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Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

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**COUNCIL
COMMITTEE ON PUBLIC AFFAIRS AND COMMUNICATIONS**

**OECD ANNUAL MEETING WITH THE ECONOMICS AND SECURITY COMMITTEE OF THE
NATO PARLIAMENTARY ASSEMBLY**

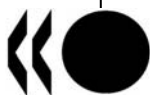
PROGRAMME, LIST OF PARTICIPANTS AND SUMMARY

OECD Conference Centre, Paris, Wednesday 17th February 2010

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**OECD Annual Meeting with the
Economics and Security Committee
of the NATO Parliamentary Assembly**

On Wednesday 17 February 2010, the annual meeting between the OECD secretariat and the Economics and Security Committee of the NATO Parliamentary Assembly was held in the OECD Conference Centre, starting at 9:30. Secretary-General Angel Gurría led the OECD secretariat delegation.

The final programme, list of participants, and summary are attached.

Background

Since 1976, the Economics and Security Committee of the NATO Parliamentary Assembly (formerly called North Atlantic Assembly) has been making annual visits to the OECD for a briefing by the secretariat.

This exchange of views is organised at the request of the Economics and Security Committee of the NATO Parliamentary Assembly, and is in fact a meeting of the Committee on OECD premises. Thus, no official announcement is made of the event. Since 2001, parliamentary representatives from non-NATO OECD countries have also been invited to attend.

Permanent Delegations do not participate in this meeting, although they are most welcome to attend as 'back-benchers'.

Further information on the Economics and Security Committee of the NATO Parliamentary Assembly can be found on its website <http://www.nato-pa.int>.

**OECD ANNUAL MEETING WITH THE
ECONOMICS AND SECURITY COMMITTEE
OF THE NATO PARLIAMENTARY ASSEMBLY**

Wednesday 17th February 2010

OECD Conference Centre, Room CC9 (level -1)

PROGRAMME

09:30	Introductory comments	Hugh Bayley , Chairman of the Economics and Security Committee, NATO Parliamentary Assembly Angel Gurría , OECD Secretary-General
09:45	OECD member countries' economic, fiscal and budget outlook -- Introduction -- Discussion	Sveinbjörn Blöndal , Head of the Macroeconomic Policy Division, Economics Department (ECO)
10:45	<i>Coffee break</i>	
11:15	Developing countries in the global economic crisis -- Introduction -- Discussion	Richard Carey , Director of the Development Co-operation Directorate (DCD)
12:15	World Energy Outlook -- Introduction -- Discussion	Pawel Olejarnik , Senior Analyst, Office of the Chief Economist, International Energy Agency (IEA)
13:15	<i>Move from Conference Centre to Château</i>	
13:30	<i>Lunch offered by NATO – Room Roger Ockrent, Château de la Muette, OECD</i>	
15:00	<i>End of lunch</i>	

***OECD ANNUAL MEETING WITH THE
ECONOMICS AND SECURITY COMMITTEE
OF THE NATO PARLIAMENTARY ASSEMBLY***

Wednesday 17th February 2010
OECD Conference Centre, Room CC9 (level -1)

FINAL LIST OF PARTICIPANTS

**Chairman of the
Economics and Security Committee**
United Kingdom

Hugh BAYLEY

General Rapporteur
Netherlands

Simon Van DRIEL*

**Chairman of the Sub-Committee on East-West
Economic Co-operation and Convergence**
Lithuania

Petras AUSTREVICIUS*

**Chairman of the Sub-Committee on
Transatlantic Economic Relations**
United Kingdom

John SEWEL*

**Rapporteur of the Sub-Committee on Transatlantic
Economic Relations**
Denmark

Jeppe KOFOD

MEMBER DELEGATIONS

Belgium
Bulgaria
Canada

Daniel BACQUELAINE
Georgi PIRINSKI*
Claude BACHAND*
Ray BOUGHEN*
Joseph A. DAY*
Cheryl GALLANT*
Anthony ROTA*

Croatia

Kresimir COSIC* (Vice-Chairman of the Sub-Committee on East-West Economic Co-operation and Convergence)
Vedran ROZIC

Estonia
Greece
Italy
Norway
Portugal
Romania

Mati RAIDMA*
Evdoxia-Eva KAILI
Lamberto DINI*
Hans Olav SYVERSEN
Joaquim VASCONCELOS DA PONTE*
William Gabriel BRINZA*
Ion MOCIOALCA*

Slovenia	Melita ZUPEVC*
Spain	Hilario CABALLERO*
	Alejandro MUÑOZ-ALONSO*
Turkey	Yahya DOGAN*
	Enis TUTUNCU*
United Kingdom	Derek CONWAY*
	Peter VIGGERS*
United States	Bart GORDON

ASSOCIATE DELEGATIONS

Austria	Kai Jan KRAINER** Günther STUMMVOLL*
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ACCOMPANYING STAFF

Canada	Wolfgang KOERNER* James M. LATIMER* (Secretary of Delegation)
Estonia	Tanja ESPE* (Secretary of Delegation)
Romania	Irina BOJIN* (Secretary of Delegation)
Turkey	Mustafa BOZKURT*
United States	Leigh Ann BROWN Adam ROSENBERG

INTERPRETERS

English/French/English	Brigitte LEBLANC Marion TOMKINS Christine WAUTERS
Korean	Eun-Kyung KO Jung Yoon CHOI

INTERNATIONAL SECRETARIAT

Director, Economics and Security Committee	Paul COOK*
Co-ordinator, Economics and Security Committee	Reena PANCHAL
Research Assistant	Anthony BONEN*

*Members participating in the OECD Meeting on 17 February and the OECD High-Level Parliamentary Seminar on *Sustaining a Global Recovery* on 18 February

**Members participating in the Seminar on Thursday 18 February only

LIST OF PARTICIPANTS - OECD

NON-MEMBERS

Korea	Young-Sun PARK (Parliament Member)
	Seungduk KOH (Parliament Member)
	Hyun Joon KWAK (Parliamentarian Counsellor)
Sweden	Göran PETTERSSON (Parliament Member)

OBSERVER

Romania	Octavian BICLINERU (Attaché de Défense, Romanian Embassy, Paris)
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OECD PERMANENT DELEGATIONS

Italy	Antonio ARMELLINI (Permanent Representative)
	Jessica LAGANA (First Secretary)
	Simona GUAGLIARDO (Trainee)
Korea	Noh-Wan PARK (Counsellor)
Netherlands	Edmond H. WELLENSTEIN (Permanent Representative)
Poland	Jan WORONIECKI (Permanent Representative)
Slovak Republic	Iveta HRICOVA (Deputy Permanent Representative)
Switzerland	Eric MARTIN (Permanent Representative)
Turkey	Lale AGUSMAN (Counsellor)

	Zafer ATES (Counsellor)
	Huseyin ISIK (Financial Counsellor)
	Selim USLU (Economic Counsellor)
United States	William Monroe (Deputy Permanent Representative)
	Guillermo CHRISTENSEN (Science and Technology Officer)
	Pamela M. BATES (Senior Energy Advisor)

OECD SECRETARIAT

Secretary-General	Angel GURRÍA
Deputy Secretary-General	Aart DE GEUS
Deputy Secretary-General	Richard BOUCHER
Director of the Development Co-operation Directorate	Richard CAREY
Head of the Macroeconomic Policy Division, Economics Department	Sveinbjörn BLÖNDAL
Senior Analyst, Office of the Chief Economist, International Energy Agency	Pawel OLEJARNIK
Economist and Policy Analyst International Energy Agency	David WILKINSON

Head of Public Affairs	Willemien BAX
Senior Manager for Public Affairs	Jennifer BISPING
Public Affairs Co-ordinator, Public Affairs Division	Gráinne MOONEY
Intern, Public Affairs Division	Claire BERTHIER
Intern, Public Affairs Division	Hakima BENSAHLI

OECD ANNUAL MEETING WITH THE ECONOMICS AND SECURITY COMMITTEE OF THE NATO PARLIAMENTARY ASSEMBLY

17 February 2010

SUMMARY

The OECD Annual Meeting with the Economics and Security Committee (ESC) of the NATO Parliamentary Assembly (PA) was held at the OECD on 17 February 2010. 28 Members of Parliament (MPs) attended the half-day meeting, which covered the economic outlook, the crisis and developing countries, and the world energy outlook. The meeting, chaired by Economics and Security Committee Chair **Hugh Bayley** and OECD Deputy Secretary-General **Richard Boucher**, featured expert overviews and analysis presented by **Angel Gurría**, Secretary-General, **Sveinbjörn Blöndal**, Head of the Macroeconomic Policy Division, Economics Department, **Richard Carey**, Director of the Development Co-operation Directorate, and **Pawel Olejarnik**, Senior Analyst, Office of the Chief Economist, International Energy Agency.

Angel Gurría said that relationships with MPs are very important to the OECD. As representatives of the people, they are key stakeholders for its work. He said that the crisis demonstrated that multilateral action is a must. The OECD was created to facilitate and foster international co-operation. When the crisis hit, the OECD's work with governments aimed to ensure that the short-term emergency measures also had a positive long-term impact. The OECD argued strongly against protectionism, which so far "stayed in the box". Mr. Gurría stressed that fragile recovery should not be jeopardised by a premature withdrawal of the support measures. The crisis may have led to a more permanent decline in potential output growth; countries will need to implement policies to boost productivity and competitiveness. Noting that innovation and more sustainable, green sources of growth will be key, Mr. Gurría announced that in May 2010 the OECD Innovation Strategy will be delivered, along with a progress report on Green Growth. He said that climate change is the greatest and most immediate challenge for a cleaner economy. Limiting the rise of global temperature to 2°C is affordable; it will be cheaper to take action rather than not taking measures. The economy also needs to be cleaner in an ethical sense. The recent expansion and strengthening of the Global Forum on Transparency and Exchange of Tax Information probably means the end of the era of banking secrecy. More progress has happened in the past months than in the past ten years including the adoption of a new Anti-Bribery Recommendation, the first round of corporate governance peer reviews, the work on a Global Standard for propriety, integrity and transparency, and the OECD Principles for Transparency and Integrity in Lobbying. A cleaner economy will also help build a more equitable and fairer world. Economic conditions will remain tight, particularly with high unemployment and worrisome fiscal positions and it is the disadvantaged people who bear the brunt of it. The OECD has produced analysis and recommendations on effective labour market policies and measures to help the most vulnerable. The crisis should also not become an excuse to postpone commitments with the poorest of this world, Mr. Gurría said.

Hugh Bayley said that the members of the NATO PA ESC find it extremely useful to come to OECD, whose analysis is "second to none". While the OECD has no control, it has a lot of influence, he said, and governments are now keener to listen and absorb OECD analysis. Mr. Bayley said that the OECD had been giving words of warning about the US housing bubble for some time already, but governments did not change their policies, and should have. The record number of tax information exchange treaties shows that governments are now listening more.

Sveinbjörn Blöndal said that he has a lot of contact with administrations, but not with MPs and he therefore appreciates the opportunity for dialogue. A recovery, though bumpy, has been underway since the middle of 2009, especially in the US and Japan. In Europe there was a recovery in the third quarter, but not in the fourth. He warned that the crisis will cast a long shadow into the future. The question, he said, is if banks and financial institutions are going to be able to finance recovery. Households are saving, which does not help the recovery. Governments are faced with very high deficits and very high unemployment, especially in US and Spain. Europe is doing better than expected, but unemployment is still high. He explained that high unemployment means low confidence and low investment. Recovery in 2010 and 2011 will happen at very low growth rates and it will not lead to much inroads vis-à-vis unemployment. In the US, unemployment is expected to be still around 8% end-2011. In Europe, unemployment is likely to stay quite high in 2010 and 2011. Deficits in Europe are expected to be around 8% of GDP, but in the US and Greece significantly higher. Mr. Blöndal told MPs that on the basis of current policies, they should not expect changes. While in the short term this is fine, in 2011 some consolidation should start. Government debt is at very high levels - 100% of GDP, and higher in some countries. Higher government debt tends to raise long term interest rates, which he said, is a "doomsday scenario". Governments are faced with challenges, e.g. the US will have to cut expenditure by 20% in order to have fiscal balance by 2017.

In the following **discussion**, one MP asked if governments are becoming much stricter as regulators. Mr. Blöndal said that the financial system was regulated before the crisis, but regulations had not kept up with developments in the financial industry. The challenge is to design good and up-to-date regulation. Regulators should not be overtaken by events. This is being looked at in international fora. Some are suggesting separating the so-called "casino" banking from traditional banking. New regulations will hopefully address the manifest failures. Another MP asked if a re-evaluation of traditional policy mixes is needed. Mr. Blöndal said that questioning what had been taken as a given in the past has started within OECD committees on various issues. Regarding a question on the Greek economy, he said that Greece needs to stick to the stability plan it has set itself; there does not seem to be an alternative. In the 1990s, Greece was one of the champions to consolidate budgets, so it has a history in doing this. Another MP asked if it will be impossible to get back to a fiscal balance by 2017. Mr. Blöndal said that getting back to balance in 2017 would be an absolute minimum. It should not only work on the expenditure side, but on both sides of the budget. Spending is supporting growth, e.g. R&D, so this should not be cut. Countries need to be careful about how to increase government revenues. The friendliest form seems to be indirect taxation while taxing labour would be harmful. Answering a question on the future of the euro, he said that the euro exchange rate has had a normal fluctuation. Fiscal problems in the euro area should not cause major problems for the exchange rate, he said. There are much bigger deficits in the US.

One MP asked if asset prices are still overvalued. Mr. Blöndal said that asset prices are now coming back very quickly, but the price/earnings ratios in most markets are still well below the historical average over the last 30 years. If you take the past 100 years, the ratio today is average. Responding to a question on exit strategies, he said that there will be different instruments, and different sequencing. The recovery seems fairly well settled in the US, 3.5% by end-2011, but it will be more bumpy in Europe and Japan. Another MP asked what impact government austerity will have on growth and how consumption can be stimulated. Mr. Blöndal said that fiscal stimulus has been giving support for the economy when the private sector was very weak. It should not be withdrawn too fast, only when the private sector is stronger. But financial markets can become impatient, so governments need to create credible plans to address the fiscal problems to convince financial markets that they are serious. These plans need to have clear objectives, timelines, and concrete measures in terms of spending and revenues. So far, less than 50% of OECD countries have developed these plans. The OECD estimates that in 2011 it will be the right time to start consolidating budgets. Answering a question on China's "protectionist" exchange rate policy, Mr. Blöndal said that the G-20 is taking these concerns very seriously. The OECD has stated that the Chinese currency needs to appreciate. Undervalued currency distorts trade.

Richard Carey reported that low-income countries have been more resilient than expected during the crisis. Investment from emerging economies is helping countries such as Ethiopia, which is currently booming and getting a lot of investment from China, Egypt, India, and Sudan. Uganda is growing at 7%; exporting to Sudan and East Africa. Mr. Carey said that African countries entered the crisis in quite a good economic state, due to debt relief that transformed the debt situation. While aid has not fallen during the recession, only 16 of the 23 members of the Development Assistant Committee (DAC) have met the commitments made at the 2005 G-8 summit in Gleneagles. USD 25 billion was promised to Africa specifically, but only USD 12 billion was delivered, as the big European donors did not deliver. Mr. Carey also reported that there exists a China-DAC study group to discuss how China used aid to speed up its own development after 1979, how China is working in Africa, and what African countries' experience is in this regard. He said that there is a convergence between the development and security agenda. DAC has been meeting with NATO on a regular basis, including a conference held last year in Geneva on how to work better together. A lot of this focuses on security system reform. On this topic there is an OECD handbook, which includes advice on police training, etc. Mr. Carey stressed that it is important to get the upstream right on policy approaches, rather than just starting to arm young recruits which can lead to a lot of casualties. Civil control of the armed forces is very important, especially the role of parliaments. NATO is doing a study on the economic footprint of the NATO presence in Afghanistan. He said that it is important to look at NATO presence through an economic lens and cited the example of Afghan soldiers earning USD 80 a month, while Taliban recruits earn USD 200 a month. The DAC is also involved in a review of principles for good engagement in fragile states with 15 fragile states around the table. The studies indicate that improvement is needed, also how to co-ordinate between different actors and donors.

In the **discussion**, one MP raised the concern about abuse of multidonor trust funds that local actors manage and asked what oversight has been developed to ensure that funds are allocated correctly. Mr. Carey said that if allocation is made at the village level, managed and reported upon, then these funds can work. This is called the "double lock compact", donors with government, and government with people. The OECD is working to find a system that is reassuring. Responding to a comment on the 25 billion Gleneagles short fall, Mr. Carey said the question is whether the short fall can be made-up: there are aid commitments from the EU for 2015 and Japan has agreed to double aid to Africa. The US has been talking about doubling aid by 2015, but this has to be seen in the context of recovery and it still has to go through US Congress. MPs were also concerned about how issues of good governance are being addressed in the context of China's aid programmes. Mr. Carey said that the China-DAC study group will address the more serious governance concerns, but they are not the first ones on the agenda. They are raised, as the level of comfort in the process increases. He said that 10 recommendations will be developed for the Chinese by 2011. The Chinese are moving into more complicated aid programmes and are aware that they need the necessary skills and to co-operate with other donors. Participants also asked about food security having become a "hard security risk" rather than a "soft security risk". Mr. Carey responded that food security is a hard security risk, because it can cause riots that can get out of control, adding that the 2008 crisis was a wake-up call. A lot of work is going on in the G-8 and UN in the context of the L'Aquila Food Security Initiative. This includes looking at developing agriculture in Africa, which could be part of the continent's development strategy. The OECD is examining how to strengthen the analytical work of African policy makers. The possibility of inter-regional trade is very important in Africa. Hugh Bayley pointed out that the NATO PA has a long track record on civilian control of armed forces. It holds meetings on this in member countries and runs training sessions for MPs and their staff. He said there is a strong interest in pursuing the development angle of security.

Pawel Olejarnik said that energy and electricity demand are very much related to economic growth. In the reference scenario, which provides a baseline picture of how global energy markets would evolve if governments make no changes to their existing policies and measures, a 40% increase is expected by 2030. Demand will move to the East, instead of the West. He said that the future energy path is unsustainable -coal, oil and gas account for 80% of demand now and will still do so in 2030. Oil accounts

for 34% today. Coal is growing strongly, which is driven by the fact that it is cheap and abundant. In 2005 non-OECD demand for energy overtook OECD demand. Non-OECD demand will account for 90%. Key demand centers are China and India, the “emerging giants of the energy world”. Oil and coal demand will decline in OECD countries, but not elsewhere. Mr. Olejarnik added that oil demand in OECD countries peaked in 2005, as efficiency factors kicked in. The reason for such an increase in demand for electricity is that 1.5 billion people (22% of world population) at the moment do not have access, mostly in sub-Saharan Africa; by 2030 it will be 1.3 billion. Many governments will want to provide electricity to their citizens. Sustained investment is needed to combat the decline in output at existing oil fields, to offset the decline at existing natural gas fields and to meet the increase in demand for gas. Mr. Olejarnik explained that the 450 Scenario presented in the *2009 World Energy Outlook* is a “climate scenario”, aiming to avoid the worst impact of climate change. The 450 Scenario would have some benefits, such as lower energy bills for consumers, energy security benefits (reduced oil & gas imports) and sharp reductions in air pollution. He said that the *2010 World Energy Outlook* will look at pledges of COP 15 and how this matches up to requirements of the 450 Scenario.

During the **discussion**, Mr. Olejarnik answered a question on the percentage on nuclear energy, saying that in the reference scenario the percentage of nuclear energy is declining because of political considerations, which may change in the future. In the 450 Scenario, nuclear energy increases to 18% in 2030. Another MP asked why projections for renewable energy seem so low in the 450 Scenario. Mr. Olejarnik answered that renewables are very important for the 450 Scenario. Carbon capture and storage (CCS) will grow from 0 to 5%. Today, renewables account for 33%, by 2030 for 60%. Responding to a question where oil will come from in the future, Mr. Olejarnik answered that places for oil production would be in the Middle East and Africa, gas would be in the Caspian. He added that sources from the Arctic were very expensive.

Richard Boucher and Hugh Bayley closed the meeting. Mr. Bayley said that that all briefings were very valuable to participants.