Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1758 (2010)[1]

The activities of the Organisation for Economic Co-operation and Development (OECD) in 2009-2010

Parliamentary Assembly

1. For the purpose of debating the activities of the Organisation for Economic Co-operation and Development (OECD), the Parliamentary Assembly of the Council of Europe meets annually in an enlarged forum including delegations from the non-European member states of the OECD and the European Parliament. The enlarged Parliamentary Assembly has reviewed the activities of the OECD in 2009-2010 in the light of the OECD's latest annual report, the report submitted by the Assembly's Committee on Economic Affairs and Development and the contributions of other Assembly committees in the fields of health, social policy, the environment, agriculture, migration, education and science.

OECD enlargement

2. The enlarged Assembly welcomes the three new members of the organisation (Chile, Israel and Slovenia) and notes that Estonia is likely to become a member by the end of 2010. In this respect it decides that seven seats and votes will be allocated to the Chilean delegation to participate in the debates of the enlarged Assembly. It also welcomes the progress made by the Russian Federation. The enlarged Assembly also looks forward to the further participation of Brazil, China, India, Indonesia and South Africa in the substantive work of the OECD under the "Enhanced Engagement" programmes leading up to accession talks, as well as to further co-operation between the OECD and South-East Asia as a priority region. The enlarged Assembly reiterates its belief that full respect for democracy, human rights and the rule of law, including international law, should constitute an essential criterion for judging whether a candidate country should be invited to join the OECD. The enlarged Assembly encourages the OECD to continue further enlargement and to invite countries meeting membership criteria to accession negotiations.

Global economy

3. The enlarged Assembly welcomes the OECD's assessment that, after having contracted by 3.3% overall last year, GDP in OECD countries is projected to rise by 2.7% this year, well ahead of the 1.9% forecast last November. Steady, if unspectacular, growth of 2.8% is expected in 2011 as the effects of government stimulus and industrial restocking fade. Amongst the major OECD economies, the United States will lead the way, with growth of 3.2% expected during this year and next. Overall, in its latest economic outlook, the OECD describes the current situation as "relatively auspicious". Strong growth in emerging market economies is contributing significantly. However, the strength of the recovery greatly differs across OECD areas and it is weakest and most erratic in the euro area.

4. It should be noted that the key reason for this rapid recovery is the rebound of world trade. After shrinking by 11% in 2009 (its first annual decline since 1982), a global trade growth of 10.6% is expected this year, with 8.4% expected in 2011, thereby returning to pre-crisis levels. This dynamism is very much driven by the larger non-OECD economies and particularly China, India and Brazil. Accordingly, global output growth is

1. *Assembly debate* on 6 October 2010 (33rd Sitting) (see Doc. 12340, report of the Committee on Economic Affairs and Development, rapporteur: Mr Moscoso del Prado Hernández). *Text adopted by the Assembly* on 6 October 2010 (33rd Sitting).

expected to be around 4.5% in both 2010 and 2011. One impact of the crisis has therefore been to hasten the decline in weight of the major developed countries within the world economy, their share of global trade volumes having fallen by around 2%, and of global industrial output by around 4.6%.

5. In this context, the enlarged Assembly underlines the necessity for a successful completion of the Doha Round trade negotiations, not least in a spirit of solidarity with the least developed countries. It welcomes the promising results of the OECD's co-operation with the World Trade Organization in promoting assistance for the low-income countries with a view to increasing their trading capacity, notably through the "Aid for Trade" initiative. The enlarged Assembly also notes the importance of investment as a major driver of trade flows and job creation, and encourages the OECD to continue to play a central role in promoting best practices with respect to international investment. In this regard, it welcomes the launch of the update of the OECD Guidelines for Multinational Enterprises.

6. The enlarged Assembly is concerned that government stimulus programmes and rescue packages have led to a sharp deterioration of public finances. Governments will therefore have to address the consequences of exceptional stimulus spending and the rescue of debt-stricken institutions. More than €1 000 billion was injected into OECD countries under fiscal stimulus packages in 2009, and although broadly successful, these interventions have increased deficits, leaving some governments carrying levels of debt unprecedented in peacetime, while social costs (such as unemployment benefit) have increased and revenue expectations have been slashed. Those countries with serious fiscal challenges need to accelerate the pace of consolidation so as to avoid the threat of a sovereign debt crisis. The enlarged Assembly welcomes the recent announcements made by some countries of their intention to drastically reduce their deficits in 2010 and strengthen their fiscal frameworks and institutions. The key challenge is to strike the right balance between policies aiming at achieving fiscal consolidation while at the same time supporting the recovery by efforts to boost competitiveness, economic growth and job creation.

7. The enlarged Assembly notes with concern that the euro area budget deficit rose from 2% of GDP in 2008 to 6.3% in 2009 and, while there is substantial variation between members, a determined process of fiscal consolidation is clearly needed (given that this average is more than double the Maastricht criteria of 3%). Moreover, as the instability has continued, the markets have raised broader concerns about the perceived internal contradictions of the currency, and even cast doubt upon its long-term viability. The enlarged Assembly fully supports the conclusions of the OECD that such concerns will need to be directly addressed by strengthening the area's financial regulatory and supervisory architecture and adhering more strictly to rules. There is certainly a need for stronger oversight of domestic policies, taking into account issues of competitiveness. Consideration should also be given to external auditing and to the possibility of more effective sanctions for non-compliance.

8. The financial, economic and social crisis has called into question a number of assumptions which have underpinned the member states' economic policies over the last few decades, such as deregulation, the primacy of economic criteria in all areas of life, and an overemphasis on profit and growth. Confidence in the globalised free market economic model of capitalism has been undermined. The enlarged Assembly fears that our financial system no longer does the basic job required of it – to underpin the productive economy and the fundamental operating systems upon which we all depend. Finance should be a means, not an end, and support society's vital operating systems: the core economy of family, neighbourhood and community, and the environment.

9. The enlarged Assembly last year urged "the OECD to investigate the role its past policy advice played regarding the vulnerability of monetary, financial and economic systems to crises. It [asked] the OECD to present the results to the Parliamentary Assembly within ten months. This investigation could provide valuable lessons for the OECD in order to improve its future policy advice" (Resolution 1684 (2009), paragraph 12). The Assembly deplores the fact that no formal document has been written and invites the OECD to perform such an investigation within four months and report back to the Assembly.

10. The enlarged Assembly therefore deems it crucial that the OECD's "Strategic Response to the Crisis", designed to counter the effects of the crisis in a range of areas, be put into practice (notably in improving tax transparency, aligning financial sector regulations and incentives so as to achieve more effective oversight, and improve risk management and corporate governance). The enlarged Assembly considers international co-operation to be particularly important in building a stronger, globally more consistent, supervisory and regulatory framework for the financial sector so that it serves the real economy, promotes sustainable enterprises and decent work (according to the International Labour Organization's definition) and better protects savings and pensions. In this respect, the enlarged Assembly commends the multilateral work

achieved and the standards set by the OECD as regards the different aspects of social and employment policies, social cohesion and good governance. Moreover, the enlarged Assembly encourages the OECD to further promote the study “Measuring the Progress of Societies”.

11. The enlarged Assembly notes with concern that according to new OECD estimates, global imbalances are likely to increase in the near future. It therefore calls on governments, including those of emerging economies, to address the problem of economic imbalances and structural limitations highlighted by the crisis through co-ordinated reform of national policies, taking into account the size of the respective economies. In part, this should mean the progressive abolishment of emergency support measures, but more fundamentally, it should entail measures correcting disproportionate levels of savings, investment and consumption. In recent years, saving and spending rates have diverged between economies, as some have become excessively focused on consumption and others on production. A sustainable growth model also requires that savings and investment be fairly distributed globally and not excessively concentrated.

12. The enlarged Assembly welcomes the conclusions of the OECD Ministerial Council meeting of 27 and 28 May 2010, adopted by the OECD member states and accession countries. These conclusions are relevant to all open market economies and place strong emphasis on fiscal consolidation, implementing structural reforms and strengthening commitment to the fundamental principles of propriety, integrity and transparency. These policies and strategies are essential to ensure that recovery takes hold and is transformed into balanced and self-sustained growth.

13. The current economic crisis had led to record unemployment in many OECD countries and has given rise to fears of a jobless recovery. Unemployment and output gaps are likely to remain high. The enlarged Assembly believes that appropriate labour market and social policies can do much to promote a job-rich recovery. As countries face the challenge of fiscal consolidation, the enlarged Assembly deems it particularly important to continue to make room in budgets for cost-effective labour-market programmes that support workers at greatest risk of becoming long-term unemployed and thus losing attachment to the labour market.

14. The enlarged Assembly is convinced that labour market reforms need to be implemented to raise potential output, support innovation and prevent high unemployment from becoming entrenched. It welcomes the reassessed OECD Jobs Strategy which provides a comprehensive framework for promoting greater labour market adaptability. Moreover, it welcomes the OECD’s emphasis on the Green Growth Strategy and encourages the organisation to continue to play a key role in global efforts to promote green growth and social sustainability. At the same time, the enlarged Assembly encourages the OECD to carry out more work and analysis on the pressing issue of youth unemployment as policies are needed to help young people find a firm foothold in the labour market – including by enhancing their skills – so as to promote their career prospects.

15. In the aftermath of the global crisis, the enlarged Assembly welcomes the OECD’s approach in considering corporate governance to be a crucial area in which lessons need to be learned and best practices extended. It welcomes the conclusions of the OECD Corporate Governance Committee which found that corporate governance weaknesses and failures had played an important role in the development of the crisis, particularly in terms of remuneration, risk management, board practices and the exercise of shareholder rights. In this respect, the enlarged Assembly reiterates its support for the OECD Principles of Corporate Governance which provide a good platform from which to address failures and it hopes that priority will be given to their implementation.

16. The enlarged Assembly welcomes the joint efforts of the OECD and the Council of Europe which have led to the drafting of the Protocol amending the Convention on Mutual Administrative Assistance on Tax Matters (ETS No. 208), opened for signature on 27 May 2010. The protocol reflects technological developments in information transfer and brings the Convention on Mutual Administrative Assistance on Tax Matters (ETS No. 127) into line with the ”international standard on exchange of information for tax purposes” – the leading code of its type (initiated by the OECD). It should facilitate the fight against tax evasion and counteract tax avoidance and has been made available to countries which are members of neither the OECD nor the Council of Europe. The amendments to the convention introduced by the protocol were designed specifically to allow access to, and exchange of, bank information to both combat tax crimes and to address other forms of non-compliance (other civil tax matters such as abusive transfer pricing and aggressive tax planning). The enlarged Assembly is confident that – strengthened by the protocol – the pioneering work of the convention will now reach a new scale and scope and that it will become a keystone for international tax co-operation.

Social and health policy

17. The enlarged Assembly commends the work undertaken by the OECD in recommending responsive, fair and effective labour market policies that could respond to the current unemployment crisis and beyond. It encourages the OECD to invite its members to step up efforts to create jobs and to maintain effective support for the people most in need, notably young people and the long-term unemployed. It remains, however, particularly concerned about the situation of older workers who face a sharp increase in long-term unemployment, and are likely to be hit hard by pension reforms. The enlarged Assembly therefore urges the governments of the OECD countries to strengthen their policies aimed at achieving the right balance between work and retirement and at facilitating a longer active life, and to ensure that retirement pensions are sufficient to allow elderly women and men to lead a decent life and that pensions are safe in the wake of economic crises.

18. The enlarged Assembly also notes that growing health spending puts pressure on government budgets and warns against the risks of indiscriminately cutting spending in public health care, since this could threaten equal access to health in OECD countries. It therefore invites the OECD countries to make the issue of good governance in the health sector a priority, given the importance of democratic accountability and transparency in public health decision making, and to recognise that the protection of health as a human right is an essential condition for social cohesion and economic stability. Equal access to health care and treatment should be ensured to everyone living in OECD countries, without any discrimination including on the basis of immigration status or financial means.

Environment and agriculture

19. The enlarged Assembly welcomes the work done by the OECD in the environmental field and is pleased to note a growing awareness that emergence from the economic crisis depends on the development of new environmentally friendly sources of growth.

20. In this connection, it hails the launch of the Green Growth Strategy, which pinpoints the principal obstacles to be overcome in order to foster strong and ecologically sustainable economic growth and which simultaneously offers policy makers practical tools for making the transition to a greener economy.

21. The enlarged Assembly stresses the need for the rapid adoption of tangible measures, in particular with regard to the reform of environmentally harmful subsidies (for instance for fossil fuels), the elimination of barriers to trade in environmental goods and services, support for innovation (in accordance with the principle of precaution applied to the development of all new technologies whose environmental effects are not yet known for certain), the dissemination of clean technologies and harmonisation of means of action at the international level.

22. It proposes devising new tools for measuring well-being, no longer focusing on material well-being alone but also taking into account the quality of the environment and the quality of life. In this connection, it refers to Recommendation 1885 (2009) on drafting an additional protocol to the European Convention on Human Rights concerning the right to a healthy environment and recommends that the Committee of Ministers take all the necessary measures to ensure that this instrument is drawn up as soon as possible.

23. At the same time, the enlarged Assembly stresses the need to reach an international agreement on greenhouse gas emissions, so that the largest possible number of countries is committed to achieving a substantial reduction.

Migration and population

24. The enlarged Assembly expresses its concern over the effects that the recent economic crisis has had on international migration flows and on the employment situation of migrants in most OECD countries. It welcomes the OECD's continuing efforts to assist governments in seeking responses and adjustment to the tightened labour market situation. In this respect, it particularly hails the recent publication of *International Migration Outlook 2010*.

25. While recognising that most of the decline in migration for employment has been driven by lower demand, the enlarged Assembly continues to be concerned about the tightening of administrative mechanisms for immigration in several OECD countries. It renews its call on the governments of member states to keep open legal avenues of entry and employment of migrants and to provide guarantees for adequate and effective protection of the rights of migrants, as well as for their equal treatment with native-born job seekers on the labour market. The enlarged Assembly further calls on governments to adopt measures that would help identify and meet endemic skills shortages that will become more apparent with economic recovery.

26. Furthermore, considering the structural needs for labour on the one hand and the increased number of irregular migrants residing in OECD countries on the other, the enlarged Assembly encourages the OECD to carry out a study on the possibilities of regularising the status of those irregular migrants who cannot or will not return to their countries of origin, and their integration in legal channels of the labour market.

Education and science

27. The enlarged Parliamentary Assembly welcomes the OECD's development of a new student performance assessment tool, Assessment of Higher Education Learning Outcomes (AHELO), a tool to assist universities in assessing and improving teaching, to help students in making better choices in selecting educational institutions, and to help policy makers in ensuring that the considerable amounts spent on higher education are spent well. In addition, this tool will allow employers to know whether the skills of the graduates entering the job market match their needs.

28. The enlarged Parliamentary Assembly draws the attention of member states to the need for more focused budget spending on education policies, bearing in mind the OECD's findings that the quality of education and training is more important than the length of education programmes, and that the learning (and teaching) environment must be improved in order to render education effective and optimise outcomes. The OECD Centre for Effective Learning Environments (CELE) promotes the exchange and analysis of policy, research and experience in all matters related to educational construction with the objectives of improving the quality and suitability of educational buildings, ensuring that the best use is made of the resources devoted to planning, building, running and maintaining educational buildings and giving early warning of the impact on educational construction of trends in education and in society as a whole.

29. Again with respect to the optimisation of resources, the enlarged Parliamentary Assembly notes the OECD's warning that a new form of "digital divide" has emerged with respect to information and communication technology, separating students with economic, cultural and social capital, enabling them to gain the right competences and skills to benefit from computer use, from those who do not. Studies show that although governments invest in computing equipment for schools, their use by teachers and students does not meet expectations. Global indicators are needed for assessing how so-called "21st century competencies" are integrated intocompulsory education to improve teaching processes, enhance individualised education programmes and prepare students for adult life by giving them those skills necessary in a society where technology-related competencies are increasingly indispensable.

30. The enlarged Parliamentary Assembly is concerned that figures for OECD member states still show that immigrant students often have more restricted access to quality education, leave school earlier and have fewer higher education qualifications than their native peers. It encourages Council of Europe member states to step up efforts to ensure that first and second generation migrants have early and equal access to education and to the appropriate assistance in integrating national systems, and that educational structures are designed to suit pupils from different cultural backgrounds.