



Resolution 1299 (2002)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 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.
2. The enlarged Assembly takes note of the recovery of the world economy since the terrorist attacks of 11 September 2001, but remains concerned about the sustainability of the recovery, given ongoing market turbulence and other risks. The enlarged Assembly commends the swift action taken by OECD and Council of Europe member countries to counter the human, political and economic aftermath of these events, and sees the resilience manifested by the world economy in overcoming these and other destabilising occurrences in recent times as possibly heralding a new era in international economic policy co-ordination. Strong multilateral action needs to be continued and intensified with the aim of sustaining growth that benefits all regions and reducing the gap between rich and poor countries.
3. The enlarged Assembly notes with satisfaction that the recovery has been accompanied by relatively low inflation, and that unemployment, while too high, is still kept within limits. However, it also notes that world trade, which in 2001 remained stagnant after several years of robust growth, is forecast to rise by only 2.5% in 2002, partly reflecting safety measures against terrorism at trading points and higher insurance burdening economic activities in general. The enlarged Assembly calls on OECD member countries to fully implement the 2001 Doha Development Agenda for negotiation concluded within the World Trade Organisation (WTO).
4. The enlarged Assembly in this context deplores the fact that the United States has recently imposed import tariffs on steel in order to shield its steel industry against competition from abroad and expresses its understanding for the complaints against this action lodged with the World Trade Organisation by the European Union, Japan and several other countries. It calls on all parties to seek a rapid resolution of this dispute within the WTO framework, and more generally on all OECD member countries to refrain from protectionist actions which place added strains on the WTO system.
5. The enlarged Assembly in this context also recognises the continuing problem of agricultural subsidies in rich nations, and especially their negative impacts on developing countries. In that regard it deplores the adoption of the United States Farm Bill which substantially increases subsidies for American farmers, especially since the United States has traditionally granted lower subsidies than many of its OECD partners, including the European Union and Japan. It asks the OECD countries concerned to pursue the lowering of production subsidies, especially for export purposes, in accordance with OECD recommendations and WTO commitments. Particular attention should be paid to the harmful effects of such subsidies on the environment, world trade and developing countries, including the demographic balance between countryside and city in the latter. The enlarged Assembly also asks OECD countries concerned to take into account non-trade concerns, such as the sustainable development of agricultural villages, the maintenance of a diversified environment and activities in agricultural villages, and self-sufficiency in food.

1. Enlarged Assembly debate on 25 September 2002 (29th Sitting) (see [Doc. 9505](#), report of the Committee on Economic Affairs and Development, rapporteur: Mr Wielowieyski; [Doc. 9562](#), contribution of the Social, Health and Family Affairs Committee, rapporteur: Mr. Vos; and [Doc. 9569](#), contribution of the Committee on Culture, Science and Education, rapporteur: Baroness Hooper). Text adopted by the enlarged Assembly on 25 September 2002 (29th Sitting).



6. The enlarged Assembly welcomes the strengthening of the euro as compared to the US dollar, a development likely not only to bring down inflation even further in the European Monetary Union (EMU) area, but also to assist US exports, and hence lead to a reduction in that country's disquietingly large current account deficit. For the continued strength of the euro and for the stronger growth now needed, it is vital for EMU countries to pursue harmonised policies in all areas, in full respect of the requirements of the stability and growth pact as regards budget deficits.

7. The enlarged Assembly furthermore welcomes the steady progress reached in the negotiations for membership between the European Union and twelve candidate countries in central, eastern and south-eastern Europe – a process it considers vital for the continent's future stability and prosperity. It calls for EU membership as early as possible for all EU candidate countries and for the closest possible relations between the EU and all other countries in the region, in recognition of the major efforts undertaken by EU and non-EU candidate countries alike to reform their economies. The reform efforts being made by the countries of central and eastern Europe which are not yet members of the OECD must receive particular support and accompaniment from the international community as a whole, including the OECD, in consideration of their future accession to the Organisation.

8. The enlarged Assembly commends Japan on its efforts to end its long recession and improve public finances. It notes with satisfaction the recent indications of movements of incipient recovery and encourages the Japanese Government to pursue with undiminished vigour structural reform that spans a wide range of areas, including those of the banking sector, and taxation capable of stimulating consumer spending without further aggravating an already disturbingly high public deficit.

9. The enlarged Assembly notes with satisfaction the continued healthy economic growth of the Russian Federation and the recognition by the Commission of the European Union and the United States of the country's transition to a market economy. It encourages the Russian Government and Parliament to pursue reforms already started in favour of an economy which is more diversified and less dependent on oil and gas, and to complete reform in its banking sector, considering the latter's crucial role in channelling the country's major domestic capital resources, as well as much-needed foreign investment, towards overall economic development.

10. Over the last decade, liberalisation of financial markets and their interconnection thanks to advances in information and communication technologies (ICT) have contributed to economic growth through better worldwide allocation of funds at a lower cost. The OECD and other institutions – such as the Financial Stability Forum of the G-7, the G-8, the Basle Committee for Banking Supervision, the International Monetary Fund (IMF), the World Bank and the WTO – are to be commended on their contribution to, and surveillance of, this process. To reinforce economic development through the free flow of funds, OECD members, together with international financial institutions, should make efforts to establish a stabilised international financial mechanism. It is especially important to reconsider the mission and competences of the IMF, which should be given greater capabilities as regards market surveillance and opportunities to assist in finding solutions to serious financial crises, considering at the same time the ways to streamline its organisation and operation. The reform of the international financial architecture should also be accompanied by a role for democratic parliaments in exercising public supervision.

11. The collapse of corporations such as Enron, Tyco and Worldcom – exposing fraudulent behaviour by executives via accounting irregularities, which led to major losses for thousands of shareholders and employees – has profoundly shaken the confidence of the general public in the ethical standards of business. The OECD and its member countries must take urgent action to improve legislation governing the accounting and financial statements of companies to ensure transparency and accountability across the whole range of their and their subsidiaries' activities. The enlarged Assembly urges a strengthening of the OECD Principles of Corporate Governance and calls on OECD members to work towards stronger implementation of the OECD Guidelines for Multinational Enterprises in order to promote responsible corporate behaviour, especially in such areas as public disclosure and anti-corruption. The OECD and its member countries must also help to set up, or if necessary to strengthen, effective mechanisms for the protection and supervision, especially at parliamentary level, of the rights of shareholders and employees who fall victim to companies' accounting irregularities.

12. The current financial crisis in Argentina – like earlier ones affecting other countries – highlights the need for countries to pursue sound macro-economic policies and address imbalances early, aided by the international community. The enlarged Assembly encourages the OECD to work with non-member countries in strengthening co-operation with the IMF and other international financial institutions on the adoption of appropriate policies. Early warning systems are needed to anticipate and prevent similar crises in future.

13. The enlarged Assembly furthermore draws attention to the vulnerability of the world economy to any future terrorist attack on the scale of that of 11 September 2001. It therefore asks OECD and Council of Europe member countries to do everything in their power to assist in the fight against terrorism, including in the tracing of terrorist funds, working closely with the OECD, the Financial Action Task Force, the Council of Europe and other institutions. Ultimately, the threat posed by terrorism will only be resolved by dealing with its root causes.

14. The enlarged Assembly strongly supports the OECD's longstanding and major contribution to development co-operation, which is particularly necessary today in order to reduce the growing divide between rich and poor countries and regions, above all those resulting from the "new economy". What is now needed is both a better trade access for the developing countries to the markets of the industrialised countries and more and better official development assistance (ODA) based on the recommendations of the OECD Development Assistance Committee (DAC). In particular, more effective assistance is needed in order to achieve the United Nations Millennium Development goals, especially for the poorest African countries, and through adequate support for the New Partnership for Africa's Development (NEPAD). Such assistance should include additional untying of aid, enhanced debt relief, and a greater coherence among trade and aid policies, as recognised by OECD ministers in their May 2002 communiqué and the background documents to that meeting.

15. The enlarged Assembly welcomes the OECD's activities in the field of social and health policy, particularly the ongoing studies on the impact of benefit schemes and tax relief on inequalities and poverty, as well as the project on health system performance in the different member states. The enlarged Assembly is convinced that poverty leads to despair and that, consequently, one means of preventing social disaster is to substantially increase development assistance to the poorest countries.

16. The enlarged Assembly welcomes the recent World Summit on Sustainable Development in Johannesburg, which emphasised improvements to the quality of life of the world's population. Economic growth must, however, preserve natural resources and the environment, and provide for social development. The globalisation of the economy offers benefits that need to be exploited to reduce inequalities between developed countries, including those of the OECD and developing countries, in a spirit of solidarity, dialogue and co-operation, as advocated in the Johannesburg Declaration of 4 September 2002.

17. The enlarged Assembly also strongly supports the ongoing work of the OECD on a shared sustainable development agenda, notably through the OECD Environmental Strategy for the First Decade of the 21st Century. It calls on OECD member countries to work towards following up the World Summit on Sustainable Development in Johannesburg with concrete measures that integrate sustainable development objectives into national and international policies.

18. The enlarged Assembly welcomes the conclusion of the Kyoto Protocol by the European Union, Japan and other countries, and expects that those countries which have not yet ratified the protocol will do so in order that the protocol can take effect as soon as possible. Recognising how important it is that all countries make efforts to reduce emission of gas contributing to the greenhouse effect, it asks OECD and Council of Europe member countries to continue to do everything in their power to seek a common policy in which all countries can participate, including the United States and developing countries.

19. The enlarged Assembly, in this context, deplores the environmental policy of the United States, which fails to take account of the principles of sustainable development. In particular, it opposes the United States' unilateral policy of disengagement from the Kyoto Protocol to the United Nations Framework Convention on Climate Change, as the Parliamentary Assembly of the Council of Europe has noted in its Resolutions 1243 (2001) and 1292 (2002).

20. The enlarged Assembly welcomes recent moves by the OECD to enhance its work in the area of education. It calls on the OECD to include cultural parameters in assessing educational programmes for tackling global development issues.