a guide to current trade issues for legislators.

12. The Assembly recalls the difficult financial crises over the past few years, especially those that have recently affected Turkey and Argentina. It emphasises the need to pursue efforts to enhance the security and stability of investment, and to establish a more efficient system of support in order to protect weaker regions against the severe effects of sudden shocks caused by capital flight.

The fostering of human capital in a knowledge-based society

13. In a new world economy increasingly based on knowledge and the ability to organise people around it, the progress of the human and social capital of countries is of crucial and rapidly growing importance for their long-term development and their ability to compete internationally. Countries neglecting this truth are inexorably falling behind. OECD countries must therefore further increase investment in education at all levels. This includes basic skills, languages and the ability to use information and communication technologies (ICT). Investment in basic science is also important. Countries must remember that the flourishing of human capital and a knowledge-based society vitally depends not only on a good macroeconomic framework, but also on the maintenance of a humanistic tradition and social solidarity, both of which are necessary to uphold democracy, human rights and the rule of law.

14. Tertiary education at the cutting edge of knowledge must be a special priority. The enlarged Assembly strongly supports the 1999 Bologna Declaration of European Ministers of Education calling for a common European area of higher education, and asks that it be extended to the whole OECD-Council of Europe area. Tertiary education must be modernised so as to achieve greater compatibility and comparability between higher education systems, allowing greater student mobility. In order to speed up the applications of research and know-how generated at universities, relations between industry and science – as well as those between universities and industry – should be placed at the centre of pro-innovation policies. It is also important to strengthen co-operation and exchange between researchers in universities and those in research institutes, with a view to enhancing research activities in universities, especially in the area of basic science. This is

necessary since OECD studies convincingly show that these relations and partnerships are becoming the main driving forces behind the new economy, competitiveness and sustainable economic growth. Indeed, there are signs that the funding by major corporations in favour of basic research is being reduced.

15. Particular attention must be given to “functional literacy”, that is, the ability to understand and use written information productively, since it enhances employment prospects, increases the proportion of workers in knowledge-based industries vital to economic growth, enables societies to adjust more readily to change, and permits greater involvement in social and civil life, thereby strengthening democracy.

16. The enlarged Assembly proposes a joint initiative in 2002, at parliamentary and governmental levels, involving the Council of Europe (the intergovernmental sector and the Parliamentary Assembly), the OECD, Unesco, the European Union (the Parliament and the Commission), the Inter-Parliamentary Union and the World Bank to analyse their respective education priorities and to work out the best approach for a more effective co-operation between the main international organisations dealing with education, and instructs its Committee on Culture, Science and Education to initiate a preparatory meeting early in January.

Migration, economic growth and social cohesion

17. The enlarged Assembly notes the activities conducted by the OECD in the field of migration and supports its continuation. As developed economies are increasingly characterised by rapid technological change and an ageing population, the contribution of legal migration to economic growth and long-term development becomes fundamental. To ensure that migrants represent an asset to society and an integral component of its human capital, integration policies should be implemented with a view to improving social cohesion and participation. On the legal side, reforms are necessary to clarify the status of labour immigrants as well as to facilitate their access to education, welfare and family reunion.

Ethics in economic life

18. The enlarged Assembly calls on the OECD and Council of Europe member countries to fully implement the new OECD Guidelines for Multinational Enterprises, for example with respect to environmental safeguards, human rights, child labour and other labour standards, corruption and consumer protection. In this context it welcomes the ratification by virtually all OECD member countries of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and invites non-OECD Council of Europe member states also to sign and ratify this open convention.

Taxation

19. The enlarged Assembly notes that the OECD's Committee on Fiscal Affairs has addressed those issues that have been raised with respect to its tax haven work and has determined that certain modifications that are intended to facilitate commitments by tax havens are appropriate. The Assembly also notes, however, that a public announcement by the OECD of these changes has been delayed due to procedural issues related to the status of Gibraltar. It hopes that these issues will be resolved shortly so that the modifications to the tax haven work can be officially released without further delay.

Sustainable development

20. The enlarged Assembly strongly supports the OECD's Project for Sustainable Development, and specifically its Environmental Strategy for the First Decade of the 21st Century adopted by ministers in May 2001, building on enhanced economic growth, the promotion of human and social development and the protection of the environment. Moreover, it considers equity aspects of economic growth to be of increasing importance in the context of ongoing demographic and social changes. It therefore commends the OECD for its work in the social policy field, notably on the relationship between growth, inequality and social protection, employment-oriented social policies, social policy responses to ageing, and health-care standards.

21. The enlarged Assembly notes with regret, therefore, the indication by the US Government that it no longer intends to submit the Kyoto Protocol on climate change for Congress ratification. In light of the agreement which was reached among other nations in Bonn, the enlarged Assembly asks the US to reconsider its position and on all sides to search for compromises capable of ensuring the speedy realisation of the aims of the Kyoto Protocol.

Food safety including the impact of genetically modified organisms

22. The enlarged Assembly asks the OECD to intensify its activities on the public health, environmental, social and economic impact of genetically modified organisms. While these could possibly increase yields and help reduce the use of pesticides and other inputs, they could also present as yet unknown risks to human health and nature, and therefore call for great circumspection. Adequate solutions such as proper labelling and indication of origin must be found. The OECD should continue to play an effective role in the international policy dialogue on food safety, engaging all stakeholders, including NGOs of both developed and developing countries.