Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1899 (2012)[1]
Final version

The activities of the Organisation for Economic Co-operation and Development (OECD) in 2011-2012

Parliamentary Assembly

1. The Parliamentary Assembly of the Council of Europe, enlarged to include the delegations of the national parliaments of the Organisation for Economic Co-operation and Development (OECD) member States which are not members of the Council of Europe, as well as a delegation of the European Parliament, is once again considering the activities of the OECD. The enlarged Assembly has reviewed the activities of the OECD in 2011-2012 in the light of the reports by the organisation and the report prepared by the Committee on Political Affairs and Democracy.

2. Following the reform of the Assembly's structures and working methods, which came into effect in January 2012, the Committee on Political Affairs and Democracy is now responsible for presenting the report. The Assembly has sought to make the debate more political and the enlarged Assembly also attaches importance to focusing on an assessment of the work of the OECD not only from an economic perspective, as it did in the past, but also from a political perspective. In this respect, the present report focuses on responses to the eurozone crisis and on support activities for the Middle East and North Africa region (MENA).

3. The enlarged Assembly notes the background of the world economy against which the activities of the OECD have been conducted in 2011-2012. Major challenges are facing the world economy: while growth is stagnating or becoming negative, the risk of a financial disaster is increasing. The sovereign debt crisis and the measures taken to resolve it are having a severe impact on the countries in the eurozone's periphery, while economies seem to be weakening all over the world.

4. The OECD Secretary-General has highlighted four areas of policy action for member and partner countries' governments to respond to the interlinked policy challenges related to a hesitant recovery: "go structural", "go social", "go green" and "go institutional". Many countries are confronted with high unemployment, growing inequality ("go social"), high public debt and budget deficits. New sources of growth and measures to strengthen competitiveness need to be identified, including innovation, green growth, knowledge-based assets and skills ("go structural" and "go green") to put OECD economies back on a strong, inclusive growth path. Restoring household and business confidence in markets, governments and institutions ("go institutional"), addressing long-term challenges related to rapidly growing populations in emerging and developing economies, tackling issues such as ageing in many developed countries, resource scarcity, climate change and global development, also have to be added to the policy "to-do" list to which the OECD contributes with its advice and recommendations. It is in this context that the OECD Ministerial Meeting – "All on Board: Policies for Inclusive Growth and Jobs" – launched the initiative "New Approaches to Economic Challenges" (NAEC), which aims to draw lessons from the crisis, looking at trade-offs between different policy objectives and revisiting, where necessary, the analytical framework in order to develop a strategic policy agenda for inclusive growth.

1. Assembly debate on 3 October 2012 (32nd Sitting) (see Doc. 13019, report of the Committee on Political Affairs and Democracy, rapporteur: Mr Bockel; and Doc. 13040, opinion of the Committee on Social Affairs, Health and Sustainable Development, rapporteur: Mr Braun). Text adopted by the Assembly on 3 October 2012 (32nd Sitting).

5. One of the most important consequences of the crisis has been the sharp rise in unemployment, especially youth unemployment. In this respect, the enlarged Assembly reminds the governments concerned that, according to recent research by the OECD, in periods of excess capacity it is important to have in place policies that support job creation, avoid long-term unemployment and help the most vulnerable, in particular young people, with targeted programmes and investment in skills and education. Active labour market policies and taxation reforms, aimed at reducing levies on labour and shifting them towards consumption or environmental protection, can have a relatively speedy effect on employment and help to support investment.

6. However, rising inequality began long before the financial recession, and the slackening of growth has heightened its political resonance. According to recent research by the OECD, the growth of inequalities is due primarily to a considerable broadening of wage-derived income. While the opening of markets and technological progress have allowed productivity and growth to be increased, the least skilled workers have been the least able to grasp the opportunities thereby created. Since the mid-1990s, taxation and welfare systems have become less redistributive. The OECD places emphasis on improving the skills of the workforce to combat inequalities and the OECD Skills Strategy was accordingly put before the member countries at the ministerial meeting in May 2012 to ensure that the necessary investments are supported by the development of appropriate skills. The enlarged Assembly believes that it is necessary to review national taxation systems, better to target support programmes for the most vulnerable population groups and to pursue reforms aimed at reducing labour market segmentation, ensuring more jobs of higher quality.

7. The enlarged Assembly is concerned about continued tax evasion and tax avoidance that deprive State budgets of essential revenue. Referring to the Assembly's Resolution 1881 (2012) on promoting an appropriate policy on tax havens and its report on the same subject, the enlarged Assembly urges the OECD to intensify its work in these areas and to seek synergies with relevant international partners, notably the European Union and the International Monetary Fund, in order to help States to eliminate harmful tax practices, narrow the gap between the taxation of income from capital and from work, and improve regulation of the financial sector so as to improve management of international capital flows.

8. In the same vein, the enlarged Assembly considers it relevant to endorse the International Labour Organization's recent call for action on the youth employment crisis, aggravated by the global financial and economic crisis, which represents a challenge to the prosperity and cohesion of our societies. In this respect, youth employment measures and policies have to take into account that, even if education and training are essential for young people to enter the labour market successfully, better skills do not automatically translate into improved labour market outcomes and more jobs. Consequently, it is important to develop programmes specially focused on fostering youth access to decent and productive work and promoting youth entrepreneurship, with the aim of contributing to reinstating growth in a sustainable and fair manner.

9. In the light of current demographic trends and repercussions from the financial crisis, notably in Europe, there is an urgent need to enhance the sustainability of pension systems and the adequacy of pension levels in many countries, not least as a result of austerity measures that have aggravated social inequalities. Referring to the Assembly's Resolution 1882 (2012) and Recommendation 2000 (2012) on decent pensions for all, the enlarged Assembly calls for the OECD and the Council of Europe to work together with a view to promoting good practice in this field and preparing practical instruments (such as guidelines) to advise member States in their ongoing or forthcoming pension system reforms.

10. The enlarged Assembly notes with interest the OECD's forecasts of an upturn in activity in 2013, at both global and European level. Decisions at political level are vital to bring this about. This should start with consolidation measures within the eurozone that are bolder than those taken to date, within a credible medium-term framework, as well as structural pro-growth reforms. Otherwise, Europe runs the risk of plunging into a spiral of bank busts, defaults and negative growth – a calamity that could jeopardise the entire European project.

11. The causes of the sovereign debt crisis are multiple: low interest rates and easy access to credit led households, private companies, the banking sector and governments to become over-indebted; the lack of regulation of financial markets meant that banks neglected to manage their risks and have become over-extended over the last 20 years. Government and banking sector debt has reached untenable levels, triggering a crisis of confidence and, in some countries, a liquidity crisis. In the summer of 2011, financial markets began to question the ability of some European governments to finance their public borrowing, in part due to the increasing likelihood of their having to bail out their private banking sectors.

12. In this regard, the enlarged Assembly notes that the current crisis was also caused by the fact that legal measures were taken too late to prevent excess risk-taking by financial institutions, and therefore emphasises the importance of ensuring the effectiveness of the national and international regulatory framework, in

particular the early warning mechanism for financial risk, in order to make the operations of financial institutions fair and reasonable. Further, the enlarged Assembly appreciates the OECD's efforts to present the policy direction of financial regulation through its NAEC initiative, and calls for the OECD to continue providing its member countries with the necessary expertise.

13. The enlarged Assembly welcomes the measures that the eurozone members have been adopting in order to cope with this situation, such as the new financial support mechanisms (the European Financial Stabilisation Mechanism and the European Financial Stability Facility), created in May 2010, and the Treaty on Stability, Co-ordination and Governance in the Economic and Monetary Union, which should come into force in January 2013. This new treaty, aimed at providing enhanced policy co-ordination and surveillance within the eurozone, gives the European Commission and the European Council the right to examine national draft budgets and, if necessary, suggest amendments, and makes the European Commission's recommendations binding under the Stability and Growth Pact.

14. On top of the economic, employment and social difficulties, there are now doubts about the public's acceptance of adjustment processes. In the economic report on the eurozone which it published in May 2012, the OECD recommends a range of measures in line with the guidelines recently adopted at European level and which are designed to address the sovereign debt crisis combined with targeted measures to invest in people's skills and education and targeted support for the most vulnerable. The enlarged Assembly urges the governments concerned to make sure that the impact of the process is socially balanced and shared fairly throughout all sections of society so as to reduce inequalities. Public acceptance depends on this.

15. The enlarged Assembly welcomes the valuable contribution made by the OECD to the consensual view and the agreements reached at the Rio+20 Conference aimed at achieving sustainable development, through its Green Growth Strategy. The OECD sees it as a practical and flexible approach that assesses economic and environmental policies together, in a way that points to an economic recovery based on the sustainable use of natural resources, efficiency in the use of energy and the development of ecosystem services, which is compatible with economic growth, job creation and poverty eradication. At the same time, the enlarged Assembly recalls that these types of initiatives and efforts should contribute to States' fulfilment of, and further commitment to, international environmental obligations.

16. The Assembly recalls its Recommendation 2002 (2012) and Resolution 1885 (2012) on the young generation sacrificed: social, economic and political implications of the financial crisis, Resolution 1884 (2012) on austerity measures – a danger for democracy and social rights and Resolution 1886 (2012) on the impact of the economic crisis on local and regional authorities in Europe. All these texts, adopted during the June 2012 part-session, point to a reorientation of the programmes to combat the crisis in order to promote economic growth while protecting the most disadvantaged groups of the population, in particular young people. The Assembly welcomes the ground-breaking work of the OECD in this field and encourages it to continue to search for concrete policy solutions.

17. In June 2012, the Assembly also adopted Resolution 1888 (2012) on the crisis of democracy and the role of the State in today's Europe, which analysed the relationship between governance and the crisis, as well as the dangers to democracy linked to certain measures taken in response to the crisis. Its conclusions, pointing out that Europe needs sound States based on strong democracies that can ensure proper representation and increased participation of its citizens at local, regional, national and transnational levels, could constitute valuable input to democratic deliberation in other OECD and non-OECD countries.

18. Also during the June 2012 part-session, the Assembly adopted Resolution 1892 (2012) on the crisis of transition to democracy in Egypt and Resolution 1893 (2012) on political transition in Tunisia, which were follow-ups to its work on the recent political developments in those countries. It recalls once again its Resolution 1831 (2011) on co-operation between the Council of Europe and the emerging democracies in the Arab world, and it confirms its readiness to share its experience in democratic transition to facilitate their political transition.

19. Therefore, the enlarged Assembly welcomes the OECD's decision to enhance its co-operation programme with the Arab countries following the recent political developments. It notes that the OECD's approach of enabling Arab countries to benefit from its expertise regarding reform, tapping into the expertise of its member States and creating the conditions for regional co-operation is very similar to that advocated by the Parliamentary Assembly in Resolution 1831 (2011). It calls on the OECD to co-ordinate and proactively contribute to various appropriate projects.

20. It is crucially important, from the perspective of promoting global economic growth, that the OECD strengthen dialogue not only with its member States, but also with non-member countries that hold prominent positions in the world economy. In this regard, the enlarged Assembly hopes that the process towards full

membership of the Russian Federation in the OECD will progress and include relevant democratic elements; it encourages the OECD to strengthen its relations with major partners, to expand its membership, and to continue to make proposals to major partners for the promotion of sound economic growth.

21. Finally, the enlarged Assembly appreciates the OECD's leading role in formulating various policy initiatives, such as job creation, improvement of the development policy, promotion of free trade and other policy issues referred to in preceding paragraphs. The enlarged Assembly also invites the OECD to provide the participants of the enlarged debate, between now and the next debate, with information regarding its policy initiatives on the issues to which this resolution refers.

22. Lastly, the enlarged Assembly resolves to amend the Rules of Procedure for enlarged debates of the Parliamentary Assembly on the activities of the OECD (see appendix) to take account of the reform of the Parliamentary Assembly's structures and of the new apportionment of tasks among its committees.

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 enlarged debates of the Parliamentary Assembly on the activities of the OECD are modified as follows:

1.1. in Section I on "General Principles", replace paragraph 1 with the following paragraph:

"Parliamentary debates on the activities of the OECD shall be held on the basis of an agreement between the Parliamentary Assembly of the Council of Europe and the national parliaments of OECD member States which are not members of the Council of Europe and with the approval of the OECD Council.";

1.2. in Section II on "Participants", replace sub-paragraph 1.2 with the following sub-paragraph:

"delegations of the national parliaments of OECD member States which are not members of the Council of Europe";

1.3. in Section IV on "Use of languages and documents", delete paragraph 6;

1.4. in Section VI on "Amendments and sub-amendments", replace paragraph 3 with the following paragraph:

"The President of the Parliamentary Assembly shall decide on the admissibility of amendments and sub-amendments, which must be signed by at least five members and tabled in accordance with the deadlines set out in Rule 33.6 of the Rules of the Procedure of the Assembly";

1.5. in Section VIII on "Voting", delete paragraph 2;

1.6. in Section IX on "Procedure in committee and examination of the report in reply to the OECD activity report":

1.6.1. in paragraph 1, replace the words "The Parliamentary Assembly committees concerned by OECD matters may hold meetings" with the words "The Parliamentary Assembly committee responsible for preparing a report on the activities of the OECD may hold meetings", and delete the footnote;

1.6.2. replace paragraph 2 with the following paragraph:

"At meetings of the Parliamentary Assembly committee in question, delegations of the national parliaments of the OECD member States which are not members of the Council of Europe shall be allocated the following numbers of votes:

– United States of America, Japan and Mexico: 4 votes

– Canada and Republic of Korea: 3 votes

– Australia and Chile: 2 votes

– New Zealand and Israel: 1 vote";

1.6.3. consequently delete Appendix 2 to the Rules of Procedure;

1.7. delete Section X on "Liaison meetings";

1.8. in Section XI on “Special guests and parliamentary observers”, in the title and paragraphs 1 and 2, replace the words “special guest(s) and parliamentary observer(s)” with the words “special guest(s), parliamentary observer(s) and partner(s) for democracy”;

1.9. in paragraph 4 of Appendix 1:

1.9.1. replace the words “special guest or permanent observer status” with the words “special guest, permanent observer or partner for democracy status”;

1.9.2. at the end of the paragraph add the following: “Morocco: 3; Palestinian National Council: 1”.