



**Doc. 14410**

06 October 2017

## The activities of the Organisation for Economic Co-operation and Development (OECD) in 2016-2017

### Committee Opinion<sup>1</sup>

Committee on Social Affairs, Health and Sustainable Development

Rapporteur: Mr Geraint DAVIES, United Kingdom, Socialists, Democrats and Greens Group

### A. Conclusions of the committee

1. The Committee on Social Affairs, Health and Sustainable Development broadly shares the analysis of OECD activities as presented in the report prepared by Mr Alfred Heer on behalf of the Committee on Political Affairs and Democracy. It notes the concern expressed about the slow and fragile recovery of the global economy and supports the call to stimulate growth. It notes that higher growth is achieved through lower inequalities and wishes to stress the need for more inclusive and quality growth, as well as for the fight against increasing inequalities and new forms of poverty, in order to ensure sustainable development in society based on solid economic, social and environmental pillars.

2. The Social Affairs Committee also wishes to emphasise the trade-related aspects of multilateralism. These – together with fiscal transparency – are crucial for enhancing prosperity for all, as well as securing fundamental rights, social peace and fully functioning democracy. The pursuit of protectionism will damage already-fragile growth and fail to protect the poorest; it is also crucial that new trade deals are scrutinised, with the goal of ensuring that they would allow governments to retain sovereignty over policies concerning inequality, environmental protection, and the promotion of the core principles of the Council of Europe. The committee therefore proposes several amendments to the draft resolution aimed at highlighting the above-mentioned issues in the context of the OECD's research work and policy advice to governments.

### B. Proposed amendments to the draft resolution

#### *Amendment A (to the draft resolution)*

At the end of paragraph 2.2, add the words “, and is targeted with due regard to their international obligations, in particular the Paris Agreement;”.

#### *Explanatory note:*

Developed countries subsidise the fossil fuel industry, both through paying the cost of externalities like air pollution and climate change and through preferential treatment, tax breaks or direct subsidies. A fiscal stimulus package that exacerbates these trends may stimulate short-term growth at the expense of long-term sustainable development.

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1. Reference to committee: Bureau decision, Reference 4177 of 30 June 2017. Reporting committee: Committee on Political Affairs and Democracy. See [Doc. 14401](#). Opinion approved by the committee on 19 September 2017.



*Amendment B (to the draft resolution)*

After paragraph 2, insert the following paragraph:

*“The enlarged Assembly underlines the importance of balanced multilateral trade relations for enhancing prosperity for all and securing fundamental rights, sustainability, social peace and fully functioning democracy. It encourages the OECD to pursue its research on the impact of evolving trade and investment protection arrangements on fundamental rights, democracy and the rule of law. The enlarged Assembly also calls on the OECD to evaluate the implications for development in the light of Brexit and President Trump’s rejection of the Paris Agreement on climate change.”*

*Explanatory note:*

Multilateral trade (and investment) affects many areas of life and is central to the healthy balance of private commercial goals and public interests, both in the short and long term. The OECD’s research on the interaction between trade and investment deals with fundamental rights, democracy and the rule of law should help politicians make informed policy choices.

*Amendment C (to the draft resolution)*

After paragraph 2, insert the following paragraph:

*“Whilst supporting the need for quantitative and dynamic growth, the enlarged Assembly urges member States to adopt a more comprehensive approach to development by fostering quality, sustainable and inclusive growth that brings long-term benefits to society and preserves the planet’s resources. It asks the OECD to explore the link between fossil fuel subsidies and renewables in achieving sustainable development, in addition to problems of market abuse.”*

*Explanatory note:*

A currently prevalent development model relies on quantitative growth that often neglects sustainability. Greater emphasis on sustainable development is necessary so as to optimise growth and ensure a fairer distribution of the benefits of growth.

*Amendment D (to the draft resolution)*

At the end of paragraph 11.1, add the following phrase:

*“, notably by fighting the development of new forms of poverty associated with precarious, low-paid work and imposed part-time contracts”.*

*Explanatory note:*

Precarious work and underemployment do not guarantee a decent income and they give rise to new forms of poverty. They put a strain on the State budget as a result of increased demand for social benefits. Public authorities should counter this trend and ensure minimum income security through work.

*Amendment E (to the draft resolution)*

In paragraph 11.3, replace the words “to concentrate on education and skills measures” with “to invest in education, skills, training, youth employment and social services”.

*Explanatory note:*

States should not only promise support to the most disadvantaged households, but also financially enable equal opportunities for those who can least afford them. “Social services” is a more appropriate term to describe early childcare and other pro-family policies highlighted in this paragraph.

*Amendment F (to the draft resolution)*

In paragraph 11.3, replace the words “upgrading skills” with the “lifelong upgrading of skills in an inclusive manner”.

*Explanatory note:*

Lifelong training is necessary to help people break the trap of long-term unemployment and obsolescence at all stages of life.

*Amendment G (to the draft resolution)*

In paragraph 11.3, after the words “those leaving the education system” insert “, in particular among those leaving the education system early”.

*Explanatory note:*

Mismatches between business demands and the existing skills pool are particularly high among those affected by early school dropout, according to the OECD’s research. These penalise workers’ employability all their life.

*Amendment H (to the draft resolution)*

After paragraph 11.3, add the following paragraph:

*“to submit trade agreements, in particular investment chapters, to in-depth scrutiny so as to ensure that they will make a notable impact on growth with benefits spread across society rather than concentrated in certain groups.”*

*Explanatory note:*

Trade and investment agreements are an important part of multilateral efforts to pursue growth. It is not clear whether such agreements, as they are currently framed, will result in anything more than negligible growth in developed countries. Moreover, such growth might not be distributed evenly throughout society. The policy case for trade agreements has not, hitherto, taken these uncertainties sufficiently into account.

*Amendment I (to the draft resolution)*

At the end of paragraph 12, add the following sentence:

*“It also calls on the OECD to investigate the impact of trade and investment agreements on inequality.”*

*Explanatory note:*

Having established that inequality is a drag on growth, further analysis of the policy prescriptions for tackling inequality is required.

**C. Explanatory memorandum by Mr Geraint Davies, rapporteur for opinion**

1. Nearly a decade after the global financial and economic crisis of 2008-2009, many countries are still struggling with the fall-out: growth is hesitant, the employment situation is often precarious (especially for the younger generation) and income gaps keep widening, with the planet threatened by overheating and exhaustion. Moreover, major new uncertainties have come into play with the position of the United States President on the Paris Agreement on climate change and various trade agreements, as well as the Brexit negotiations in Europe. In fact, the bursting of the financial bubble has exposed a number of illusions in both the business world and the minds of policy makers, together with structural weaknesses of national economies. The OECD’s authority as a global think-tank has been challenged to draw lessons from the past and provide leads for achieving more balanced, sustainable development.

2. The OECD’s cross-cutting analysis is relevant for correcting mistakes and shaping future-oriented policies. Mr Heer’s report puts the finger on several areas where the OECD’s policy guidance – not least at the G20 meetings – could be instrumental in improving the global balance: fiscal transparency and justice on the one hand and income–wealth distribution on the other. Thanks to the OECD’s insight, governments now have a clear idea of the fundamental distortions that affect our well-being. We as parliamentarians need to ensure that governments not only “take note” but also act in the right direction.

3. In the context of globalisation, “multilateralism is needed if globalisation is to be fairer”, as Mr Heer concludes in his report. I could not agree more, in particular with regard to Europe’s trade relations with the rest of the world in the light of recent Parliamentary Assembly debates on the “new generation” trade agreements versus fundamental rights and on investor–State arbitration.<sup>2</sup> Although trade matters are not part of the OECD’s core mandate, they nevertheless impact significantly on its scrutiny of the global picture and policies because trade itself covers nearly every aspect of society’s functioning. It is important that new trade deals, particularly those which may be agreed in the wake of a United Kingdom exit from the European Union, do not increase the inequality which, as Mr Heer explains in paragraph 11 of the draft resolution, serves to damage prospects for growth. Furthermore, the vast benefits offered by trade creation must be obtained within the framework of regulations which protect and promote the core principles of the Council of Europe, namely democracy, human rights and the rule of law.

4. Vitally, trade deals themselves must contain clauses which protect the sovereignty of States and, in turn, the citizens of those States. Corporations should not be able to claim damages from States through legal processes where the State has acted to protect the principles mentioned above; giving corporations such powers would not only lead to an offence against the values held dear by the Parliamentary Assembly, but would also lessen member States’ ability to pursue greater equality of opportunity and well-being. The effectiveness of such clauses and regulations clearly depends on the resolve of States to work multilaterally; this requires a clear understanding amongst member States that failing to do so decreases their power to implement policies which support sustainability, both in terms of economic growth and the natural environment. From the perspective of the Social Affairs Committee, trade agreements should never empower investors to trump public policies, notably as regards environmental, democratic and human rights imperatives.

5. Trade and investment can and must support quality growth. Short-term profit targets should not prevail over long-term public interest. Public authorities should ensure that people’s voices are heard and their rights are protected. It is therefore crucial that all parties involved in trade and investment facilitation agreements continue “to maintain their highest standards of health, food safety, environmental protection and social rights” (Assembly [Resolution 2152 \(2017\)](#)). The OECD’s research and policy advice should help politicians to adopt the right strategic development priorities.

6. It is regrettable that Brexit is likely to weaken both the protection of British consumers and the United Kingdom’s position in global or regional trade negotiations (notably concerning the level of protection enjoyed through, for instance, food and chemical product safety standards such as REACH). New asymmetries might also emerge vis-à-vis the European Union because Brexit reduces the critical mass of the European Union to deliver positive change and co-operation in contrast to the attitudes of protectionism, self-interest, and climate-change denial emerging in the United States.

7. Bearing in mind the OECD’s ground-breaking arguments on how low-emissions and climate-resilient development can be achieved without undermining growth, competitiveness and well-being as presented in the major report on “Investing in climate, investing in growth”, there is hope that short-sighted and short-termist policies can be reversed. Already, the current generation in far too many countries is borrowing resources from future generations and each year the Earth Overshoot Day is marked earlier and earlier.<sup>3</sup> As matters stand, mankind is heading down an unsustainable path and, one might say, cutting the branch on which it is sitting. If we heed the OECD’s call to stimulate growth, we must listen to what the think-tank is advocating: sustainable and quality growth.

8. It is clear that the policy direction of the United States conflicts with the Paris Agreement, exemplified by its commitment to fracking; its withdrawal from the Agreement should signal to the OECD that future trade deals involving the United States are unlikely to contain serious protections for the environment; future deals with the United Kingdom are particularly worrying as, following an exit from the European Union, it will no longer be constrained by EU environmental protections. Therefore, the OECD should evaluate the potential for new trade agreements to derail international goals, and should assess how new agreements can best promote sustainable and quality growth.

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2. See [Resolution 2151 \(2017\)](#) and [Resolution 2152 \(2017\)](#) on “new generation” trade agreements and their implications for social rights, public health and sustainable development, [Doc. 14219](#), and [Doc. 14255](#), report on “Human rights compatibility of investor-State arbitration in international investment protection agreements”.

3. Earth Overshoot Day marks the moment each year from which the humanity is using an unsustainable amount of the planet’s resources. In 2017, this day was marked on 2 August.

9. Indeed, the OECD's message on growth is inseparable from its repeated warnings on inequalities that harm growth and increase poverty. Action on these inequalities is long overdue: according to the OECD, "income inequality remains at record-high levels in many countries" and "redistribution ... has been weakening during the recovery in a majority of countries".<sup>4</sup> Whilst the OECD emphasises the need to boost social mobility through improved redistribution policies (taxation and social benefits) and investment in education and skills at early stages of life, the Social Affairs Committee would like to stress the importance of decent income through work and State-supported lifelong training to ensure genuinely equal opportunities for all. Such proposals have been endorsed by the Assembly in its [Resolution 2158 \(2017\)](#) "Fighting income inequality: a means of fostering social cohesion and economic development".<sup>5</sup>

10. In the light of the above considerations, I propose a series of amendments aimed at emphasising quality in development and highlighting the selected concerns expressed by the Assembly during its debates on the "new generation" of trade agreements, inequalities and fundamental rights, as well as on challenges stemming from climate change and unconventional fossil fuels. In response to drastic shifts in the political priorities both in Europe and the United States, it is critically important for the OECD to look ahead and prepare for a range of non-ideal scenarios which would endanger the economic goals and core principles of the Parliamentary Assembly.

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4. OECD's Income inequality update, November 2016.

5. Based on the report by Mr Andrej Hunko, [Doc. 14287](#).