



## Resolution 1467 (2005)<sup>1</sup>

# The 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. It welcomes the overall solid growth of the world economy, thanks in particular to continued growth in the United States as well as in China, India, Brazil, the Russian Federation and numerous emerging economies. All of these increasingly provide the main impetus to global economic growth and the enlarged Assembly welcomes the OECD's growing co-operation with them, making its reach and sphere of influence global, even if its membership is not.

3. The enlarged Assembly notes with satisfaction that inflation in the OECD area has nevertheless remained well contained, likely reflecting both rising productivity and increased competition, but also a richer supply of goods and services that results from rapidly increasing world trade. In the interest especially of emerging and developing economies and for the realisation of the United Nations Millennium Development Goals, it is vital to develop further an open trading and financial system that is rules-based, predictable and non-discriminatory and to provide development assistance to countries committed to poverty reduction. This can be achieved notably through the successful conclusion, under the auspices of the World Trade Organization (WTO), of the Doha Development Agenda which also reflects the efforts to eliminate poverty, improve social conditions and raise living standards in the world economy. The enlarged Assembly asks the OECD, together with the WTO, to identify new principles to guide world trade in order to encourage technological investment flows to countries in particular need.

4. However, a number of worrying developments cloud the horizon. The huge and steadily rising current account deficit of the United States is unsustainable over time and may lead to a painful correction by markets as the world's savings are spent to compensate for low United States domestic savings. In this context, it is important that the United States and other countries implement macroeconomic policies in an appropriate and timely manner.

5. The enlarged Assembly also hopes that countries which deliberately maintain weak national currencies vis-à-vis others will cease doing so as soon as possible and believes that countries all over the world should adopt a more flexible exchange rate regime in order to gradually improve global imbalances.

6. Timid growth in the eurozone is another source of concern, with Italy and Germany on the verge of recession and the 12 participating countries diverging rather than converging economically. The enlarged Assembly agrees with the OECD that the European Central Bank (ECB) may now well have room to lower its policy-setting interest rate in order to revive economic activity. At the same time it calls on the European Monetary Union (EMU) member states concerned to speed up economic reform in the spirit of the 2000 Lisbon Agenda. It is important that the will to reform not be weakened by the results of a number of national referendums on the European Union Constitutional Treaty, since this would only aggravate an already difficult economic situation and jeopardise growth.

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1. Assembly debate on 5 October 2005 (29th Sitting) (see [Doc. 10645](#), report of the Committee on Economic Affairs and Development, rapporteur: Mr Vrettos). Text adopted by the Assembly on 5 October 2005 (29th Sitting).



7. High and volatile oil prices, due in particular to rapidly rising demand in the United States and in emerging economies, especially China, pose a further risk to world economic growth. The enlarged Assembly calls on OECD member countries to make greater efforts to increase energy efficiency; reduce their dependence on fossil energy, especially oil and coal; diversify energy sources including via nuclear energy, particularly addressing the unresolved problem of the processing and storage of radioactive nuclear waste, and further develop renewable energy sources and technologies. The enlarged Assembly also invites OECD member countries to intensify efforts to promote peace and political stability in the Middle East and the Persian Gulf regions. In this context, it welcomes the Initiative on Governance and Investment for Development launched by MENA (the states of the Middle East and Northern Africa) and supported by the OECD and the United Nations Development Programme (UNDP).

8. The enlarged Assembly welcomes the OECD's extensive co-operation with the Russian Federation under its programme devoted to that country, which provides notably for assistance in the accession process to the WTO. The enlarged Assembly hopes that this can be completed in the very near future, especially if Russia undertakes the needed domestic structural reforms, the liberalisation of its economy and manages to broaden the country's economic base away from oil and gas, thereby strengthening investor confidence.

9. Given the impact of the opening up and growth of the Chinese economy, the enlarged Assembly also welcomes the first OECD Economic Survey of the country completed in 2005, as well as the launch of the China Governance Project, and urges further development of these programmes.

10. The pronounced imbalances in the world economy – as illustrated for example by the US current account deficit, the increasing divergence between eurozone economies and the preoccupying fact that many of the world's poorest countries are lagging further and further behind – are additional sources of concern. The enlarged Assembly in this context calls on the OECD to conduct more research on hedge funds and derivatives such as swaps, options and collateralised debt obligations.

11. The enlarged Assembly is pleased to note the success, one year onwards, of the European Union's 2004 enlargement to include 10 new member states, as demonstrated by these countries' rapid economic and institutional development and growing integration within the wider EU. It recognises the OECD's contribution to this process via programmes such as SIGMA (Support for Improvement in Governance and Management) which are also carried out with respect to other countries in eastern Europe and beyond.

12. It is important in this respect that thought be given to the further enlargement of the OECD itself, so as to include, as soon as possible, all the countries in the world that meet the its criteria, with due attention paid to ensuring a proper balance between world regions. OECD enlargement is all the more important when considering that its current membership is less and less apt to reflect the world's new economic realities and the sea-change in the distribution of its increasing wealth. The OECD's co-operation programmes with rising economies, while laudable, will no longer suffice in tackling challenges facing richer countries, including how this group may best assist the world's poorer countries, for instance in the realisation of the Millennium Development Goals.

13. The enlarged Assembly notes the growing impact of such factors as education, scientific research, social cohesion, good governance and democratic stability on the economic performance of individual states and the world economy as a whole and recommends that OECD member states pay closer attention to such factors. In this respect, it welcomes the multilateral work achieved and standards set in those areas by the OECD and the Council of Europe and calls on these organisations to intensify their co-operation and co-ordination in this respect.

14. It invites the OECD to carry out a comparative study on performance in OECD member countries examining the role of higher education and research in enabling students to achieve their full potential, for example in meeting an increasing diversity of needs and demands associated with the knowledge society, lifelong learning, globalisation, national and regional economies, local communities, as well as social cohesion and equity.

15. The enlarged Assembly calls on the OECD and the Council of Europe to co-ordinate their action on mutually identified priority areas in the field of education policy.

16. It calls on the OECD to consider the non-economic aspects of agriculture. Consideration should be given not only to the production aspect, its primary role, but also to the contribution of agriculture to the economic and social life of rural regions, the preservation and maintenance of landscapes and the protection of life's essential elements: water, air and land. Only on this condition will the balance between cities and rural areas be preserved.

17. The enlarged Assembly strongly supports the OECD's ongoing mandate to mainstream sustainable development and considers that the implementation of the objectives of the OECD's Environmental Strategy for the First Decade of the 21st Century to achieve environmental sustainability should be treated as an urgent priority. In particular, urgent action is needed to implement the Kyoto Protocol and reduce greenhouse gas emissions in the post-Kyoto period, beyond 2012.

18. Finally, the enlarged Assembly on the activities of the OECD decides to modify its Rules of Procedure adopted in 1992 as contained in the appendix to this report.

## Appendix

### **Modification of the Rules of Procedure for enlarged debates of the Parliamentary Assembly on the activities of the OECD**

1. The Rules of Procedure for the enlarged debates of the Parliamentary Assembly on the activities of the OECD were adopted in 1992 and amended in 1994. They appear on pages 150 to 158 of the 2005 version of the Rules of Procedure of the Assembly.
2. Since then, the Rules of Procedure of the Parliamentary Assembly of the Council of Europe have been modified to reflect changing circumstances, such as the Council's enlarged membership, now counting 46 member states plus observers.
3. In line with the above, the Rules of Procedure for the enlarged Assembly are modified as follows:
  - Part III.1, add “or a Vice-President” after “the President”;
  - Part III.1, delete the second sentence;
  - Part V.5, in the third sentence, replace “7 minutes” with “3 minutes”, in order to align speaking times with those in the Assembly, thereby allowing persons speaking on behalf of committees 3 minutes;
  - Part VI.3, add at the end: “Sub-amendments must be tabled at least one hour before the end of the previous sitting of the same part-session preceding that in which the debate begins” (same rule as for the Assembly);
  - Part VI.5, replace “3 minutes” with “1 minute”;
  - Part VIII.2, replace “ten members” with “thirty members” and “three parliamentary delegations” with “five parliamentary delegations”;
  - Part IX.6, replace “three minutes” by “one minute”.

In the English version only, on page 154, Part VI.3, add the following words at the end of the last sentence “, by 7 p.m. on the eve of the debate.”