

Resolution 1629 (2008)¹

The OECD and the world economy

Parliamentary Assembly

1. The enlarged Parliamentary Assembly, made up of delegations of the Organisation for Economic Co-operation and Development (OECD) and Council of Europe member states, as well as the European Parliament, has examined and debated the ongoing activities and work programme of the OECD, notably as they relate to the world economic situation, in the light of the OECD's Annual Report 2008, the report by the Assembly's Committee on Economic Affairs and Development and contributions from other Assembly committees in the fields of the environment and agriculture, education and science, migration, health and social policy.

2. In view of the difficulties that have beset most of the advanced economies in 2007 and 2008, overall performance has been better than expected so far, according to the OECD. It believes that one reason for this is that its calls for structural reforms have borne fruit and, if pursued, should continue to help sustain stability. Moreover, the interventions of central banks have helped maintain liquidity. Nevertheless, in mid 2008, the global economic situation was still characterised by financial market turbulence, the slump in housing markets and soaring commodity prices. As a result, according to the OECD's June 2008 *Economic Outlook*, most OECD economies can expect "several quarters of weak growth", while headline inflation (including food and energy) is set to remain high "for some time to come". However, the OECD is conscious of the risky nature of forecasting in a "particularly unsettled" economic climate. Policy makers are advised to take account of the possible effects of developments in non-OECD countries and in financial markets, higher energy and credit costs and other inflationary pressures.

3. The financial crisis that has continued to shake the global economy since the OECD's mid-year assessment was published shows how uncertain the outlook remains. Some of the world's most powerful financial institutions have been toppled or remain vulnerable not only to the effects of the subprime mortgage debacle but also to further shocks connected with the wide and complex range of financial instruments invented and marketed by these same institutions in recent years. Confidence in the ability of governments to safeguard citizens' essential economic and financial interests through adequate regulation has been undermined. Moreover, although the actions of governments and central banks in seeking to prevent systemic collapse appear to have struck the right balance so far, their increasing involvement in rescuing private financial institutions at the taxpayers' expense has been questioned. Thus there remains a pressing need for greater regulation of financial markets. The enlarged Assembly urges the OECD, as well as other institutions such as the International Monetary Fund (IMF) and the European Commission, to quickly step up their work on this issue with a view to avoiding future financial turmoil.

4. In this context, the enlarged Assembly welcomes the OECD's financial education project and related development of guidelines and good practices designed to improve the quality of financial understanding among consumers faced with increasingly complex financial markets and products.

1. *Assembly debate* on 1 October 2008 (32nd and 33rd Sittings) (see [Doc. 11687](#), report of the Committee on Economic Affairs and Development, rapporteur: Mrs Lilliehöök; [Doc. 11719](#), contribution by the Social, Health and Family Affairs Committee, rapporteur: Mrs Roseira; [Doc. 11697](#), contribution by the Committee on Culture, Science and Education, rapporteur: Mr Daems; [Doc. 11712](#), contribution by the Committee on the Environment, Agriculture and Local and Regional Affairs, rapporteur: Mr Vis). *Text adopted by the Assembly* on 1 October 2008 (33rd Sitting).



5. The OECD advises against the introduction of measures to compensate for soaring food and energy prices, arguing that supply and demand in these markets can be best balanced through “the right price signals”. Rather, the impact on those with low incomes is better offset, according to the OECD, “through an appropriately designed tax and social transfer system”. The enlarged Assembly urges member governments to avoid measures that lead to market distortions. In accordance with the OECD Economic Outlook report and in the light of the current state of the world economy, it is essential to adopt measures that endeavour to stimulate food supply in the medium term and seek to improve basic infrastructure (transport, energy and irrigation) and investment in technology for the agricultural sector.

6. Nevertheless, the enlarged Assembly is conscious that economic and financial instability can in turn threaten political stability, not least in the poorest countries of the world where food shortages have led to demonstrations and even rioting. It may also increase uncontrolled migration pressures. For economic and demographic reasons, international migration is set to continue. Thus the enlarged Assembly appeals to the OECD countries to step up their assistance to the hardest hit countries in the short term; to exercise leadership offering new approaches so as to define, manage and develop migration in accordance with the interests of the home and receiving countries; to avoid disruption to relief supplies to traditional humanitarian constituencies of conflict- and disaster-affected populations; to intensify their co-ordinated technical assistance with a view to improving farm productivity in these countries as a matter of urgency; to create a better environment for agricultural investment; and to ensure that they live up to their Official Development Assistance (ODA) commitments.

7. In particular, the enlarged Assembly considers that migration has played, and will play, an important role for the economies of OECD countries, as well as for economic development in the migrants' countries of origin. A precondition is, however, that migrants are well integrated in their host society and in the work environment. To this end, migrants and members of their families must learn the language of the host country as well as its history, and they must learn to respect and take part in the promotion of its basic democratic values and laws, including in terms of human rights.

8. The enlarged Assembly once again stresses the importance of removing barriers to international trade in agricultural and industrial goods as well as in services, with a view in particular to improving access for the products of the developing countries to the markets of the developed economies. Thus, while it regrets the failure of the World Trade Organization (WTO) ministerial negotiations in July 2008, it considers that progress achieved so far in the Doha Round should be safeguarded and that efforts to relaunch the negotiations should be redoubled, with a view to reaching a positive outcome beneficial to all parties. The enlarged Assembly notes that according to the Copenhagen Consensus 2008 agreed by a group of the world's top economists, conclusion of the Doha Round could realistically increase global income by US\$3 000 billion per year, over 80% of which would go to the developing world, representing exceptionally high cost-benefit value. However, the enlarged Assembly notes that the possible outcomes of the Doha Round remain highly contested, with a wide variance in estimates of benefits and losses for developing countries. To ensure that developing countries can maximise their potential gains from trade, they must not be forced into premature market opening, and must retain sufficient leeway in policy making to safeguard sensitive sectors of their economies. The enlarged Assembly also welcomes the OECD-WTO's joint efforts to promote “aid for trade” – donor projects geared to increasing the capacity of developing countries to take better advantage of trade opportunities. Aid for trade must be aimed at helping developing countries build their production capacity with an eye to their successful integration into the global economy, and must not be made conditional on trade liberalisation commitments.

9. The enlarged Assembly notes the growing impact of Sovereign Wealth Funds, government investment vehicles intended as a means of investing foreign exchange reserves. It welcomes the OECD's Declaration on Sovereign Wealth Funds and Recipient Country Policies, the work of the IMF on voluntary best practices for Sovereign Wealth Funds and that of the European Union, as important steps towards one possible manner of resolving the tension between the need for recipient country governments to maintain an open, transparent global investment climate and their legitimate concerns over national security.

10. The enlarged Assembly also notes the impact of hedge funds and private equity and calls upon the OECD member states to include investment firms, including partnerships and limited partnerships, insurance companies, credit institutions and conventional funds, in their firmer regulation of the financial sector. Investment firms should be required to comply with capital requirements. The OECD member states should ensure that appropriate capital requirements are risk based, not entity based, for all financial institutions.

11. Despite slower global growth prospects, energy prices have continued to rise, reflecting the weakness of the US dollar in which oil and gas are priced, geopolitical uncertainty, security concerns, growing demand in the emerging economies, chronic underinvestment in production and distribution, and long-term demand

projections. According to the International Energy Agency, if governments maintain existing policies, the world's energy needs will increase by over 50% by 2030. The key to reducing energy demand lies in increased energy efficiency, while diversification of energy sources will also be essential. The enlarged Assembly calls on governments to accelerate the development of innovative energy technologies to achieve energy efficiency and to address global challenges of energy-related issues such as clean energy, climate change and sustainable development. At the same time, the enlarged Assembly also calls on governments systematically to take account of the environmental impact of all energy-related measures. It also urges the OECD to step up its research in particular on the economic and environmental impact of biofuels and to carefully consider all side effects of their development. The enlarged Assembly urges member states to strengthen institutions and mechanisms for national and regional dialogue in the field of energy in order to increase international co-operation in the energy sector for sustainable development.

12. The enlarged Assembly welcomes the OECD's work on education and encourages the OECD to pursue its studies on the efficiency of teaching and learning processes in order to formulate proposals to reverse the existing trend of increased educational expenditure with no improvement in education results. Improving the efficiency of learning processes is essential in order to tackle the current insufficiency in adult competences and to ensure the sustainability of adequate lifelong learning and continuing education systems. Within the OECD studies on education, specific attention should be dedicated to e-education and Internet learning in order to reduce the ever-widening digital and, in consequence, generational education gap. The enlarged Assembly encourages education authorities in Council of Europe member states to look urgently into the available means to reduce inefficiency in their national primary and secondary education systems, as well as to increase investment in higher education, as addressed by the OECD report *Economic Policy Reforms: Going for Growth 2008*.

13. The problem of climate change requires the broadest possible co-operation among states as well as their participation in shaping an effective and appropriate international response, in accordance with their respective responsibilities, abilities and social and economic conditions. The world will be faced with an enormous economic, social and environmental cost if no progress is made in framing policies to adapt to, and mitigate the effects of, climate change. In this regard, the OECD countries have a historic responsibility. The enlarged Assembly welcomes the OECD's recent work on the economics of climate change and also strongly encourages the OECD to focus its scientific studies on the new global challenges such as world food safety, large-scale genetic technology applications and above all the potential dramatic effect of global climate change on the access to basic needs such as food, energy and specifically water. The urgent challenge today is to ensure continuing economic growth in order to sustain equitable economic and social progress while reducing to a minimum its deleterious impact on the environment. The OECD emphasises the importance of using market instruments such as carbon taxes, carbon-trading schemes, and removal of energy subsidies as key to addressing climate change, together with other instruments such as investment in clean technologies. According to the *OECD Environmental Outlook to 2030*, released in March 2008, global greenhouse gas emissions can be stabilised at 450 parts per million at a cost of 0.5% of world GDP in 2030 and 2.5% of GDP in 2050. While new cost estimates by the OECD to be released later this year are likely to be higher, estimates for the cost of inaction are also being revised up, thus it is still economically rational to act sooner rather than later. The world's GDP is likely to double by 2030 and to treble by 2050. This will require the development of existing efficient technologies, the immediate introduction of innovative technology-based efficiency policies and a global emissions price starting at just over US\$2 per emission tonne rising to US\$150 per tonne in 2050. The enlarged Assembly urges governments to give serious consideration to the OECD's recommendations in this respect.

14. The enlarged Assembly welcomes the steady, painstaking work behind the success of the OECD's Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, to which all 30 OECD member states and 7 other governments are parties. Like the Council of Europe, the OECD sees corruption as the leading contemporary threat to good governance, accountability and sustainable economic development. The enlarged Assembly therefore congratulates the OECD for having broadened the scope of its activities in this field, including the development of a range of anti-corruption tools and recommendations relating to taxation, company ethics, export credits and development aid. The enlarged Assembly calls for the adoption of preventive measures to include codes of conduct for public officials and rules on conflicts of interest, training to promote compliance and sanctions in the event of failure to comply.

15. The enlarged Assembly notes that negotiations are proceeding between the OECD and the countries listed as candidates for membership (Chile, Estonia, Israel, the Russian Federation and Slovenia) and that the OECD is strengthening its relations with the Enhanced Engagement countries (Brazil, India, Indonesia, the

People's Republic of China and South Africa), as well as countries of strategic interest to the OECD in South-East Asia. It would urge the OECD to reserve membership for those countries which fully respect democracy, human rights and international law.

16. Finally, the enlarged Assembly decides to modify its Rules of Procedure (as per the appendix hereto), last amended through [Resolution 1467 \(2005\)](#) on the OECD and the world economy, to bring them into line with the relevant provisions of the Assembly's Rules which have been updated several times since then.

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 and 2005. They appear on pages 218 to 231 of the 2008 edition of the Rules of Procedure of the Assembly.
2. The Rules of Procedure of the Assembly have been modified several times since 2005, with new provisions, for example, on gender balance and speaking time.
3. In line with the above, the Rules of Procedure for the enlarged Assembly are modified as follows:
 - Part II.2, add “and take account as far as possible of the need for gender balance”;
 - Part V.5, in the second sentence, replace the phrase “8 minutes to introduce a debate and 4 minutes to sum it up” by the phrase “13 minutes to introduce the report and to reply to the debate”;
 - Part VI.3, in the last sentence, replace the phrase “two hours before the beginning of the debate” by the phrase “one hour before the scheduled end of the sitting preceding that in which the debate is to begin”;
 - Part VI.5, replace the words “its author” by the words “one of its authors or another member speaking in its favour”;
 - Part VI.5, replace the words “1 minute” by the words “30 seconds”;
 - Part VI.6, replace the words “its author and one speaker against” by the words “one of its authors or another member speaking in its favour, one speaker against, and the Rapporteur or Chairperson of the Committee on Economic Affairs and Development”;
 - Part VII, in the last sentence, replace the words “one minute” by the words “30 seconds”;
 - Part VIII.2, in the first sentence, replace the word “thirty” by the word “sixty”;
 - Part IX.1, in footnote 1, replace the words “prepared in good time for presentation to the enlarged meeting of the Committee on Economic Affairs and Development to be held on the eve of the enlarged debate” by the words “submitted in writing in both official languages to the Head of the Secretariat of the Committee on Economic Affairs and Development at least seventeen hours before the scheduled start of the enlarged meeting of that committee held on the eve of the enlarged debate, e.g. by 3.30 on Monday if the enlarged committee meeting is held on Tuesday at 8.30 a.m.”.