Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1199 (1999)[1]

OECD and the world economy

Parliamentary Assembly

1. The enlarged Parliamentary Assembly, composed of delegations of OECD and Council of Europe member states, has examined the recent activities of the OECD in the light of the report prepared by the Assembly's Committee on Economic Affairs and Development and the contributions made by various committees of the Assembly. In addition to this annual opportunity to provide parliamentary input into the OECD's work, the Assembly reiterates that it would welcome a written response from the OECD to this resolution.

2. The enlarged Assembly notes with relief that a measure of calm has returned to the world economy following the turbulence and regional economic downturns caused by the Asian financial crisis in 1997 and that in the Russian Federation in 1998. Thus, growth in the OECD area is expected to continue with an increase of slightly over 2% in 1999 and 2000. Similarly, world trade, while expected to grow by only 3.9% in 1999, as opposed to 4.5% in 1998, is projected to resume at the brisker pace of 5.6% in 2000. For such increases to be realised, however, a number of vulnerabilities in the world economy will have to be urgently addressed. To achieve the goals of a more equitable and sustainable global order, the enlarged Assembly supports vigorous collective action aimed at stabilising international financial flows, strengthening essential investment in social infrastructure, and strengthening democratic governance institutions.

3. The continued health of the United States' economy is of crucial importance for that of the world, as that country is now practically the world's only economic engine and "importer of last resort". OECD member countries must, however, prepare for the day when the US economy will slow down, and start now to assist it in its "locomotive" role. Increased efforts are needed to advance structural reforms in the global economy, and to promote an open and fair trading system under WTO principles, in order to achieve environmentally sustainable growth benefiting people in all regions. The enlarged Assembly in this context recalls the importance of democracy, human rights, the rule of law, good governance, transparency and accountability for lasting economic development.

4. The enlarged Assembly welcomes the considerable efforts undertaken by Japan to revive its economy, but notes the OECD's projection of a 0.9% contraction in 1999 and zero growth for 2000. It acknowledges Japan's efforts to avert deflation, support consumer spending, and to quicken the economy, which is now achieving gradual recovery. It therefore encourages the Japanese Government and Parliament to resume structural reform in all sectors of the economy, and in particular its banking system, and to open the country up more fully to foreign trade and investment. The contribution such measures could make toward reviving the world's second-largest economy would be of major importance for the whole surrounding region and beyond.

5. A similar responsibility befalls OECD-Europe, especially after the introduction of a single currency among eleven European Union member states. It is vital that European Union countries in particular, but also all other European OECD members, assume a world economic responsibility commensurate with their economic wealth, by engaging in long-overdue structural reform in all sectors of their economies and by strengthening the WTO's role as bulwark against protectionism

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1. Enlarged Assembly debate on 22 September 1999 (28th and 29th Sittings) (see Doc. 8465, report of the Committee on Economic Affairs and Development, rapporteur: Mr Townend, Doc. 8539, contribution of the Committee on Culture and Education, rapporteur: Mr Lemoine, and Doc. 8536, contribution of the Committee on Science and Technology, rapporteur: Mr Beaufays). Text adopted by the Assembly on 22 September 1999 (29th Sitting).

6. In Latin America the situation has improved, although risks remain. Fortunately, it was possible to contain the impact of the Brazilian financial crisis, and other countries in the region have pursued a process of fiscal discipline and structural reform. Nevertheless, the social impact of the crisis and the poverty in some parts of the region continue to cause concern.

7. The enlarged Assembly notes the rapid economic growth reached by several countries in transition in central and eastern Europe in spite of the fall-out for the region of Russia's economic difficulties and hesitant growth in western Europe. It recognises the important contribution the OECD is making toward their continued integration into the European and world economy, and stresses the significance of further liberalised trade with the OECD area and within central and eastern Europe itself.

8. The enlarged Assembly in this context draws attention to the extensive consequences of the Kosovo conflict for the entire region of Southeastern Europe and for the need for significant assistance to all the countries affected now that peace has been restored. In addition, it urges international society to aid recovery efforts in the aftermath of the devastating earthquakes in Turkey, Greece and Taiwan and to assist recovery in East Timor. The enlarged Assembly welcomes the active role pledged by the OECD in the reconstruction effort, in particular as regards the development of macro-economic, structural and social policies, in helping to build the necessary legal and institutional frameworks and in promoting integration into the regional and global economy.

9. More specifically, the enlarged Assembly awaits reliable indications regarding the prospects for lasting development capable of creating many jobs, given the high level of unemployment in Southeastern Europe, where the only alternative is migration, including illegal migration. It believes, in any event, that it is essential to encourage the modernisation of the ruined and obsolete industrial sector which is no longer competitive, while giving priority, however, to SMEs and agriculture. The latter must be geared towards self-sufficiency and new market demands.

10. The enlarged Assembly is concerned that, as the new WTO Round approaches, protectionist pressure is rising that could intensify along with - and indeed worsen - any world economic downturn. It notes the OECD's findings that more open economies generally grow faster than less open ones, and that they are better able over time to overcome poverty and unemployment and improve core labour standards. It calls on all OECD countries to do their utmost to settle amicably their various disputes now before WTO arbitration, and to maintain the momentum toward more open trade, which is necessary for a successful conclusion of the new round.

11. As regards future multilateral trade negotiations, the enlarged Assembly supports effective participation by all WTO member countries, including the least developed, openness to democratic scrutiny, and improved co-operation on sustainable development priorities and the social dimensions of trade. To that end, the Assembly urges OECD member countries to support measures to assist the full participation of developing countries in the new WTO Round negotiations; to strengthen co-operation between the OECD and other international bodies in promoting observance of international environmental, social, labour and human rights standards within the trading system; and to increase the transparency of WTO structures and processes, particularly through greater public involvement and input by parliamentarians.

12. Inflation in the OECD area in 1998 stood at a historical low of 3.1%. In spite of emerging inflationary pressure in the United States, this trend appears to be strengthening in 1999, with a projected rate of only 2.4%. For some countries, especially Japan, there is even a risk of deflation in spite of very low interest rates. The enlarged Assembly calls for great vigilance against any deflationary spiral, and for the timely planning of counter-measures should deflation become more widespread and severe.

13. Structural reform in OECD-Europe is taking on particular importance considering the intolerably high unemployment in many countries, including in "Euroland" where it is around 10%. Fighting unemployment must continue to be a top priority for European OECD members, especially since any downturn in the US economy would worsen an already difficult situation. They should continue to build on the OECD's follow-up work to its Jobs Strategy Project, and also follow the organisation's extensive recommendations for structural reform. These include continued efforts to keep budget deficits low; making labour and goods markets more flexible, especially by increasing incentives to work; reducing barriers to entrepreneurship; and focusing work skill enhancement efforts on – and ensuring a broad range of employment opportunities for – the most vulnerable groups in society, for example, young people, women and older workers. Structural reform should aim to promote sustainable forms of agricultural production and also the notion of "multi-functionality" in agriculture.

14. The enlarged Assembly therefore calls on the OECD and Council of Europe member states to prepare policies in line with the recommendations of the OECD Scientific and Technological Policy Committee's report on "Technology, productivity and job creation: best policy practices". The report is a key international analytical instrument for developing and implementing innovation and technology policies which will meet the needs of knowledge-based economies affected by globalisation.

15. The enlarged Assembly calls for renewed efforts to pursue regulatory reform on the basis of the OECD's extensive work. Regulatory reform is particularly needed in OECD-Europe and especially in the European Union, where excessive uniformity and regulations may hinder economic growth.

16. The enlarged Assembly welcomes the follow-up given by the OECD to its recommendation that the organisation take a more active policy-shaping role in addressing the "Year 2000 problem" of non-recognition by computers of the century date change. It recognises the major investments made by OECD governments over the past few years to remedy the situation, and urges them to redouble their efforts in the remaining months of 1999. Special attention will have to be given to a nuclear power like Russia, but other transition economies in central and eastern Europe will also have to receive assistance, as will emerging economies and developing countries. The enlarged Assembly calls on the OECD to counter "information warfare" such as "cyber-terrorism", using investments and experiences already acquired.

17. The enlarged Assembly notes the OECD's new emphasis on tax reform at three levels. It welcomes the organisation's efforts to help reform the tax system within countries in order to stimulate growth, by increasing the rewards of, and incentive to, work. As regards efforts at tax harmonisation among countries, notably the European Union, it realises that European Union integration, and especially the EMU, provide arguments in favour of such harmonisation. It cautions, however, against the observed tendency to harmonise taxes upwards, as this risks stifling economic growth further and depriving the European Union of "best examples" also in this field. This notwithstanding, the enlarged Assembly commends the OECD on its work to reduce the destabilising effects of certain "offshore havens" which lack any transparency or control.

18. The enlarged Assembly welcomes the signing and ratification by many countries of the Convention on Combating Bribery of Foreign Public Officials and expects all OECD and Council of Europe member states to sign and ratify this open treaty rapidly.

19. The enlarged Assembly, while encouraged by the international community's overcoming of recent financial crises, warns against any complacency. It welcomes the recommendation in the OECD's Business and Industry Advisory Committee (BIAC) for the creation, within the OECD, of a multilateral monitoring body involving the "systemically significant economies" in the world, including those not belonging to the OECD. It believes that an "early attention" body of this kind could be useful for timely identification of emerging economic and financial difficulties and for post-crisis assessment in various countries or regions. In addition, the enlarged Assembly urges OECD member governments to support multilateral initiatives, also involving non-member countries, to strengthen overall supervision of international financial markets, to alleviate and possibly prevent sudden and destabilising outflows of capital from countries, and to relieve the debt burdens of the poorest countries.

20. It also welcomes the OECD's increasing emphasis on "good governance", in line with the enlarged Assembly's contention in its Resolution 1167 (1998) that "democracy, human rights, the rule of law and transparency are essential for sustainable economic development". It hopes that the Principles of Corporate Governance presented to OECD ministers in May 1999 will be adhered to by all OECD and Council of Europe member states. It asks the OECD to prepare a similar set of principles for country governance in the economic and financial field - with the conviction that principles of this kind at both corporate and government level are needed to avoid a reccurrence of the financial crises of the recent past, and to ensure lasting development.

21. The enlarged Assembly notes that the OECD's efforts to conclude the Multilateral Agreement on Investment (MAI) were abandoned in late 1998 due to the formal withdrawal of the French Government from the negotiations, and in the light of wide differences separating member governments on key issues at a time of growing concerns expressed by citizens' groups and parliamentarians over the impact of certain provisions on governments' ability to impose certain regulations in the public interest. As the OECD continues to study investment issues, it should draw appropriate lessons from the MAI experience. International protection of investor interests must not be allowed to take precedence over the exercise by countries of democratic, economic, social, environmental, and cultural responsibilities. These lessons should also be taken to heart in any future multilateral negotiations on investment issues that may take place at the WTO where, it is hoped, developing countries will have a direct voice in shaping an agreement.

22. The enlarged Assembly asks the OECD to pursue, within its International Futures Programme and elsewhere in the organisation, the question of how new information technologies - especially the Internet, electronic commerce, computerised production and robotisation - may fundamentally alter the parameters of economic development, and also to examine their likely effects on employment, income distribution, social conditions, education and culture. The enlarged Assembly also calls on the OECD to make further efforts to harmonise the different values and systems in the field of information technologies, so that all legitimate concerns and social considerations of countries can be taken into account.

23. Particular attention must be given to the services sector, which is an increasingly important employer of labour by virtue of work rationalisation through the growth of information technologies and robotisation.

24. The enlarged Assembly asks the OECD and Council of Europe member states to establish new channels of communication, both domestic and international, between the scientific community, policy makers and society at large. On the domestic front, talks on possible action must be based on sufficient understanding by the general public of scientific matters, and the international dissemination of best practices in member states will facilitate the task of finding practical solutions to the major problems which exist in Europe and worldwide.

25. The enlarged Assembly welcomes the accent of OECD educational programmes on lifelong learning for all as an important contributor to future economic prosperity, social and political cohesion and the achievement of genuinely democratic societies. It encourages the partnership between the OECD and the Council of Europe in exploring issues such as the transition from initial education to working life; the role of information and communication technology in education and learning; the analysis of education and innovative strategies for social inclusion and the financing of lifelong learning. It also encourages the exchange of information and experiences in developing national educational policies and co-operation on appropriate specific projects.

26. The enlarged Assembly also encourages the OECD to take account of the member states' concern for a socially responsible attitude, proper standards in labour and environmental matters, and national cultural objectives.

27. The enlarged Assembly welcomes the OECD's advanced membership negotiations with Slovakia and hopes that similar talks can soon be started with other countries that may qualify. It appreciates the organisation's continued links with the Russian Federation in spite of that country's current economic difficulties, in the spirit of the 1994 Declaration of Co-operation. It also notes OECD's growing contacts with the People's Republic of China in view of that country's rapidly rising economic importance and the prospect of its joining the WTO. Finally, the OECD's continuing co-operation with the so-called "dynamic emerging non-member economies" is a useful tool for integrating them more fully into the world economy.

28. The enlarged Assembly encourages the OECD to carry forward, as an essential part of its mandate, the timely and promising work programme it has begun on integrating sustainable development priorities into domestic and international economic strategies. In particular, continuing attention should be paid to energy efficiency and innovation as a major key to the reduction of greenhouse gas emissions. In addition, the enlarged Assembly points to the need for strengthening the capacities of countries to meet other major commitments made under multilateral environmental agreements. OECD members should also work to ensure that these commitments, and environmental sustainability principles more generally, are fully respected within future international trade and investment agreements.