



Resolution 1574 (2007)¹

The OECD and the world economy 2007

Parliamentary Assembly

1. The enlarged Parliamentary Assembly, composed of delegations of the Organisation 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 Assembly's Committee on Economic Affairs and Development and the contributions from several other committees of the enlarged Assembly.

2. The enlarged Assembly welcomes the decision taken by the OECD Council meeting at ministerial level on 16 May 2007 to invite Chile, Estonia, Israel, the Russian Federation and Slovenia to open discussions for membership of the OECD and to offer "enhanced engagement", with a view to possible membership, to Brazil, China, India, Indonesia and South Africa. The enlarged Assembly also welcomes the fact that in June 2007, the G8 asked the OECD to act as a platform for the newly established dialogue between the G8 and Brazil, China, India, Mexico and South Africa. The enlarged Assembly underlines the importance of these initiatives and believes that they will significantly enhance the OECD's capacity to provide sound policy advice to its member governments in an era of rapid globalisation, thus paving the way to a better world economy.

3. The enlarged Assembly firmly supports the OECD's current sustainable development mandate. Being aware of the threats to the environment at a global level, it stresses that the large emerging economies, in particular the Russian Federation, Brazil, China and India, should also make substantial efforts to master pollution linked to their economic development. The enlarged OECD should play a key role in supporting these countries in their development, whilst preserving the environment and the planet's natural and energy resources.

4. The enlarged Assembly calls on the present and future member states, in their co-operation within the OECD, to give special emphasis and attention to policies and practices regarding the management of working migration, as well as the issue of integration, circulation/mobility and the rights, including social protection rights, of all migrant workers and members of their families.

5. In mid-2007, worldwide economic weakness as a consequence of the slowdown of the United States economy was not expected to materialise. Instead, the OECD economies looked to be undergoing a smooth rebalancing with the OECD's central forecast in mid-2007 being characterised as reassuring: a soft landing in the United States, a strong and sustained recovery in Europe, a solid trajectory in Japan and buoyant activity in China and India. In line with trends at that time, sustained growth in the OECD economies was expected to be underpinned by strong job creation and falling unemployment. Amongst OECD members, real GDP growth – having exceeded forecasts by expanding by 3.2% in 2006 – was expected to slow to 2.7% this year, and to remain at that level in 2008. Over this period, OECD-wide inflation was projected at a little over 2%, with unemployment declining from 5.9% to 5.5%.

6. Since then, the realisation of some of the risks that were highlighted in the OECD's assessment – notably the weakness in the United States housing market as well as problems in the subprime mortgage markets – have prompted a more general reassessment of the outlook. The OECD's interim assessment of the

1. Assembly debate on 3 October 2007 (33rd Sitting) (see [Doc. 11357](#), report of the Committee on Economic Affairs and Development, rapporteur: Mrs Papadopoulou; [Doc. 11395](#), contribution by the Social, Health and Family Affairs Committee, rapporteur: Mrs Roseira; and [Doc. 11396](#), contribution by the Committee on Culture, Science and Education, rapporteur: Baroness Hooper). Text adopted by the Assembly on 3 October 2007 (33rd Sitting).



economic situation (published on 5 September 2007) noted that, beyond the very short term, “prospects going forward are now clearly less buoyant and more uncertain. Downside risks have become more ominous, in a context where overall financial market conditions are likely to remain durably tighter ... there may be a case for some easing in the United States federal funds target rate.” This was cut to 4.75% on 18 September 2007.

7. In order to promote growth and prosperity, since SMEs hold the keys to economic growth, job creation, regional development, and social cohesion, it is necessary to adopt support measures bearing in mind the spirit of the OECD’s Bologna Charter on SME Policies and for companies to respect the human rights of workers.

8. Amongst OECD member countries, tax revenues have generally been high in recent years, and this has relieved immediate pressure on fiscal policy. However, the OECD underlines that, there is a continuing, and indeed urgent, need for the world’s major economies to pursue fiscal reform. Several years into a period of strong prosperity, not enough is being done to reform government policies and refashion them for the future, especially given the demographic challenge of aging populations, which will place huge pressures upon public services and entitlement programmes. The enlarged Assembly stresses with the OECD that if the opportunity posed by this relatively favourable period is missed, the future costs could be very significant.

9. Along with large public deficits, inflation, energy prices, and financial and property market instability, a further risk to the economic outlook is protectionism. The enlarged Assembly endorses the OECD’s renewed call for continuing efforts to achieve open, efficient and well-regulated markets, both for domestic economies and in terms of international trade and investment. In response to regulatory tightening and public interventions in some countries which could deter foreign investment, OECD countries in co-operation with other key players are working together to ensure that an open and rule-based international investment environment is maintained. The European Union, it says, could achieve more sustained economic growth if it did more to deliver on the potential of the single market.

10. The enlarged Assembly stresses that concrete steps by the international community in order to implement the “decent work agenda” of the International Labour Organization and well designed domestic policies – in particular those concerning social responsibility of companies – are essential for enhancing the benefits from globalisation while addressing the adjustment and inequality concerns in the OECD economies. These policies would also help strengthen public support for freer trade and investment policies, and promote the perception that globalisation is an opportunity for all.

11. While the biggest emerging non-OECD economies are a major driver in the growth of trade, 75% of the total is still accounted for by the OECD’s 30 member countries. All in all, world trade remains strong. In fact, its growth rate during 2006 turned out to be slightly higher than anticipated, at 9.6%, and although the pace is expected to moderate to around 7.5% this year, there are indications of a rebound, with a forecast of 8.3% growth for 2008.

12. The enlarged Assembly stresses the global importance of achieving, even at this late stage, a trade deal during the current World Trade Organization (WTO) negotiating round. It underlines that failure to conclude the Doha Development Round would jeopardise the considerable progress already made and waste the opportunity to rebalance the multilateral trading system, particularly in favour of the less developed countries, while success would result in enormous benefits to world trade and development. What is needed is political will and political pressure from parliaments to ensure the necessary compromises. The enlarged Assembly also urges the United States Congress to renew the United States President’s Trade Promotion Authority with a view to facilitating the negotiation process.

13. The OECD points to the persistence of wide trade deficits, particularly in the case of the United States. It notes that a correction seems inevitable at some point and that there is a risk this could be disorderly, with rapid currency and interest rate shifts. It is difficult to predict what the circumstances of such a correction might be, but the OECD notes the massive support that is currently being given to the United States dollar, with official purchases by central banks running at more than US\$500 billion per year.

14. The enlarged Assembly notes that in 2006 net official development assistance (ODA) from OECD Development Assistance Committee (DAC) members fell by 5.1% in real terms to US\$103.9 billion, including a still substantial amount of exceptional debt relief to Iraq and Nigeria. Excluding debt relief, ODA fell 1.8% in real terms. This result is a matter of some concern in the light of the 2005 G8 and Millennium +5 Summit commitments, since reconfirmed by the G8 countries’ development ministers, which is equivalent to an increase in aid by US\$50 billion in real terms between 2004 and 2010, and to double aid to Africa over the same period. As debt relief is now expected to continue to decline further, other forms of aid will have to increase very substantially in 2007 and 2008 if there is to be a realistic prospect of meeting the 2010 targets through planned and manageable increases. The enlarged Assembly again urges OECD and Council of

Europe member states to honour their funding commitments. In the meantime, it pledges support for the essential work being undertaken by bodies such as the OECD to ensure, and to demonstrate, that this funding is used in the most effective way possible. At the same time, it requests that OECD and Council of Europe member states enforce information disclosure, external audit and evaluation of operations in both ODA donor countries and ODA recipient countries to ensure transparency and efficiency.

15. In recent years, the OECD has become one of the leading institutional campaigners against international corruption – an issue that is all the more pressing in an era of rapid globalisation, with closely interconnected markets and the free and instantaneous movement of capital. Like the Council of Europe, a close working partner in this area, the OECD sees corruption as the leading contemporary threat to good governance, sustainable economic development, and fair democratic activity. The enlarged Assembly urges all OECD and Council of Europe member states to subscribe to, and enforce, the anti-corruption standards set by OECD instruments, as well as the United Nations Convention against Corruption. Moreover, deeply concerned about the spate of counterfeiting and piracy in some countries, it invites the two institutions to extend their co-operation to addressing the problem of counterfeiting and piracy, notably by taking concrete measures through their fruitful partnership in the framework of the Council of Europe's GRECO (Group of States against Corruption).

16. The enlarged Assembly notes the growing global demand for quality education from primary school to lifelong learning. The quality of education cannot only be measured by the acquisition of knowledge and skills, but is also determined by forming the social competence necessary for the well-being of every individual as well as for society.

17. The enlarged Assembly welcomes the internationally-recognised OECD Programme for International Student Assessment (PISA) and the important role of the Council of Europe and UNESCO regarding the Bologna Process in Europe. Therefore, it calls upon the member states of the OECD, UNESCO and the Council of Europe and their education ministers to draw up a framework policy for global education for the 21st century. This should aim, among other things, to assess the ability of the education system worldwide to introduce new information technologies, including e-learning and networking, so as to adapt to the profound and rapid changes resulting from globalisation. The enlarged Assembly invites the Secretary General of the Council of Europe to establish the necessary contacts and convene a preparatory meeting.

18. Innovation performance is a crucial determinant of competitiveness, productivity and national progress, and an important key to addressing global challenges such as climate change and sustainable development. In order to strengthen innovation performance and its contribution to growth, a strategic and comprehensive cross-government policy approach is required. Recognising the OECD's high-quality contributions in the area of innovation, the enlarged Assembly welcomes the OECD's decision to draw up an innovation strategy, which could make an important contribution to policy making in OECD and non-OECD economies.

19. Recognising how important it is for governments to succeed in their reform efforts, the enlarged Assembly calls on the OECD to intensify its work on the political economy of reform and increase its support to governments in their reform efforts. The enlarged Assembly also welcomes the renewed priority that the OECD is giving to its work on migration, water and health.