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Globalisation in times of crisis and war: the role of the OECD since the Russian Federation's aggression against Ukraine

Committee Opinion[1]
Committee on Social Affairs, Health and Sustainable Development
Rapporteur: Ms Liliana TANGUY, France, Alliance of Liberals and Democrats for Europe

A. Conclusions

1. The Committee on Social Affairs, Health and Sustainable Development ("Committee on Social Affairs" hereafter) welcomes the report prepared by Mr George Katrougalos (Greece, UEL) for the Committee on Political Affairs and Democracy ("Political Affairs Committee" hereafter). It concurs with the main findings of the report and appreciates the relevant follow-up to Assembly's Resolution 2370 (2021) "Fighting fiscal injustice: the work of the OECD on taxation of digital economy" in the new global context. The issues raised by Mr Katrougalos on behalf of the Political Affairs Committee require concerted action by the international community and national authorities.

2. The Committee on Social Affairs is highly concerned that geopolitical tensions and macro-economic disruptions triggered by Covid-19 pandemic, the climate crisis, rising inequalities and global conflicts have reversed progress towards the realisation of many Sustainable Development Goals (SDGs) and put the socio-economic rights to the backburner. The committee believes that these developments justify stronger intervention of the State through taxation and redistribution systems so as to shield the most vulnerable households from the cost-of-living crisis and selected domestic economic sectors from external shocks (such as speculation in energy markets). Both public and private sectors need to recommit towards the achievement of SDGs.

3. The Committee on Social Affairs fully agrees with the main thrust of the draft resolution put forward by the Political Affairs Committee. However, it considers that it would be appropriate to enhance the emphasis on the need to rebalance economic growth with social and environmental objectives (including as regards public health and the right to a safe, clean, healthy and sustainable environment). Both States and international organisations such as the OECD need to mainstream those objectives through public policy and to enhance corporate environmental and social responsibility. With this in mind, the committee proposes a few amendments to further reinforce the text.

B. Proposed amendments

The Committee on Social Affairs wishes to put forward amendments to the draft resolution adopted by the Political Affairs Committee on 9 October 2023 as follows:

1. Reference to committee: Doc. 15607, Reference 4683 of 10 October 2022. Reporting committee: Committee on Political Affairs and Democracy. See Doc.15868. Opinion approved by the committee on 6 December 2023.

Amendment A (to the draft resolution)

At the end of paragraph 2, add the following sentence:

> *"The enlarged Assembly welcomes the steps taken towards implementing the global minimum tax by 2025 and encourages the OECD to persevere in completing the set of measures foreseen under the two-pillar solution together with its efforts to build tax capacity in developing countries."*

Amendment B (to the draft resolution)

At the end of paragraph 6, add the following sentence:

> *"The enlarged Assembly urges the OECD to put forward strong policy measures to help its member States and developing countries reverse the backslide in poverty reduction and human development."*

Amendment C (to the draft resolution)

In paragraph 12, after the sentence "Holistic policies should serve simultaneously the environment and social justice.", split the paragraph into two paragraphs.

Amendment D (to the draft resolution)

After paragraph 12, insert the following paragraph:

> *"In this context, the enlarged Assembly stresses the need for States and enterprises to recommit towards the achievement of the SDGs. It welcomes the 2023 edition of the OECD Guidelines for multinational enterprises on responsible business conduct, in particular as regards enhanced environmental and social responsibility and due diligence in gathering and using personal data. The enlarged Assembly commends the OECD for its work in this area and encourages it to further cooperate with relevant actors in order to strengthen business compliance with the appropriate national norms and international standards."*

Amendment E (to the draft resolution)

In paragraph 14, replace the first and second sentences with the following sentence:

> *"The enlarged Assembly considers it essential that the community of OECD member countries and accession candidate countries remains committed to shared values, as reiterated in the 2023 Ministerial Council Statement, as well as to multilateralism and unity in addressing global challenges."*

Amendment F (to the draft resolution)

In paragraph 14, after the words "bridging diplomatic divides.", insert the following sentence:

> *"Building on the co-operation agreement between the OECD and the Council of Europe, the two organisations should pursue their co-operation in the area of artificial intelligence."*

Amendment G (to the draft resolution)

In paragraph 14, in the last sentence replace "economic realities" with the following words:

> *"realities and aspirations for development"*

Amendment H (to the draft resolution)

At the end of paragraph 14, add the following sentence:

> *"The enlarged Assembly underlines the importance of ensuring the indivisibility of rights and encourages the OECD to build its policy advice to member countries on this basis, in particular as regards measures needed to guarantee economic and social rights and protect the right to a safe, clean, healthy and sustainable environment".*

C. Explanatory memorandum by Ms Liliana Tanguy, rapporteur for opinion

1. I would like to welcome the timely report by Mr George Katrougalos for the Political Affairs Committee. A wide range of global developments has shaken up the established order, questioning the course of policies currently in place and encouraging reflection on what national authorities and international organisations could do to address the systemic issues, both current and future ones. I fully agree with the analysis of Mr Katrougalos on the basis of the OECD's insights and recommendations, especially when it comes to the need for more transversal and holistic policies. Indeed, innovative holistic policies are needed to support human development and more human-oriented macro-economic structures. The latter should be at the service of human well-being and not the financial markets. The OECD's framework, "better policies for better lives", well encapsulates this aspiration and should keep guiding policy makers in their daily decisions.

2. It is an alarming observation to hear that the Human Development Index is declining worldwide for the first time on record, with so many countries backsliding in terms of health, education and standard of living. As progress on mitigating the climate crisis, rising inequalities and a cost-of-living crisis has slowed down, so has progress towards achieving the Sustainable Development Goals (SDGs) by 2030. The Committee on Social Affairs has been raising these issues on multiple occasions and put forward recommendations to member States for getting to grips with strategic challenges and trends, beyond the issues of immediate concern.

3. I should highlight proposals contained in the Assembly's resolutions and recommendations on socio-economic inequalities,[2] the future of work,[3] discrimination based on social origin,[4] artificial intelligence versus human work and healthcare,[5] human right to a healthy environment,[6] and multilateralism in healthcare,[7] to mention but a few. The recent High-Level Political Forum at the United Nations (10-19 July 2023, New York, USA) was a major opportunity for this Assembly's members to highlight policy proposals endorsed so far, to stress the interdependence of fundamental rights with human development and to take stock of the international community's efforts to seek synergies in working together towards achieving the SDGs. Building on the co-operation agreement between the OECD and the Council of Europe, the two organisations should continue their co-operation in these areas, in particular as regards artificial intelligence. ***(Amendment E)***

4. From the perspective of the Committee on Social Affairs, unbridled economic growth risks undermining not only the environmental and social sustainability of the global system but also ultimately economic resilience and public trust in democracy. We should therefore plead for a fairer balance of public and private interests. I believe we should add a cautionary note in this context.[8] Given the new focus on the availability of critical raw materials, it is of critical importance to seek to ensure that a new geopolitics with new "monopolists" and "crony capitalist" actors do not hijack the possibility of designing a more inclusive, resilient and sustainable set of rules for globalisation. When we set the narrative of openness, the rules must prioritise public interest and shield the vulnerable population.

5. We can commend the OECD's choice of underlying principles for trade and investment policies: "the shared values of individual liberty, democracy, the rule of law, human rights, gender equality, environmental sustainability and tackling inequalities." We would moreover like to see that the indivisibility of human rights gets reflected in public policy choices and that we keep a close eye to make sure that economic, social and environmental rights are not put on the back-burner under the pressure from the financial markets for fiscal rebalancing of public policies and budget (namely austerity policies). Thus, in the discussion of the fiscal pressures in the medium and longer-term resulting from trends such as population ageing and the rising

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2. Resolution 2393 (2021) and Recommendation 2210 (2021) "Socio-economic inequalities in Europe: time to restore social trust by strengthening social rights" (Doc. 15365); Resolution 2384 (2021) and Recommendation 2205 (2021) "Overcoming the socio-economic crisis sparked by the Covid-19 pandemic" (Doc. 15310 and addendum).
3. Resolution 2467 (2022) and Recommendation 2239 (2022) "The future of work is here: revisiting labour rights" (Doc. 15620).
4. Resolution 2432 (2022) "Tackling discrimination based on social origins" (Doc. 15499).
5. Resolution 2345 (2020) and Recommendation 2186 (2020) "Artificial intelligence and labour markets: friend or foe?" (Doc. 15159); Recommendation 2185 (2020) "Artificial intelligence in health care: medical, legal and ethical challenges ahead" (Doc. 15154).
6. Resolution 2396 (2021) and Recommendation 2211 (2021) "Anchoring the right to a healthy environment: need for enhanced action by the Council of Europe" (Doc. 15367); Resolution 2477 (2023) and Recommendation 2246 (2023) "Environmental impact of armed conflicts" (Doc. 15674).
7. Resolution 2500 (2023) "Public health emergency: the need for a holistic approach to multilateralism and health care" (Doc. 15778); Resolution 2474 (2022) and Recommendation 2243 (2022) "Securing safe medical supply chains" (Doc. 15653).
8. See www.project-syndicate.org/commentary/failure-of-hyper-globalization-creates-need-for-new-economic-narrative-by-dani-rodrik-2023-03 and www.project-syndicate.org/commentary/global-economy-biggest-risk-is-geopolitics-not-protectionism-by-dani-rodrik-2023-09?barrier=accesspaylog.

relative price of services, it is important to further strengthen the idea that investment in care services should be seen not as a cost but rather as a social investment with high returns for the public. A new fiscal sustainability framework is needed to focus more on social and environmental sustainability. ***(Amendment G)***

6. To this end, I would like to see more emphasis on "guaranteeing our economic and social rights", "protecting the right to a safe, clean, healthy and sustainable environment" and "ensuring the indivisibility of rights" in the draft resolution. According to the OECD while "Covid-19 spending presented an opportunity to enhance climate policy efforts, … evidence shows that it did not quite live up to the promise of 'building back better'. Only around a third of total recovery spending was environmentally friendly, and almost 15% of total recovery spending went towards environmentally harmful activities". We should therefore push for better impact assessment mechanisms in our member States. Both the OECD and the Council of Europe should consider capacity building programmes in members States for impact assessment mechanisms with a strong human rights perspective, taking into account economic, social and environment rights simultaneously, strengthening capacity towards achieving the SDGs, mainstreaming gender-sensitive budgeting, building resilience and ensuring the inclusivity of the processes. This would allow a better scrutiny of fiscal programmes and ensure that fiscal policies do not open up the gap between the rights enshrined in our legal documents and the fiscal choices. ***(Amendments B, C and H)***

7. In this context, we should applaud the OECD's perseverance in forging the consensus for the Inclusive Framework to address taxation problems arising from the digitalisation of the global economy. This Inclusive Framework, endorsed by 138 countries and jurisdictions, provides a solid basis for agreeing final implementation modalities, reforming as necessary national taxation rules and enlarging the circle of virtuous countries (now more than 40) that already implement the global minimum tax for large multinational enterprises in the digital field. Entrepreneurial and dynamic State is what we need to secure resilient by design approaches to economic development. We should therefore encourage the OECD to complete the set of measures foreseen under the two-pillar solution for implementing the global minimum tax – together with efforts to build tax capacity in developing countries so that they could benefit fully from the new taxation rules. ***(Amendment A)***

8. On a final note, I wish to stress the need to pay more attention to youth participation: as the OECD notes, younger people tend to trust government less than other population groups do. The Assembly resolution should underline the critical need to focus on building this trust among the young. A youth-focus in policy design and the communication of it with the public is necessary so the young do not slip into the hands of populists while they are building up their personalities and political affiliations. This would have significant implications on the design of social and labour market policies, notably to ease the pain of the cost-of-living crisis and to tackle more effectively discrimination based on social origin.