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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1350 (2003)[1]

The OECD and the World Economy

Parliamentary Assembly

1. The enlarged Parliamentary Assembly, composed of Council of Europe member states and of delegations of the Organisation for Economic Co-operation and Development (OECD), 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 contributions from various other committees.

2. The enlarged Assembly expresses cautious optimism as regards the possibility of a resumption of more healthy world economic growth, as prospects, especially for the United States and Japan, improve. It notes that the OECD in a recent unofficial forecast, now foresees the OECD area to grow by 2.5% in 2003, as opposed to the organisation's June 2003 prediction of only 1.9%. Remaining concerns include, however, the continued hesitation felt by consumers and investors in reaction to such factors as terrorism and the fear it continues to inspire; the cost of the occupation of Iraq post-Saddam Hussein, not least as it affects the United States budget deficit; continued geopolitical tension over North Korea's and Iran's nuclear programmes; eroded confidence in international governance, such as the United Nations, but also in company ethics following major corporate scandals; and the reduced prospects of successfully implementing the World Trade Organisation's (WTO) Doha Development Agenda resulting from the failure to reach agreement at the WTO ministerial conference in Cancun.

3. The speedy conclusion of the war in Iraq and the adoption by the United Nations Security Council of Resolution 1483 (2003) opening the way to the country's reconstruction, could contribute to regional and world growth, most importantly via lower oil prices resulting from resumed Iraqi exports. However, the frequent acts of sabotage against the country's infrastructure, and terrorist acts, such as the bombing of the United Nations headquarters in Baghdad in August 2003, threaten to considerably slow down the reconstruction and render it more expensive.

4. It must be hoped that the weaker dollar can soon revive United States exports, and with them the overall United States economy, and that a stronger euro and yen may stimulate overdue structural reform in the countries concerned, in order to permit them to play their full part in global economic recovery. An accommodating stance by, especially, the European Central Bank is also desirable in order to enable the euro area economy to fulfil this role.

5. Such structural changes – varying according to the countries, but of particular urgency for the large euro area economies as well as for Japan – include reform specifically to preserve long-term public finances as populations age, and to introduce greater flexibility in labour markets. Unless reforms are undertaken urgently, continued weak growth risks undermining further already fragile public finances, not least as a result of increased unemployment resulting in lower tax income and added expenditure related to unemployment. It should be recalled that promotion of venture and inward foreign investment will stimulate the economies and create employment.

1. Assembly debate on 1 October 2003 (31st Sitting) (see Doc. 9851, report of the Committee on Economic Affairs and Development, rapporteur: Mr Caccia). Text adopted by the Assembly on 1 October 2003 (31st Sitting).

6. The enlarged Assembly appreciates the OECD's endeavours to ensure integrity and transparency in the world economy. It encourages the OECD and its member countries to intensify their efforts so as to enhance integrity and transparency in economic activities. In particular, stricter legislative control over corporate governance in many OECD countries is needed to ensure ethical behaviour.

7. The enlarged Assembly in this connection notes with concern the widening gap in growth rates – and hence in GDP per capita – between a faster-growing United States on the one hand and several larger, more slowly-growing European economies and Japan on the other. This development, which may lead to even more disruptive trade balances and frictions in the future, must be counteracted by more rapid structural reform in the latter group of countries, permitting faster growth capable of narrowing the gap.

8. The enlarged Assembly views with concern the prospects for the United States economy against the background of the uncovered future pension liabilities, which amount to $350 billion, and the country's growing public and private debt, as they result from a combination of tax cuts and enhanced expenditure, especially in the military and security fields. The enlarged Assembly draws attention to the United States' resulting excessive dependence on global savings – sorely needed elsewhere – and to the risk that such dependence poses to a balanced development of the world economy. More generally for all countries, the enlarged Assembly recalls the risk posed to governments' ability to govern if deficits and accumulated debt are allowed to rise unchecked. It recalls that, whereas the United States in 2000 and 2001 enjoyed budget surpluses of $236 billion and $127 billion respectively, the deficit is forecast to reach $455 billion in the 2003 fiscal year.

9. The enlarged Assembly deeply regrets the failure of the WTO ministerial meeting in Cancun to reach an agreement on the principles for a successful conclusion of the Doha Development Agenda. It now expects all parties to reflect on the causes for the setback, understand each others' concerns and redouble their efforts to engage in the necessary compromises to reach a final accord in 2004, in the interests of an open, fair and multilateral system for trade and investment.

10. The enlarged Assembly warmly commends the World Health Organization (WHO) on its speedy and resolute action to contain the spread of Sars (severe acute respiratory syndrome), thereby preventing not only even greater human suffering than has been the case, but also literally saving an already strained world economy from even greater damage. OECD and Council of Europe member states must further strengthen WHO resources and thereby its ability to fight dangerous epidemics in the future. In addition, as a measure against Sars, the enlarged Assembly requests that the structure of international co-operation centring around the WHO be strengthened through the development of a remedy or vaccine and public health countermeasures, to be made available to all nations on a timely basis, whether they are members of the WHO or not.

11. The enlarged Assembly notes the increasing economic importance of the cultural sector, for example the music industry, tourism, sport, publishing and the audiovisual media (cinema and television). It believes that closer and more specific attention should be paid to this sector in discussion of the management of world commerce. It notes the positive declarations by the Council of Europe and Unesco on cultural diversity and welcomes the Canadian initiative to promote an international instrument in this field. It believes that the Council of Europe and the OECD should also support this initiative.

OECD reform and enlargement

12. The enlarged Assembly is aware of the difficult choices facing the OECD as regards the expected enlargement from its present thirty-country membership, not least against the background of imminent European Union enlargement and the rapid economic progress made by many other countries around the world. These considerations – ranging from the increasingly challenging task of preserving the organisation's consensus principle in reaching decisions, to overall working efficiency with more members, and to the need to preserve a balanced membership between world regions – need to be tackled urgently. The enlarged Assembly therefore welcomes the commitment made at the 2003 OECD Ministerial Council Meeting with a view to making decisions on key reform issues in 2004, as proposed by the OECD Secretary General. The enlarged Assembly resolves to follow all the above matters closely on behalf of the parliaments of all OECD and Council of Europe member countries.

13. Sustainable development

An overview for parliamentarians

14. Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.[2]The Parliamentary Assembly of the Council of Europe has adopted this definition and has long promoted an integrated approach to sustainable development, which sees protecting the environment, promoting human and social development and enhancing economic growth as inseparable dimensions of development. According to this approach, economic analysis and policy making are not done in isolation from the impact of economic development on people and the environment, nor is economic development understood without recognition of its social and ecological foundations.

15. Repeatedly, the Assembly has stressed the importance of sustainable development and the need to adopt an integrated approach in this area. Most recently, it has adopted some provocative forward-looking reports on sustainable development goals and on reforms to key multilateral institutions for governing the global economy (including Resolutions 1269 (2002), 1288 (2002), 1292 (2002), 1318 (2003) and 1319 (2003)).

16. The successful implementation of the sustainable development agenda envisioned by the United Nations, the OECD and others, depends on far-reaching changes in the way policy development and analysis takes place in member governments as well as inside the OECD. Parliamentarians have to ensure that governments adopt the technique of horizontal integration of policy analysis and development across all branches of government. The same can be said of OECD organisational units. Equally urgent is the necessity of shifting our conceptual approach from the conventional “economic” policy to the sustainable development economy, which implies a shift in economic policy making and analysis.

17. Parliamentarians know that the OECD, with its impressive record and research capabilities, can play an important and influential role in moving forward the global sustainable development agenda. It is already attempting to do so, by identifying best practices among member countries, devising comparative performance indicators, and providing detailed guidance on the application of sustainable development criteria to various policy sectors, particularly those that often have a large environmental impact.

18. Parliamentarians appreciate the fact that the OECD has adopted and advocated the integrated approach to sustainable development. In addition, in the 2001 OECD Ministerial Mandate on Sustainable Development, for which the enlarged Assembly has expressed strong support (Resolution 1259 (2001)), member governments made a major political commitment to the full integration of sustainable development objectives into their national and international policies. OECD governments are therefore politically committed to integrate environmental and social objectives into their economic decisions. Not to balance them, but to integrate them into the heart of economic decision making at all levels of authority and action from the local to the global. As for the OECD secretariat, it should be noted that it plays a key role; and not an easy one. At present, it is supposed to integrate environmental and social objectives and considerations into economic analysis and policy development – the largest part of the OECD’s work and organisation. The reverse also applies, namely that economic objectives and considerations must be integrated into environmental and social analysis and policy development.

19. Greater attention should be paid by economic bodies such as the OECD to the integration of the cultural dimension and its diversity, in economic development, thus enhancing sustainable development.

Recommendations to governments

20. The enlarged Assembly notes that the OECD has done important comparative work on environmental issues, and that it has demonstrated the urgent need for action in a number of areas. For example, the 2001 OECD Environmental Outlook identifies the following areas as most pressing and assigned them “red light signals”: climate change/greenhouse gas emissions, motor vehicle and aviation air pollution emissions, effects of agricultural production on the environment, chemical waste in the environment, municipal waste generation, the scarcity of freshwater, declining biodiversity, and overfishing. The enlarged Assembly believes that the failure of OECD member states to make urgently needed progress in these and other areas is a reflection of the fact that sustainable development is not, or is no longer, seen as a priority issue. As an organisation of nation-states, the OECD is limited in its choices, progress and decisions by the will of its member countries. The development and implementation of a substantive sustainable development agenda by the OECD is ultimately dependent, therefore, on the priorities of national parliaments and governments.

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2. This is the internationally accepted definition of sustainable development put forward in 1987 by the Bruntland Commission in its report “Our common future”.

21. The enlarged Assembly notes that the 2001 Ministerial Mandate on Sustainable Development is due to expire in 2004. Its renewal is of utmost necessity. Therefore, the enlarged Assembly calls on the OECD's member governments to renew it and to provide the OECD with the necessary resources to implement it fully. It urges parliamentarians to press member governments to make a long-term commitment to the implementation of the OECD's sustainable development agenda.

22. The enlarged Assembly notes with concern the fact that resource constraints have made it difficult for the OECD to make significant progress in many areas of the 2001 ministerial mandate, even in the priority areas. The enlarged Assembly urges the OECD's member governments to make adequate resources available so that the OECD can fully implement the 2001 ministerial mandate and further develop its sustainable development agenda.

23. The enlarged Assembly calls on member governments to muster the political will to reach agreement on the selection of indicators to measure progress in all three dimensions of sustainable development, where such indicators have not yet been chosen.

24. The enlarged Assembly also calls on member governments to intensify efforts to reach agreement on indicators to measure progress in the social dimension of sustainable development. Policy analysis and proposals have focused, for the most part, on the sustainability of pension systems in industrialised countries and on official development assistance. Yet important issues such as education and social cohesion have so far received little attention in OECD discussions about sustainable development.

Recommendations to the OECD

25. The enlarged Assembly commends the OECD for the important work it has done on sustainable development and on environmental issues, both in general and in response to the 2001 Ministerial Mandate on Sustainable Development. Work on implementing the latter has focused on:

a. the preparation of a report to last year's UN World Summit on Sustainable Development in Johannesburg;

b. the development of indicators for use in OECD peer reviews;

c. overcoming obstacles to the phasing out of environmentally damaging subsidies; and

d. the social aspects of sustainable development.

26. Progress made to date in implementing the sustainable development agenda confirms the OECD's ability to play a central role in moving the world economy onto a sustainable path. For instance: sustainable development sections are included now in the Economic survey; environmentally harmful subsidies are under scrutiny; indicators to measure progress along all three dimensions of sustainable development are being developed; the 2001 OECD Environmental Outlook provides an assessment of environmental pressures and conditions up to 2020; and work is under way on a new longer-term environmental outlook

27. The enlarged Assembly commends the OECD for its analytical work on environmental problems in member countries and calls on the OECD to continue and intensify this valuable work, which could be very useful to parliamentarians.

28. The enlarged Assembly also commends the OECD for its contribution to the development and implementation of sustainable development indicators, and calls on the OECD to continue and intensify its efforts in this area.

29. Although the 2001 OECD ministerial mandate defines sustainable development as "an overarching goal of OECD governments and the OECD", the OECD has not made the desired progress in two vital areas for the successful implementation of the sustainable development agenda set by the ministerial mandate:

a. the horizontal integration of analysis and policy development across OECD organisational units responsible for the three dimensions of sustainable development; and

b. the required conceptual shift in economic analysis and policy making, which would lead to the integration of environmental and social objectives into this work.

    a. The enlarged Assembly urges the OECD to further integrate across the organisation its analytical and policy-development work, so as to ensure an integrated outcome; and to expand its work on sustainable development into the two core areas of economic and fiscal policy analysis and development activities.

b. The enlarged Assembly also urges the OECD to intensify efforts in bringing the sustainable development perspective to bear on economic analysis, and to switch economic analysis and policy development from a narrow focus on economic growth to a broader focus on sustainable development. One area, where the OECD can and should make a far greater contribution, is in the development and employment of indicators in economic analysis, so as to reflect the full economic, social and environmental costs and benefits of human activities.

30. The enlarged Assembly suggests that the OECD extend its integrated approach to sustainable development to include the significant cultural and educational dimensions.

a. The Assembly insists that cultural factors such as archaeological and built cultural heritage and the contemporary cultures of indigenous populations are properly taken into account in the impact analyses of major development projects such as dams.

b. It also proposes that integrated sustainable development be instated as a core element in higher education and business courses related to development.

31. The precautionary principle is another important consideration. Policy makers should not wait until irreparable damage has been done, but take preventive measures without waiting for full scientific certainty, when there is evidence pointing to serious irreversible damage to human health or the environment. The principle is enshrined in several international agreements, including the 2nd North Sea Declaration, the Framework Convention on Climate Change, the Maastricht Treaty on European Union, the Helsinki Convention, the Biosafety Protocol, the nine principles of the United Nations' Global Compact, and the OECD Guidelines for Multinational Enterprises. The enlarged Assembly notes that the precautionary principle has not been widely applied to economic policy analysis and development and calls on the OECD to make a greater effort to incorporate it in analytical and policy development

32. The enlarged Assembly urges the OECD to deepen its work on sustainable development to include policy areas, which – if changed – could help move OECD economies towards a sustainable development path. In particular, the OECD has done some important work identifying obstacles to the introduction of environmental taxes and to the elimination of certain subsidies which are harmful to the environment. However, work on tax expenditures and subsidies with perverse side-effects has lagged behind.

33. In the 2001 ministerial mandate, OECD ministers of finance, economics and the environment called on the Round Table on Sustainable Development to "strengthen its role as a forum for international dialogue among stakeholders". The enlarged Assembly calls on OECD governments to ensure the continuation of the round table's activities by securing renewed funding for its operations as an independent body.

34. Finally, the enlarged Assembly asks the Secretary General of the OECD to report to it on the outcome of the 2004 OECD Council meetings at ministerial level, as they relate to the OECD's sustainable development agenda.

Recommendations to parliamentarians

35. The role of parliamentarians in achieving sustainable development goals cannot be over-emphasised. Considering that modern governance requires innovative and critical thinking to implement sustainable development, it becomes clear that new ideas are needed if we are to find solutions to pressing and interlinked environmental, social and economic problems. Parliamentary attention and action is needed to trigger the political will required to reach adequate solutions when difficult political choices are involved. Parliamentarians should be made aware of the fact that the OECD has not been allocated adequate resources to make significant progress in several areas of the 2001 ministerial mandate. Member governments should be urged by parliamentarians:

a. to renew the OECD Ministerial Mandate on Sustainable Development before it expires in 2004; and

b. to make a lasting commitment to the implementation of the OECD's sustainable development agenda