



Resolution 1401 (2004)¹

OECD and the world economy

Parliamentary Assembly

1. The enlarged Parliamentary Assembly, composed of delegations of the Organization for Economic Co-operation and Development (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 welcomes the resumption of healthy economic growth in large parts of the OECD area and more generally worldwide – aided by strong economic performance in the United States, Japan, China, Southeast Asia and several countries in central and eastern Europe, including Russia.
3. It counts on this recovery to assist higher growth also in the major economies in the eurozone, where hesitation among consumers and investors is still hampering a strong revival of activities and where insufficient structural reform – which could lead to a liberalisation of the economy and increased competition – continues to limit the potential for growth. It is vital for the European Union area, and for the wider Europe, to do more to favour innovation and entrepreneurship in line with the European Union's 2000 Lisbon Agenda – such as by radically cutting red tape for start-up companies and by transforming the European Patent Office into a truly pan-European organisation with wider competences and more streamlined procedures than it has at present.
4. The enlarged Assembly is concerned, however, at the prospect of an imminent overheating of the American economy and the consequent need for that country to reduce its budget deficit and raise its policy-setting interest rate, currently at a historical low. Furthermore, thought should be given to the need for a lower interest rate in the eurozone, capable of accelerating growth there. It would also be of great importance for the world economy if the United States succeeded in gradually reducing its extremely high current account deficit and in reorienting its economy in a more dynamic direction, especially as regards investments abroad, based on higher savings in American society.
5. Regarding Japan, in addition to the fact that the ratio of fiscal deficit to gross domestic product continues to be the highest in the OECD area, the enlarged Assembly takes a strong interest in the fact that the country's present economic activities are excessively dependent on the unprecedented "ultra-easy-money" policy and exports to such countries as the United States and China. Regarding China, the enlarged Assembly recognises that there is much room for improvement given that the extreme regional imbalances and disparities in wealth in the domestic economy are expanding and the country's buoyant exports are dependent on a national currency value that is detached from the market.
6. The increasingly wide differences in the OECD area are another cause for concern as these may lead to trade imbalances and tensions between diverging currencies which in turn could lead to protectionist measures. The OECD has a vital role in ensuring a constant exchange of experiences among and beyond its membership, in order to permit a more even and sustained pace of economic development to take place worldwide.

1. Assembly debate on 6 October 2004 (29th Sitting) (see [Doc. 10254](#), report of the Committee on Economic Affairs and Development, rapporteur: Mr Ates). Text adopted by the Assembly on 6 October 2004 (29th Sitting).



7. The enlarged Assembly notes that the present recovery has been largely policy-induced, via exceptionally expansionary macroeconomic policies which can be seen in low interest rates, tax cuts and public spending. Given the difficult debt situation of several OECD member countries and their upcoming pension commitments to ageing populations, a return to balanced and if possible surplus budgets is becoming urgent. This holds not least for those countries in the Economic and Monetary Union (EMU) which are at risk of breaking the rules of the Stability and Growth Pact, since continued violations would not only weaken cohesion among EMU members but also affect the confidence in the currency itself.

8. Current high oil prices could easily derail the economic recovery under way. The enlarged Assembly counts on the Organization of the Petroleum Exporting Countries (Opec) and other oil-producing countries to raise production to levels necessary to avoid this. At the same time it recognises the manifold reasons for the current situation, including rapidly rising worldwide demand, wasteful use of oil, insufficient refining capacity in part due to neglected investment, price speculation, acts of terrorism against oil installations and the various problems in Iraq, Saudi Arabia, the Russian Federation and Nigeria. In this situation new emphasis must be placed on policies needed for sustainable development, as detailed in the enlarged Assembly's [Resolution 1350 \(2003\)](#) on the OECD and the world economy. The enlarged Assembly in this context welcomes the OECD's recent decision to continue its work in the area of sustainable development, following the successful completion of its three-year project in this field.

9. Continued recovery also depends vitally on a successful conclusion of the ongoing World Trade Organization (WTO) negotiations on a Doha Development Agenda. The enlarged Assembly calls on all sides to build, in a spirit of compromise, on the experiences gained from the inconclusive Cancún Summit of 2003 and asks OECD member countries in particular to show the necessary openness as regards a reduction in the subsidies they pay to their agriculture sector, and to the eventual elimination of export subsidies and other trade-distorting subsidies.

10. The enlarged Assembly welcomes the OECD's recent agreement on a revised version of its Principles of Corporate Governance, not least in view of recent corporate scandals. The observance of these principles is vital to lasting and socially responsible economic development. The enlarged Assembly urges all OECD member countries to give maximum publicity to the principles at home and in international fora and where necessary to adapt their legislation to conform with them.

11. The enlarged Assembly marks its disappointment at the failure of OECD countries to meet commitments entered into as part of the OECD's Environmental Strategy for the First Decade of the 21st Century, as well as in meeting the provisions of the Kyoto Protocol, even though that treaty has not yet entered into force. From fishery to forestry, from vehicular transport to pollution, most OECD countries are proceeding along an unsustainable path. The enlarged Assembly calls on OECD member countries to make greater use of economic and fiscal measures to meet environmental goals and to start preparations now for a "post-Kyoto process", rendered necessary by the increasingly apparent inability of the Kyoto Protocol to halt climate change. The enlarged Assembly also encourages OECD member countries, when considering the future energy problem, to take the initiative in further promoting the shift to a recycling-oriented society, to strengthen technological development relating to new energy sources as represented by nuclear fusion energy, and to explore the potential of renewable energy so as to make sustainable development and environmental preservation compatible. In this way, they will also set an example for non-OECD countries whose behaviour is influenced by the actions of the more wealthy countries of the world community.

12. While globalisation is bringing many benefits to the world – as manifested for instance in the rise of new economies and steadily rising incomes for millions of men and women – it is also now producing increasingly unacceptable income differences between and within countries. For any lasting worldwide development – accompanied by social solidarity and environmental protection – to succeed, the many obstacles which at present prevent liberalisation of world trade must be eliminated. The enlarged Assembly urges the OECD to develop, in a forum which should also include numerous non-member countries with which it co-operates, policies and programmes which ensure that globalisation can benefit more countries and world citizens, in the interest of international peace, stability and solidarity. In this regard, the enlarged Assembly recognises the importance of the adoption of "a strategy for enlargement and outreach" at the OECD, welcomes the OECD's activities under its Development Cluster, and encourages their further development.

13. The enlarged Assembly notes the importance of intellectual property rights in the world economy. The twenty-first century, in which the Internet is highly developed, is said to lead to a global community where "all are creators; all are users". Reforms of intellectual property systems to cope with the rapid development of digitisation and networking will surely lead the world economy to sustainable growth by prioritising the interests of current rights owners, such as artists and creators, as well as those of users and consumers, including potential artists and creators in the future. For this sake, the suppliers of cultural and technological

assets and their users should take initiatives together for the above-mentioned reforms to realise mutual respect and reliance, including those in international contexts, paying due attention to the risk that any reform may be used as a tool for unfair control over the market by specific industries.

14. The enlarged Assembly wishes to underline the particular importance of culture to sustainable development. The economic significance and employment potential of the cultural sector and cultural activities are growing steadily. Above all, however, culture embodies the values that form the very personality of a society. The OECD therefore has a duty to participate in the debate on reconciling the economic potential of the cultural sector with the specific role of culture and with the concern to preserve the diversity of the cultural content and artistic expression that individuals and societies contribute to it. Such discussions would establish the necessary link between the negotiations on the liberalisation of world trade and the work of the European Union, the Council of Europe and Unesco in supporting cultural diversity.

15. The enlarged Assembly, having served as the OECD's parliamentary forum since 1962, has seen the organisation's membership grow steadily to reach the present thirty. In welcoming the adoption by the 2004 OECD Ministerial Council of the OECD reform package, including a strategy for enlargement, the enlarged Assembly encourages the organisation to find innovative ways of reconciling size with efficiency, not least in studying the experiences gained by organisations with many member countries, including the forty-six member states of the Council of Europe.

16. The enlarged Assembly recognises clearly that international conflicts and the proliferation of terrorism are serious threats for the international community and civil life and at the same time are major obstacles to the world's economic development. The eradication of international conflicts and terrorism is essential for this development and the happiness of humankind. The enlarged Assembly asks OECD member countries and the international community as a whole to move forward with countermeasures so that the various complex problems that exist in the background of international conflicts and terrorism can be settled by peaceful means, and as quickly as possible.