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COUNCIL

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SUMMARY RECORD OF THE 982nd SESSION

**held at Ministerial level at the Château de la Muette, Paris
on Monday 26 and Tuesday 27 June 2000**

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196. ADOPTION OF THE AGENDA

The Chairman, the Treasurer of Australia, Mr Peter Costello, opened the meeting with the following words:

“Ladies and gentlemen, it is an honour for me to chair this session of the OECD Council at Ministerial level. I am delighted to welcome you all. I would like to say a particular word of welcome to the Vice-Chairs, our colleagues from Canada and Finland. I would also like to welcome the Slovak Republic, taking part in the work of the OECD Council for the first time.

The theme for our Ministerial Meeting this year is “Shaping Globalisation.” As we all know, our world is changing. Advances in communication and information technology mean that we now have global markets for goods and services. Countries find themselves unable to quarantine their borders, and changes are showing every sign of accelerating.

Citizens and non-governmental institutions are demanding a seat at the table. They want to be heard and be part of these developments. “Shaping globalisation” implies how to manage it for the benefit for our citizens. We have to be very mindful, coming away from Seattle, of how we can involve civil society and non-governmental institutions in this process.

During this session and the next, we will examine the state of the world economy. In particular we will look at the concept of the “new economy”; what it means for us as domestic policy-makers, and how we can ensure social cohesion in the framework of our work on economic development, e-commerce and taxation. We will no doubt talk about the OECD Growth Project, which offers us the opportunity to evoke a broad range of new and existing policy questions in relation to macroeconomy, structural change and micro-economy.

Later this afternoon, we will be discussing advances in technology and the challenges that they pose for governance. We will be covering food safety, and I expect that food safety and biotechnology will be very enthusiastically addressed in the context of this afternoon’s discussion.

Tomorrow we will be joined by the Trade Ministers, who will examine how we can reinforce the multilateral trading system to send a clear message on the need for a New Trade Round, one that addresses all groups and countries.

There are some important innovations in the way in which this Ministerial will be run this year. Firstly, the plenary session is going to be televised. Cameras will broadcast our discussions to the press. Since we make a great virtue of transparency and openness, we thought we should practise what we preach. But of course when we move into closed sessions, there will be no television, in order to encourage a frank and open exchange of views.

Secondly, in parallel with this Ministerial Council, Forum 2000 is being held at the site of *la Défense*. The Secretary-General, Minister François Huwart and I, opened the Conference earlier today. This event brings together non-governmental institutions as well as employee and employer organisations, giving them a voice in our deliberations.

This morning will be a structured occasion. After the presentations, I would encourage people to be spontaneous in their interventions. If somebody is speaking and you wish to intervene, show two hands or wave your flag; the two-handed intervention entitles you to jump right into the discussion for sixty seconds. The more informal dinner will also, I hope, encourage spontaneous discussion.

I am going to invite the Secretary-General to outline his objectives and priorities for the Ministerial, and then I will report on our working dinner from last night with BIAC and TUAC. Then we will ask the Chair of the OECD Economic Policy Committee, Mr. Baily, to introduce the macroeconomic discussion.

I hope, in our deliberations over the next two days, that we are mindful of the opportunities we have on some of these agenda items to shape domestic policy as well as international policy, to ensure that our citizens benefit from the changes taking place in the world. I hope that we can lay down some principles that will make a long-term contribution to international policy.

Finally, I would like to propose one change to the Agenda. I propose that we add a specific item to deal with the "Guidelines for Multinational Enterprises", which could be examined at the end of our working lunch today."

On the proposal of the Chairman,

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adopted the draft Agenda C/MIN(2000)1, with the addition of the item "Guidelines for Multinational Enterprises".

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197. INTRODUCTORY STATEMENTS

On the invitation of the Chair, Secretary-General Johnston made the following statement:

"I wish to extend a very warm welcome to all of you. Many Ministers are here for this important Ministerial meeting, which has a very rich Agenda. Let me make a few general remarks regarding the objectives and priorities of the Organisation as I see them at this stage.

The title 'Shaping Globalisation' is very appropriate; in fact this subject has been a front-burner issue for the last three years. We have learned a great deal. What we and I think all Member countries have recognised is that it is essential to find the means to maximise the benefits of trade and investment liberalisation, and to minimise the costs as well as to ensure that the benefits are equitably shared. These two challenges have been at the source of nearly all our work.

Some issues may seem very specific, such as transfer pricing for tax purposes or harmful tax competition. Nonetheless all of these contribute to the Organisation's role in shaping globalisation and creating a level playing field in order to ensure fair trade. The OECD is here to facilitate this task, the responsibility of which lies first and foremost with you.

The OECD is unlike any other international organisation. It essentially comprises representatives of each of the Member governments around this table. In many of our committees we are increasingly joined by observers and participants from non-member economies. This work, for which you are responsible, brings together more than 150 committees and working groups at the OECD. Last year some 50 000 delegates came here to work on a great number of different issues that face the Organisation. Some say the Organisation is doing too much and wonder how it manages all of its tasks. It can do so thanks to the Secretariat, which manages a committee process, and the expertise is very much your own expertise, working with the Secretariat's experts.

Let me just make reference to some of the work that I would regard as fundamental to shaping globalisation. The new economy is not just of domestic interest. The role of this Organisation is to determine if indeed there is a new economy, what are its elements, why are some countries doing better than others, what can we do to share best practices and transfer some of the know-how that has been developed, in order for all countries, Members and non-members, to benefit from our expertise and analysis.

I mentioned tax competition, but I could also refer to our work on e-commerce, biotechnology and food safety. Corporate governance is another very important area, especially with regard to investment beyond the OECD. Member governments have urged more co-operation with international organisations. I am very pleased to say that a month ago, I signed a co-operative agreement with James Wolfensohn of the World Bank. There are many areas where our work is complementary. The basic core Principles of Corporate Governance, developed by a taskforce within the OECD, is now being worked on in harmony with the World Bank. The purpose now is to take these Principles to a larger universe. For example, in China the Principles have been translated into Chinese and are referred to as the world standard. This is the kind of work that the OECD is critical in moving forward. But I will come back to that point in a moment.

Another continuing challenge is that of making sure that costs are minimised. In our own countries, adjustments have to be made to our health systems, our education systems, our skills training, our activities in the area of youth. There is the issue of follow-up to the Jobs Study. All of these areas remain priorities, and have progressed quite successfully. They all must be taken into account, in the framework of globalisation, to ensure that the benefits of globalisation are captured not just by Wall Street, but also by Main Street.

At the same, it seems to me that we must continue to promote and explain the beneficial effects of globalisation, not only for the industrialised countries, but also for developing countries. We prepared a study for Seattle to this effect, to explain to non-member countries, NGOs and others that still resist globalisation the advantages that can be derived from globalisation. Naturally, it is clear that this requires better communication with civil society. At the 2000 Forum, the Chairman and I received questions from NGOs, which are very well represented there. We have learned over time that they must be involved at the beginning of our work and not just at the end, a process that is more productive.

Let me give just one example concerning biotechnology and food safety as well as genetically modified organisms. We began our work here in this room on 20 November 1999 with a broad-based consultation of NGOs, including organisations such as Greenpeace, Friends of the Earth and others, which have demonstrated tremendous resistance to genetically modified food.

It was not only a very good debate, but everyone emerged with a greater understanding. We have developed better relationships with all of the NGOs that participated in this work, and they went on to participate in the second forum in Edinburgh. The results of these studies have been put on the Website for further virtual consultations with these same NGOs, and it is one of my objectives to further develop this type of activity.

Shaping globalisation is not a problem limited to OECD Members. This is one of the major challenges that we must take up, as we have done with the World Bank on the question of corporate governance.

The question is how to bring the work of the OECD, which is important for global standards in e-commerce, food safety, harmful tax competition, bribery and corruption, to the greater universe of countries that are not represented here at this table.

We currently have programmes with approximately 70 non-member governments. Some of these programmes, very intensive, for example with Russia and China, focus on institution building, an area in which this Organisation has special competence, thanks to the experience of countries represented here. These are programmes in priority areas, with which other countries would like to be associated, although there are other areas where OECD work is highly appreciated. They feel comfortable within an environment where they meet in committees and they discuss with their peers. This process has been the hallmark of work in the OECD for many years. Many are concerned, however that expanding membership will undermine the culture of the Organisation.

How can we nevertheless move forward in this regard? It is not my role to provide answers to that question today. I have written two or three papers for Member countries on this subject. I hope that in the coming year, we will address this very important issue. We need to ensure that our efforts to shape globalisation go beyond the immediate concerns of OECD Member countries.

Another one of our objectives is to continue the reform processes that we have begun. You will be happy to know that we have finally attained budget stability. We have reduced the budget by 10 percent nominally, which corresponds to approximately 18 percent internal resources over three years. In doing so, we have had to suppress about 250 posts within the Organisation. In many ways this has been a good experience, although clearly it has not been easy for the morale of OECD staff.

We must now focus on some other areas, such as improving the horizontal nature of our work. Nearly all of the important work in this Organisation is multidisciplinary. There is almost no issue that we discuss today that does not involve a series of directorates within the Organisation. Just as governments sometimes have difficulty working with various ministries to ensure coherence in their policies, we are also challenged by this problem of co-ordination. I think we are accomplishing this with some success, but more remains to be done.

Finally, it is very important to make sure that our policy recommendations are operational for politicians. Most of them know what the problems are and looking at how to address them. In all of our work, we have to be less descriptive and more prescriptive, by drawing on the work of each and every one of us. To do this, we must bring our best practices together, and do the further analyses that you mandate us to do here.

During a consultation with TUAC, one of the intervenants of this organisation said, 'we want policy recommendations that are effective and really work.' That is the job of the OECD. We are occasionally referred to as the world's economic think-tank, and perhaps to some extent we are. But it is a think-tank that deals with applied economics as opposed to basic economic science. That is what allows us to produce the kind of results and work that is of direct use to the policymakers.

We will be discussing many issues, focusing on what works and what does not work. I think, for example, of the digital divide, which is a serious challenge within our countries and internationally. We know what the problem is, but the question is how to deal with it. This is the kind of challenge that I would like us to focus on here at the OECD.

I want to thank, especially, Minister Costello, who has agreed to chair our meeting, as well as Canada and Finland, who have accepted to be the Vice-Chairs of this important event. I really look forward to our deliberations."

The Chairman then reported briefly on the customary consultations that take place with BIAC and TUAC before the opening of the Council Ministerial:

“Last night we had a dinner with BIAC and TUAC, and I must say it was a very stimulating discussion. There were some points of agreement and also disagreement, and the parties will report in a moment.

A large part of the discussion focused on the new economy, the new drivers of growth, including the productivity improvements, seen not just in the United States, but in some of the Nordic countries and Australia, as well as strengthening growth in Europe. There was also a lot of discussion about the role of monetary policy in relation to continuing the growth cycle, and realising improved job performance.

Notwithstanding the background of a strengthening world economy, a number of people remarked that there still seems to be great concern about globalisation. A number of reasons for that were put forward. One was that globalisation is bringing change, and change at such a fast rate that people are being dislocated by it. Some put forward the view that globalisation is not distributing its benefits widely, and this is causing a great deal of disquiet. But I think there was agreement that, for better or for worse, it is a reality, and we need to try and harness its benefits both for employers and employees.

BIAC focused many of its remarks on what it perceived to be the challenge to employers in product markets of the new economy. TUAC reported on fears that the benefits were not being properly distributed, and called for increased emphasis on education, retraining and a better understanding of the social impacts of globalisation, together with labour standards. We discussed the distributional impacts of globalisation at quite some length. We also discussed the dangers of the digital divide, not just between countries, but within countries; what that would mean and how it could be overcome.

There was a lot of discussion about the state of the world economy-- mostly optimistic discussion -- with TUAC even opening its remarks by saying we now have opportunities to move towards full employment -- something that many countries would not have thought possible just three or four years ago.”

The Chairman of BIAC, Mr Jaakko Ihamuotila, then made the following statement:

“BIAC, representing the business communities of the Member countries, is pleased to return for this annual consultation at the time when you will be setting the goals of the Organisation upon which we will all focus for the coming years. The OECD is the purveyor of fact-based policy formulation to its Members and to the world. We hold in high value the common purpose that we share -- that of sustainable growth. We hold in high value this institution where the truths of economic gravity meet the dynamic of the market.

We appreciate the opportunity to think ahead with you. You have a BIAC discussion paper that is responsive to the major theme of this particular Ministerial. Its assertion is that the economy has acquired a turbocharger, that the raw speed with which investment moves through the business cycle has spurred innovation and been fuelled by technology to create new markets and sustain growth.

This is a time when the bedrock strengths of the OECD are most in demand, a time to bolster the resources required to sustain the quality of data and analysis and a time to redouble efforts to communicate the work product of the Organisation. Our primary mission has been to provide a steady inflow of input from the business communities of your countries, usable reality, usable by the policy-maker. We can assure you that, increasingly, that reality is common across the globe.

That fact-based proof and the public policy formula that derives from this can have a profound effect on the market in which we operate. Much of the change in the business models that underpin the micro-economy are easily observed but less well understood. Because of raw speed, policy-making --

public or private -- that is not forward-looking is doomed to failure, or at least failure to produce up to potential.

An understanding of productivity, especially in the services sector, requires further investment. The links between capital availability, internally or externally generated, innovation and market creation need exploration. Accelerated OECD activity associated with biotechnology, spurred by a mandate from the G-8, would benefit from further economic, science and regulatory policy analysis, as well as a shift in focus to increased co-ordination among intergovernmental organisations. There would be great value to more analysis of the bonds between education and the responsiveness of the labour market to change among e-commerce, market creation and employment.

Launching a new WTO Round is still a prime objective of the BIAC. Despite the strong, substantive differences among WTO members on key issues, there is an opportunity for a new consensus among the OECD constituencies based upon the benefits of sustainable development, economic growth and the WTO open trading system. OECD has done much good work in the past, including the study "Open Markets Matter". These OECD and BIAC efforts need to be redoubled and coupled with renewed political leadership at the highest levels, in a long-term commitment to communicate this message. These are opportunities that BIAC believes you should grasp.

One theme that has, fortunately, received considerable attention at the OECD is the serious questioning of the cost of government for entrepreneurs and businesses; the public burden that is carried in their cost structure as they address the global market. The norms and standards established at the OECD are important tools for containing these costs. For instance, the OECD Model Tax Treaty and Transfer-pricing rules are rightly focused on this objective. So might be the development of common standards for information requirements and the furtherance of transparency between tax authorities where the reduction of the burden on the compliant taxpayer is a prime element.

The OECD work on regulatory reform, peer assessments and the development of comparative indices, are crucial to awareness and credibility of the Organisation's influence on efficient as well as good governance. With regard to the latter, there are exposures as well as opportunities with which the Organisation has been dealing and there is unfinished business. The Principles of Corporate Governance, the MNE Guidelines and the Convention on Bribery all address business. Each of those "coins" has a governmental side.

Good corporate governance is best effected within a framework of clear laws and transparent standards. Good corporate conduct by investors deserves a sound policy environment and non-discriminatory treatment by government. Criminalisation of the supplier of a bribe should be matched on the demand side. Failure of the OECD to deal with these issues is an exposure to the credibility of good governance in the broader sense.

While BIAC has addressed you separately with regard to the Guidelines, I do wish to note here the remarkable responsibility that is being assumed by government in the proposed implementation of an aspirational set of Guidelines. The Guidelines are voluntary in fact and effect. What is expected from multinational companies is good corporate citizenship, leadership by example to promote the effective use of the Guidelines as a tool. A governmental process will be thrust into a milieu of opinions and value judgements, many of them not reflected in the political conviction of law and regulation. For that process to be fair there must be a political conviction among you to keep it that way and see that it is not abused. Exposures to the market-based economy are not just from the market players.

After two years of review of the MNE Guidelines, we sincerely hope that we can return to the Declaration and the more fundamental task of promoting and preserving the benefits of investment. Vital

work on competition policy is of as much interest to the business community as to the enforcers. The e-commerce world will present challenges as new markets are created, many old markets rendered obsolete, products and players projecting globally.

And no policy area is more dependent on government and business working together for the careful and efficient use of our natural resources. The OECD and International Energy Agency work on energy, climate change and sustainable development is fundamental to long-term growth. Next year's Council Ministerial will be a milestone and we look forward to working with you in its preparation.

Finally, let me return to a word that I used early in my remarks, "purveyor". The serious work of the OECD doubles its value when it finds its way into the policy framework of emerging markets and developing countries. We view the work of the Centre for Co-operation with Non-Members and the Development Centre as important market preparation. Indeed the two Centres can play an important role in providing the intellectual translation of the OECD policy formula to match the needs of the reforming economies and developing nations, in all of which we hope to find our customers of the future.

These are important aspects of OECD leadership, and it is intellectual, analytical and practical leadership in which we will find the value of the Organisation."

The Vice-President of TUAC, Mr Luc Cortebeeck, made the following statement:

"Thank you for this opportunity to present to this Ministerial the views of the working people and their families that we represent in TUAC. The decision to hear from TUAC and BIAC - "the social partners" - is an important sign from the OECD that you do not want to be perceived as indifferent to the concerns of ordinary citizens, but want to engage with the two important constituencies of civil society in a serious dialogue. As with most "partners" you cannot expect us to agree on everything but from the side of TUAC we are committed to putting across our message and engaging with you in the debate.

The theme of this Ministerial meeting is "Shaping globalisation". That is significant because for some, globalisation has come to mean helplessness or that "there is nothing to be done any more". There is indigestion at the speed of change. This is the result of "letting markets rip" - without effective governance. For many people, globalisation is associated with rising inequality, social exclusion and growing insecurity. This is the result of ignoring the social dimension of globalisation. This is a dangerous sentiment to be allowed to spread. It leads to defensive responses, it can fuel rising nationalism.

This meeting is one of the first tests of how OECD governments will respond to these public concerns about the direction that globalisation has taken, as was vividly the issue on the streets of Seattle.

The response from governments must not be to say "it's business as usual" - when it comes to liberalising trade, investment or further deregulation of financial markets, if that is seen to be undermining other legitimate public policy objectives. Nor can it be to say "we just have to explain better the benefits of globalisation to people and that'll solve the problem". This is not a question of getting the "spin" right on globalisation.

What is needed is a fundamental rethink by governments of the desirability of the unregulated, deregulated global market place. Governments need to balance global markets with a system of international governance. There is a need for adequate regulation in order to strengthen both financial stability and social justice. We have to move to a value-based multilateral system and the OECD must ask itself what its contribution can be to such a system.

The written TUAC statement sets out some of our priorities for action that we hope this meeting will produce. I will highlight just three:

Firstly, we have a duty to push forward towards full employment - which, for the first time in a generation, could be made a reality in OECD countries. There is a clear need for a message that Central Banks and Finance Ministers must support the faster growth that is now appearing and not stifle it through restrictive policies based on unfounded fears of inflation. We then have to make sure that this growth creates decent jobs. The OECD must step beyond the simplistic notion of labour market "flexibility", where workers are expected to give up social protection, decent wages, or job security. In the knowledge-based economy, competitive advantage will lie with those countries that have strong social cohesion built on investment in education and training as well as solid industrial relations that give workers an effective voice and the tools to influence change. Inject that message into the OECD's Jobs Strategy and new Growth Project.

Secondly, we have to include the poor and the developing world in a fair share of the benefits of the "new economy" and not risk adding the digital divide to the social divide. Development assistance has fallen - it must be increased. Debt is rising - it must be written off. The policies of the International Financial Institutions must be reformed to meet the objectives of poverty reduction in developing countries. The OECD Development Assistance Committee must incorporate respect for core labour rights into its Poverty Alleviation Partnership.

Thirdly, we must move decisively to ensure that the global trade and investment systems including the OECD reinforce the work of the ILO to guarantee core labour standards. Change "two speed" globalisation. If global markets mean that workers have the same employers, the same technology and national policy is dictated by the same financial markets globally - then workers should have the same rights to form unions, the same right to negotiate, and there should be the same rights for children not to work - globally.

The new OECD Guidelines for Multinational Enterprises should be made an important element of the new rules of the global economy. But, to be credible, the Guidelines must be given transparent and effective implementation mechanisms and governments must show political will to ensure that they are observed. We will work with companies that respect the Guidelines to ensure their application globally, but we must be able to expose companies and countries that flout them.

To conclude, this debate is about governments accepting their responsibilities in setting rules for the global economy. At the dawn of the new century we have an opportunity and a duty to build a global system which is just. We are prepared to work in partnership to get proposals implemented. How many more Seattle's do we need before our concerns are taken seriously? On behalf of the TUAC, I thank you."

The Chairman thanked the last two speakers for their reports and for the work accomplished by the TUAC and BIAC. He then invited the Chair of the Economic Policy Committee to report on the current world economic situation.

The Economic Policy Committee Chair, Mr Martin Baily, gave the following presentation:

"The Economic Policy Committee of the OECD has met twice since the last Ministerial. At our most recent meeting, in late May, we spent considerable time discussing current economic prospects, risks to the economic outlook, and policy requirements in the three major OECD regions.

There was broad agreement that economic performance and prospects for the future are better than they have been in some time. Growth has accelerated, jobs are being created, unemployment is gradually coming down, and inflation remains subdued. Overall, the OECD Secretariat estimates OECD-wide growth at 4 percent in 2000 – the fastest in a decade – and 3 percent in 2001. Inflation is expected to

remain below 2½ percent in both years. Outside the OECD area, growth prospects are also expected to be favourable.

While risks to the global outlook still remain, the Economic Policy Committee took note of the significant upside potential. Although views varied as to the extent to which demand and supply conditions have tightened and excess capacity has diminished, a number of countries felt that positive improvements in the supply side of their economies, in conjunction with broader adoption of new technologies, may actually have raised their non-inflationary productive growth potential.

Delegates noted that economic performance continues to vary considerably across the individual countries of the OECD area. They discussed the implications for policy of these varying growth rates. In addition, some different views were expressed regarding whether growth is becoming more balanced and synchronised, or if economies are simply converging to their respective potential growth rates but at different secular rates of growth. In this regard, it was noted that imbalances in current accounts remain large, and in some cases continue to expand, and that better balanced domestic demand growth would contribute to the adjustment process.

Much of the discussion of the U.S. economy focused on productivity trends and explanations for their recent increase -- and what in turn this implied for policy. It was noted that both structural and cyclical factors have contributed to the increase in productivity growth and that the strong structural component is having powerful effects on both supply and demand growth. Some concerns were expressed over the possibility that demand is outstripping supply, but it was also noted that inflation has remained well behaved. Discussion also focused on the growing U.S. current account deficit and the mechanisms by which this imbalance would unwind. In commenting on recent U.S. economic performance, the U.S. noted the important role that reducing and eliminating fiscal budget deficits has played in freeing up capital for private investment, and the positive role of monetary policy in not prematurely cutting off growth.

Delegates welcomed the stronger growth in the euro area, and in Europe more broadly. The key issue for discussion was how to transform this stronger growth into a lasting economic expansion. Some concerns were expressed that, with the elimination of output gaps, inflationary pressures could build across Europe, necessitating a change in monetary stance. Some others felt that substantial economic slack still exists and that as a result of recent improvements in the supply side of European economies the non-inflationary potential growth rate of Europe's economy has increased. Views also varied somewhat over how best to use the fiscal dividends of higher growth, although there was broad agreement that further fiscal budget deficit reductions are desirable and that pro-cyclical fiscal policies should be avoided.

The situation in Japan was an important exception. Delegates acknowledged some difficulty in interpreting recent economic indicators, as some data point to a recovery while other data suggest some uncertainty about the recovery's strength and durability. There was broad agreement that fiscal stimulus should not be withdrawn prematurely and that monetary policy should continue to support the recovery. Some delegates suggested stronger measures will be necessary if the prospective recovery fails to prove robust. The Japanese delegates noted that their highest priority is to secure a lasting economic recovery, driven by private demand. Given Japan's growing debt levels, delegates agreed that at some point fiscal consolidation would be necessary for the future health of the economy.

The Economic Policy Committee also had its first discussion of the OECD's work to date on the "Growth Project." Much of the focus was on U.S. experience and whether recent productivity increases reflect a one-time change in the level of productivity (only a temporary surge in growth), or a new, higher trend in productivity growth. A number of delegates noted the data limitations that make answering this question difficult. At the same time, there was widespread agreement that there seems to have been a fundamental change and that the so-called "New Economy" is affecting the way the so-called "old

economy" operates. Even under this optimistic New Economy scenario, with accelerated productivity, higher potential GDP growth and a lower natural rate of unemployment, the laws of supply and demand have not been repealed. As U.S. Federal Reserve Bank Governor Meyer reminded the Economic Policy Committee, demand cannot grow faster than supply without creating imbalances in the economy. In particular, the very rapid U.S. demand growth of recent quarters is probably not sustainable even if the United States is now operating in a New Economy.

In this context, there was considerable discussion over the policy environment necessary to nurture a New Economy. In addition to the role of information technology itself, the importance of flexible labour and financial markets, competition policy, and investments in people were discussed.

The emergence of a New Economy and the resulting economic, social and policy implications are an important topic and one that I hope to return to in my remarks later today."

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- a) noted the introductory statement by the Secretary-General;
- b) noted the report by the Chairman on the Joint Consultations held on 25 June between the Bureau of the Council Meeting at Ministerial level and BIAC and TUAC [cf. C/MIN(2000)12];
- c) noted the statements by the Chairman of BIAC, the Vice-President of TUAC and the Chairman of the EPC.

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198. POLICIES FOR GROWTH AND SOCIAL COHESION

The Chairman introduced the subject as follows:

"Early results from the OECD Growth Project showed that growth in the 1990s as a whole was less impressive than in earlier decades. Some economies did well in the 1990s: the United States, Australia, Ireland, Netherlands, Norway and Denmark. But as a whole, the 1990s was not a strong period of growth until the last year or so. And prospects are for growth to accelerate in the area as a whole.

During the course of this working lunch, we will look at the following questions raised in the report by the OECD: Do Ministers see evidence of the emergence of a new economy in their own country? What are the most important policy orientations to enable the new economy to take hold? What is the role of entrepreneurship? What is the role of dynamic labour and capital markets? Also, what are the implications for social policy and social cohesion of the appearance of the new economy?

We are thus addressing growth, how it comes about, how we harness the new economy, and what it means in both economic and social terms."

A number of leadspeakers chosen by the Chair took the floor. A *tour de table* then followed. [See also written statements in Annex 2, pp. 31-48.]

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The Chairman concluded the debate in these terms:

“I think we have had a very fruitful discussion over the last two hours. I will not attempt to summarise it, except to say that there is a recognition that economic growth has the capacity to create jobs without inflation, a situation we have not seen for a while. As it has been said, if this growth continues in the future, governments will find themselves in a favourable conjuncture.

The work of the OECD has been helpful, and participants in the meeting request that you, Mr. Secretary-General, ensure that the work keeps going, and report back to us on the way in which we can accelerate these developments for the benefit of our countries’ populations. Obviously everyone has in mind how he can maximise and utilise these benefits, and that is a matter for national and sovereign governments. But I note the point that was made here: this change is for the good and it could have very long-lasting effects. Let us hope that it does.”

THE COUNCIL

noted the statements and comments by Members of the Council, and the conclusions by the Chairman.

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199. GUIDELINES FOR MULTINATIONAL ENTERPRISES

The Ministers reconvened after the working lunch in an enlarged session to discuss the question of the Guidelines for Multinational Enterprises, which had been added to the Ministerial Council Agenda. On the invitation of the Chair, Mr Blanco, Minister of Trade and Industry of Mexico, spoke as follows:

“We believe that the work that we have done with respect to the Guidelines is very good. We have a specific concern regarding the use of the full cycle for the environmental matter. But I believe very good work has been done; this is a document to which Mexico will be willing to subscribe.

It has been the product of a year of work. However, with respect to the Decision and the annexes, only three meetings at the technical level have taken place here in Paris without the input of senior officials at the policy level. We consider that this work is not finished. We have serious concerns regarding loopholes and ambiguities that will cause problems for the Organisation and will create a controversial environment within an Organisation based on co-operation.

We are extremely willing to work specifically on the Decision and its annexes in the next few hours, with the best intention of solving these simple and specific questions, that will mean minor revisions to the text. We hope that this can be done either in the next few hours or in whatever time it takes. But we are extremely willing to work with the purpose of solving this in the next few hours.”

After a brief discussion, the Chair recalled that a working group, under the chairmanship of Australia, had been working on this issue since the beginning of the morning. He proposed that this working group continue to meet in view of reaching a solution and suggested that Ministers return to the question, for decision, the following day [see pp. 15-16].

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200. ADVANCES IN TECHNOLOGY: CHALLENGES FOR GOVERNANCE

On the invitation of the Chair, Secretary-General Johnston introduced this item as follows:

“The OECD has been working over the past year to produce reports on biotechnology and other aspects of food safety. These reports have now been received by the Council of Ambassadors here at the OECD, and have been forwarded to the G-8 for their deliberations at the Okinawa Summit on 21-23 July.

In the course of this work, we have also had extensive NGO participation by way of consultations, both here at the OECD and at the Edinburgh Conference. The report by the Chair of that conference, Sir John Krebs, is one of the reports which has gone forward to the G-8 for discussion at the Okinawa Summit.

The G-8 asked the OECD to undertake this work because two working groups already existed in the OECD that had been involved in biotechnology and food safety issues for approximately a decade. It thus seemed logical to give us this task. I think we have responded very well to the request. I would emphasise that, while I think the Secretariat did a very good job, it must be recognised that the expertise here comes from your countries, your governments, your food safety agencies and other specialists. These reports also addressed environmental issues.

In the course of the ongoing work on food safety and other aspects of biotechnology, it became evident that there was a wish to see governments also play a more pro-active role, especially in the OECD, to address issues arising from new technologies that are being developed in laboratories. And this led one of our experts to ask, who is watching developments?

Among the documentation, you will find a paper called ‘Managing Risk’, which goes beyond the issue of biotechnology per se. I would also like to recall the following questions, which appear in the general brochure that has been given to you.

- Is there sufficient policy co-ordination at the international level to meet the challenges and risks inherent in the development of powerful new technologies?
- Are governments satisfied that existing national systems and international co-operation deal effectively with food safety issues, and respond to public concerns in a timely manner?
- Are governments satisfied that existing international co-operation is adequate to promote understanding and agreement on new developments in agriculture and food technologies, and on how to manage them?
- Should governments of international institutions do more to involve the public in these questions?
- On food safety, should more emphasis be given to sharing analysis of the environmental impacts of new technologies?

These questions were elaborated in the context that I have just described to help guide our discussions.”

The Chair invited two leadspeakers to take the floor. A debate followed. *[See also the written statements in Annex 2, pp. 51-61.]*

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At the end of the discussion, the Chair made the following concluding remarks:

“It appears to me that a couple of principles have come out of this very interesting discussion. The first is that genetically modified foods have the capacity to bring great good or great risk. As a result, it is very important that, at both national and international level, we find a focused way of dealing with these issues.

The second principle on which there seems to be consensus: we need a science-based and rules-based approach for dealing with the issues.

A third principle is that we need to inform our public and our consumers of the risks and benefits, and we need to take them along with us.

The next principle is that this is not just a matter for the developed countries, but one for the whole world and for the developing world in particular. And although some great steps have been made, further steps have to be taken to bring this to the developing world as well.

There was a lot of discussion about the appropriate forums for work and where we can get the best value-added. I am not sure there was a consensus reached on that issue, but I recall a point raised by one of the speakers: it is the outcomes that count, more than the venues in which these issues are discussed. Obviously some further work has to be done in relation to this.

It was a valuable and positive discussion, and I appreciate the way in which people have intervened and clearly stated their points of view.”

THE COUNCIL

noted the introductory remarks by the Secretary-General, the statements and comments by Members of the Council, and the concluding remarks by the Chair.

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Draft Communiqué (Item 202) -- Adoption of the sections covering the first day

Deputy Secretary-General Schlögl reported on progress in the Communiqué Negotiating Group. There was a consensus on paragraphs 1, 3 to 15 as well as on paragraph 27 concerning harmful tax practices [cf. Room document No. 1 of 26 June].

In the absence of any objection, the Chairman noted that there was agreement on the text of the draft Communiqué relating mainly to the first day's themes.

THE COUNCIL

approved paragraphs 1, 3 to 15 and 27 of the draft Communiqué.

The meeting was suspended and resumed on Thursday 27 June at 8.30.

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199. GUIDELINES FOR MULTINATIONAL ENTERPRISES (continued)

The Chair reported that the proceedings of the Working Group and the informal consultations since the previous day on the question of the Guidelines had resulted in a two-page document

incorporating changes that would hopefully secure Mexico's support. This document, circulated as *Room document No. 2*, contained possible responses to Mexico's concerns regarding the draft Council Decision and Annex on Implementation. Mr Costello noted that the six changes on this first page were acceptable to Mexico and that the other 28 Member countries would agree to these six changes if agreement could be reached on the next page. This second page presented two options, one drafted by the Mexican Delegation, and the other reflecting the position of the other countries. The Chair noted that enormous progress had been made and a lot of goodwill had been shown; he hoped that agreement could now be reached. [See also written statements in Annex 2, pp. 48-51.]

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The Ministers reached a consensus on compromise language reproduced in Room document No. 2/FINAL* and, on the proposal of the Chair:

THE COUNCIL

- a) noted the statements and comments by Members of the Council;
- b) endorsed the Report by the Secretary-General "*OECD Guidelines for Multinational Enterprises: Review 2000*" [C(2000)96/REV1, and agreed to its declassification together with the related commentaries contained in C(2000)96/ADD1/REV1]**;
- c) welcomed the initiative of Governments adhering to the Declaration on International Investment and Multinational Enterprises, meeting on the occasion of the OECD Council meeting at Ministerial level on 26-27 June 2000, to amend the Declaration by:
 - i) revising the core text of the Declaration as set out in Appendix 1 to the above-mentioned Report;
 - ii) revising the *Guidelines for Multinational Enterprises* as set out in Appendix 2 to the above-mentioned Report;
- d) adopted the Decision on the *Guidelines for Multinational Enterprises*, and the Procedural Guidance, as set out in Appendix 3 to this Report***, which will become effective on the same date as the amendments to the Declaration mentioned in c) above;
- e) noted that the Procedural Guidance constitutes policy guidance for National Contact Points (NCPs) and the CIME, but does not constitute legally binding rules.

* This Room document was subsequently re-issued as DAF/IME/RD(2000)15.

** A diplomatic Ministerial Conference was held immediately following the Council meeting, during which the Ministers of the OECD Member countries and the Ministers of the three non-member countries (Argentina, Brazil and Chile) joining the Guidelines modified the 1976 Declaration on International Investment and Multinational Enterprises to reflect the results of this review, notably the revision of the Guidelines [see CES(2000)17 and CES(2000)23].

***The Decision of the Council on the OECD Guidelines for Multinational Enterprises was subsequently issued as C(2000)96/FINAL. The full text of the guidelines is available on the OECD's website at <http://www.oecd.org/daf/investment/guidelines/mnetext.htm>.



201. REINFORCING THE MULTILATERAL SYSTEM

On the Chairman's invitation, the Director-General of the WTO, Mr Mike Moore, was invited to open the debate.

The Director-General of the WTO spoke as follows:

It has been a tradition over the years for Director-Generals of the WTO to report to the OECD. The two organisations have good co-operation. The OECD's work over the years, its research, intellectual vigour and leadership have helped mould public opinion. And I hope that the OECD can, with its usual vigour, do more work over the next few months to help mould public opinion.

Your Communiqué today will send a clear signal. This is important. I hope that as the workplan of the OECD evolves over the year, more solid work can be done to study and publicise the benefits of a round for developing as well as developed countries. I see a real advantage in a round that would assist developing countries in areas like e-commerce. This work has to be made more public.

I have certainly learned a lot since I have been Director-General. I also understand that it is far more difficult to be a Trade Minister now than it was in the 80s. Trade is now mainstream. Everybody has an opinion. A few years ago, the only people who covered international trade issues were the experts and the business pages. Now politicians face enormous pressures upon them from civil society. We welcome public scrutiny, because we do important work, and the decisions Trade Ministers make at the WTO have an impact on the lives of all people.

We have little to hide, and we have to have active and stronger champions for what we have been able to do. The gains to the world economy from the Uruguay Round came to about 240 billion dollars per year. That is not a bad return on the investment governments make of about 75 million to our budget.

We all have our own particular alibis regarding the Seattle meeting. But I believe the simple truth is that we could not agree and it should not come as a surprise to anyone that you do not have an agreement unless you can agree. The differences were too profound. That is not to say anyone was right, or wrong. The differences were not solely North-South, nor were they solely regarding agriculture. Major transatlantic differences divided us including investment, competition, anti-dumping, agriculture, implementation issues, the difficulties of market access for least developed countries, and social issues. We were not able, with the Trade Ministers, to bridge these differences. Indeed, I warned Ministers several times before the meeting in Seattle that it was not more time that we needed in Seattle and Geneva or even more money. The truth was that the Ambassadors, following the instructions of their capitals, had worked themselves into a corner, and it would not have mattered if we had another month of three-hour meetings and Sunday meetings in Geneva, we could not have presented Ministers with a more consistent text.

I am always asked about the prospects of a new round. There is a modest chance, a window to share that is very small. In this context, political will is a determining element as well as whether or not people have flexibility. But if I ask those Ministers who can say that they have more flexibility than they had in Seattle to hold up their hands, I am not sure I would see many. There has been a modest mellowing of positions. Thanks to the work of Ministers and officials, the transatlantic relationship is improving. There is a solid dialogue, but I cannot yet report anything concrete.

So what is happening in Geneva? I think I can report that the confidence-building programme that we have embarked upon has been successful. There is a far better climate in Geneva. There is, I

believe, a genuine attempt by Ambassadors, encouraged by Ministers, to make more progress. If we take a look back to the beginning of 2000, when the critics were saying we could not even call a meeting, we have made substantial progress. We have successfully launched the major negotiations in agriculture and services, which together account for 60-70 percent of the world economy. There are road maps and timetables for each of these sectors. Constructive papers are coming forward from major players, who have major differences, of course, in agriculture.

We have made significant progress on accessions, and I want to thank a few friends around this table who have helped unblock some difficult situations.

Thanks to the goodwill of people in this room, we have established a mechanism, a vehicle, to study and work on the implementation issues that were so divisive before Seattle. The implementation issues are those problems that some developing countries have with some of the Uruguay agreements. The goal is not to have a renegotiation. It is to assist with compliance, to see where we can get some sensible movement. But we had spent more time on the implementation issues before Seattle than we had spent on agriculture. So there is major movement from both sides.

We have a vehicle, a timetable and a road map on implementation. We have been able to work through an important package to help the world's poorest countries get market access. Again, congratulations to those who are able to get difficult legislation passed in their Parliament, and other countries -- more than 20 -- that are making offers to increase market access to Least Developed Countries. And that includes some developing countries, and some economies in transition. I would encourage colleagues who have not spent much time thinking about this, to reflect on what kind of offers they could make.

If the WTO and the multilateral system is to have any moral authority, it ought to act in ways that are moral and right. It is hard to argue with Least Developed Countries, which account for only half of one percent of world trade, that they should be blocked from the markets of the wealthier countries in their areas of excellence.

There is one area where we are making substantial progress. It is a programme called the 'Integrated Framework' established in 1996, at the request of Ministers. When they met in Singapore, the Ministers were unable to deliver anything of substance, in terms of market access, to Least Developed Countries. The whole idea of this was that these countries would develop a needs assessment based on their trade and development needs to be put on the tables of all the international institutions, and then we would solve some of the trade development problems. Since February, it seems we are progressing, in collaboration with the other institutions concerned. We have reviewed, audited and evaluated it extensively, so that hopefully we will be able to make substantial progress. I would not feel embarrassed about being the first international institution to say that this is not working. I think it can, and I think we will make it work.

We are also building quietly on other areas, such as e-commerce, the built-in agenda of use of TRIPS-TRIMS, e-commerce and government procurement. This work is beginning. It is not meant to prejudge or pre-empt what Ministers may decide to include in a round later on. The EU-US Lisbon Summit was worthwhile. I believe the declaration by the APEC Trade Ministers, from Darwin, on e-commerce and the advice that we should begin work on industrial tariffs, was worthwhile. And the OECD has always played a major role in the trade policy debate, and your documents are often referred to. The OECD and WTO are in many ways complementary. So it is important to have a strong declaration that reaffirms the commitment to advance the trade agenda in a balanced way.

I am a natural optimist and I believe it can be done. Without pre-empting anything or prejudging anyone's position, there is a lot of work we should be doing in preparation, as well as the core business of the in-built agenda that you Ministers have instructed us to do and the new work on implementation. We will have a new round; the only question is when.

A number of leadspeakers chosen by the Chair then took the floor. A *tour de table* followed. [See also written statements in Annex 2, pp. 61-73.]

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At the end of the debate, the Chair observed that the breakdown of talks to launch a New Round at the Ministerial Meeting in Seattle was clearly due to the disagreement of the governments themselves. The breakthrough would thus have to come from the governments themselves. Addressing his colleagues, and Mr Mike Moore in particular, as the head of the WTO, Mr Costello wished the WTO all the best in its work to relaunch this process. He added that the OECD was also playing a role in this, and notably the Forum 2000 event taking place at that very moment at *la Défense* aimed at giving NGOs a voice in the policy dialogue.

THE COUNCIL

noted the introductory statement by the Director-General of the WTO, the comments by Members of the Council, as well as the concluding remarks by the Chair.

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202. APPROVAL OF THE DRAFT COMMUNIQUE

Deputy Secretary-General Schlögl explained that there were three issues that were yet to be settled in the draft Communiqué. These concerned § 23 on agriculture, § 27 on investment policy and § 40 on development aid [cf. Room document No. 3]. Following a short discussion of the options possible for each of these sections [cf. Room document No. 4], and on the proposal of the Chair,

THE COUNCIL

approved the Communiqué of its Meeting at Ministerial level [Annex 1, attached].

[The Communiqué was reproduced as News Release PAC/COM/NEWS(2000)70]

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203. OTHER BUSINESS

Mexico expressed its appreciation to the Chair, Minister Costello, for his even-handed leadership and open mind in presiding over this Council Meeting at Ministerial level. Mr Costello had managed to build consensus on difficult issues and had resolved potentially critical issues for the Organisation. Belgium joined Mexico to warmly thank, on behalf of the Council Members, Mr Costello for having conducted the work of this meeting with such professionalism and efficiency. The success of this meeting would contribute to reinforcing the OECD, an Organisation to which it was profoundly attached. The

Secretary-General in turn expressed his gratitude to the Chair and the Australian Delegation to the OECD for their tremendous work in preparing this event.

The Chairman also addressed his thanks to the speakers for their kind words and, in turn, acknowledged his gratitude to the Vice-Chairs, the Ministers of Canada and Finland, for their assistance and friendship. He closed the meeting by thanking all of the participants and the Secretariat.

ANNEX 1

COMMUNIQUE

SHAPING GLOBALISATION

1. The OECD Council at Ministerial level met on 26-27 June 2000, under the chairmanship of the Honourable Mr Peter Costello, Treasurer of the Commonwealth of Australia, assisted by the vice-chairs from Canada, Mr Pierre Pettigrew, Minister for International Trade and Mr Jim Peterson, Secretary of State (International Financial Institutions), and from Finland, Mr Kimmo Sasi, Minister for Foreign Trade. Consultations were held with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD.

2. Ministers welcomed the participation of the *Slovak Republic* in their meeting as an observer. They recognised the willingness and ability of the Slovak Republic to join the OECD. They agreed that the accession procedure of the Slovak Republic should be completed as soon as possible.

3. OECD countries are undergoing the most profound transition in decades, to an increasingly knowledge-based and interdependent world. *Globalisation* and the impact of rapid advances in technologies are presenting new opportunities and new challenges to all countries, regions, societies and citizens. Fast changing information and communications technologies are transforming markets, including financial markets, and require new methods of organising work, business and trade to harness the benefits of globalisation. However, Ministers recognised the serious concerns felt by many at the economic and technological changes underway, and the importance of addressing these concerns locally, nationally and internationally.

4. Globalisation presents *governance* with new questions. Governance, at all levels, establishes the conditions whereby individuals singly and collectively seek to meet their aspirations in society. Good, effective public governance helps to strengthen democracy and human rights, promote economic prosperity and social cohesion, reduce poverty, enhance environmental protection and the sustainable use of natural resources, and deepen confidence in government and public administration. Building trust in public institutions is a keystone of good governance. OECD's report *Public Trust: Ethics Measures in OECD Countries* provides a comprehensive overview of ethics management measures in all Member countries. Enhanced openness, transparency and accountability, through strengthened processes of consultation and a better understanding of the changing relations among government and civil society, are fundamental elements of governance. Information and communications technologies (ICT) provide important new ways for governments to interact with citizens.

Sustainable Development and Social Cohesion

5. Achieving *sustainable development* remains a major overarching goal of OECD governments. In 2001, OECD's *Policy Report on Sustainable Development* will be complemented by the analysis of the *Growth Study* and the *Environmental Outlook and Strategy* to provide a mutually supportive and consistent policy framework for better integrating economic, social and environmental considerations. Climate change, conservation of biodiversity and sustainable management of natural resources remain among the most serious global policy challenges, and OECD will continue to advise governments on how best to meet their commitments under the Kyoto Protocol. OECD will make a significant contribution towards advancing the international agenda on sustainable development for the "Rio+10" meeting in 2002, and will have a key role in advising governments with policy analysis and recommendations.

6. OECD economies are adjusting to a wide range of changes, with profound effects on work and society. *Enhanced social cohesion*, bolstered by full employment, will facilitate this adjustment. Policies

to enrich human and social capital are needed to enhance the ability of economies and individuals to adapt to these changes, and to ensure that the benefits extend to all groups in society, particularly the disadvantaged. OECD's work in the following areas will assist governments to promote social inclusion:

- *Employment*: Recent developments in several countries illustrate that full employment is realisable, if disincentives to work are removed and employment opportunities expanded through mutually supportive micro- and macroeconomic policies. Comprehensive country-specific implementation of the recommendations of the *OECD Jobs Strategy* remains essential.
- *Education and training*: The growing importance of new technologies in the workplace, especially information and communications technologies, requires the continuous updating of skills. Strategies for investment in education, and effective opportunities to renew knowledge and competencies throughout life, are necessary for individual fulfilment and economic success. OECD Education Ministers will make recommendations on these issues at their meeting next April.
- *Inclusion*: Maintenance of social cohesion through policies that promote a high level of inclusion is an essential element in a knowledge-based society. Social cohesion can be further strengthened by appropriate family and community support strategies; these can also help to produce long-term economic and labour market benefits.
- *Ageing*: Ministers welcomed the follow-up to OECD's report *Maintaining Prosperity in an Ageing Society*. They renewed their commitment to create an environment in which older people can play an active role in society and be given more flexibility over their retirement decision. Policy reform should aim at phasing out incentives for early retirement.
- *Health*: Good health should be accessible and affordable to all. All countries need to improve the performance of their healthcare systems in order to achieve their equity and efficiency goals. Both the costs and impacts of ageing and healthcare financing require greater attention across OECD countries. Ministers support an enhanced strategic focus on health issues by the OECD and looked forward to the results of its work.
- *International migration* is of increasing importance: policies are needed to facilitate the better integration of migrants in receiving countries. Migration also helps meet the changing needs of the labour market.

Economic perspectives

7. The *world economy* is developing more favourably than it has for some time. Nearly all OECD countries are enjoying stronger rates of growth -- overall the fastest pace since 1988 -- with low inflation and falling unemployment. Outside the OECD area, many emerging market and transition economies are recovering vigorously from the 1997-98 crises and should continue to see rapid growth; key factors have been macro- and microeconomic reforms in those economies, strong growth in trading partners, particularly the United States, and the maintenance of open world markets. However, considerable uncertainty surrounds prospects for commodity and financial markets and their implications for the world economy; the durability of growth in some countries remains in question. A number of least developed countries are not yet benefiting from globalisation.

8. The *United States* is undergoing the longest period of expansion on record. Productivity growth has accelerated, unemployment has declined considerably and real incomes have grown across the board.

New technologies and structural changes have raised the economy's non-inflationary growth potential. Notwithstanding some recent signs of slowdown, demand may still be running ahead of supply with the risk of increasing inflation. The current account deficit has risen sharply, primarily reflecting the relative strength of the US economy. The challenge for monetary authorities is to maintain a sustainable pace of demand growth consistent with low inflation. Fiscal policy should not be relaxed and national saving should be increased.

9. In the *Euro area*, and elsewhere in *Europe*, growth and employment prospects in the near term are better than at any time since the late 1980s. Unemployment has fallen steadily without generating inflation in the area as a whole. There is a limited risk, however, that despite recent positive supply-side developments in labour, product and financial markets, inflationary pressures may emerge. Monetary policy should continue to focus on price stability, in order to contribute to the maintenance of favourable conditions for a lasting, non-inflationary economic expansion. Given current output prospects, any easing in fiscal policy in Euro countries should be avoided and unanticipated higher revenues should be used to lower public debt. In those countries where tax burdens are high, tax reductions should be directed at enhancing supply capacity and accompanied by cuts in spending, thus preventing deterioration in underlying fiscal positions. The goal now is to transform the current expansion into a long-lasting one. Further progress on structural reforms would assist European economies to move onto a path of higher sustained growth, by raising productivity and employment and by deriving greater benefits from innovation and the potential offered by new technologies.

10. In *Japan*, the economy is showing positive indications of recovery, but its durability is uncertain. Policy should aim at sustaining the recovery in the short-term without compromising the long-term health of the economy. Accommodative monetary conditions should be maintained. Fiscal consolidation is not appropriate in the short run but a credible medium-term strategy needs to be drawn up and implemented to address high and rapidly growing gross public debt levels once the economy is on a full recovery path led by private demand. The speedy implementation of comprehensive structural reforms, including continuation of ongoing reform of the banking sector, and corporate restructuring, are needed to foster dynamism in the economy. Regulatory reform continues to be important for the economy.

The “new economy” and the sources of growth

11. OECD has begun a major study on *the sources of growth* to be completed in 2001, in particular to identify whether a “new economy” is taking shape and how policies need to adjust. There have been wide differences in growth performance between Member countries in recent years. Better performance has been most striking in the United States with GDP growth per capita moving ahead of the OECD average. Other OECD economies (notably Australia, Denmark, Ireland, the Netherlands and Norway) are identified in the First Report on the OECD Growth Project as having achieved rising trend growth in GDP per capita in the 1990s compared with the 1980s. These countries were relatively successful in mobilising potential labour resources over the 1990s. Some recent OECD Members, including Poland, have also sustained vigorous economic growth over that period. The recent performance of some other OECD economies has also been very good. The causes of these better performances differ, but strong records of economic reforms are a common factor.

12. There is increasing evidence of the role played by *innovation, research, knowledge and information and communications technology (ICT)* as drivers of productivity, employment and growth. Evidence of a “new economy” is clearest in the US, with its strong non-inflationary growth linked to a rising influence of ICT and strong growth in labour productivity in the late 1990s. Signs of positive effects from growing ICT investment have increasingly emerged through the 1990s in many other OECD countries.

13. OECD's work will assist Member countries to deepen their understanding of the strong economic performance in these countries, the emerging role of ICT and the potential for a "new economy", and thus better shape their policies. Ministers stressed that sound growth- and stability-oriented macroeconomic policies, open and flexible domestic and international markets, and regulatory and administrative frameworks that encourage entrepreneurship are vital to good economic performance. All countries in OECD and beyond have the potential, within their own social contexts, to participate in the opportunities offered by the "new economy" dynamic. The risk of a "digital divide", both within and between countries, especially access to technology for developing countries, must be seriously considered.

14. *Electronic commerce* is rapidly increasing its impact on productivity and growth. International co-operation to formulate coherent policy approaches to this global phenomenon is essential. Consumer trust in electronic commerce is vital if its potential is to be fully realised. *OECD Guidelines on Consumer Protection* adopted in December 1999 are a significant contribution to this process; follow-up work on implementation is needed. OECD will co-sponsor a conference in December 2000 on alternative dispute resolution mechanisms applicable to online commerce. Greater confidence in authentication and privacy protection is also required. OECD will pursue its work in these areas, and engage with the private sector and other stakeholders to develop effective policy responses to other urgent Internet security issues such as hacking and viruses. OECD will hold a conference in January 2001 on the key electronic commerce policy issues, including the dangers of a "digital divide", in which a broad range of economies outside the OECD area, business, labour and civil society interests will participate.

15. *Small and medium sized enterprises* are central to the vitality of our economies. Ministers welcomed the *Bologna Charter* adopted at the Conference on 14-15 June 2000 which sets out the need for a policy environment that will enable SMEs to flourish and thus contribute to employment, social cohesion, and local development. OECD will work to deepen Member countries' understanding of the issues set out in the Charter and their policy implications, and will share the results of this work with countries outside the Organisation.

Maintaining momentum in trade liberalisation

16. *The rules-based multilateral trading system* provides the best framework for global growth and prosperity. To this end, enhanced multilateral liberalisation, based on strengthened multilateral rules and combined with well-designed domestic institutions and policies, will help realise the promise of a "new economy" and support poverty reduction and sustainable development. Ministers are determined to work towards the launch as soon as possible of an ambitious, balanced and broad-based WTO round of multilateral negotiations reflecting the needs and aspirations of all WTO Members. The lessons of the WTO Ministerial meeting in Seattle are clear. Ministers agreed that strong political will and greater flexibility on all sides are needed if we are to build consensus for a new Round; more must be done to address the particular and varied concerns of developing countries and there must be a broader engagement with our societies to establish a constructive dialogue on the benefits and challenges of trade liberalisation. In that respect, Ministers stressed the need to accelerate the on-going process in WTO to improve its functioning.

17. Ministers reaffirmed their commitment to constructive negotiations under the built-in agenda and will work together to seek progress in these negotiations. Beyond this built-in agenda on agriculture and services the new Round should also strengthen further the WTO system and open up opportunities for a more inclusive range of interests for all WTO members to be addressed in a manner responsive to the challenges of the 21st century. Ministers reaffirmed their commitment to continue preparatory work to this end.

18. The *interests and concerns of developing countries* are a particular priority in the preparations for and conduct of a new Round. The recently agreed short-term confidence-building measures regarding implementation of Uruguay Round undertakings, increased market access for the least developed countries and technical assistance for enhanced capacity building must be pursued expeditiously. Ministers recognised the need to go further in this area. They welcomed the work of OECD on trade and development issues.

19. Ministers welcomed the *expansion of WTO membership* and progress in accessions, including that of *China*, and thus the fuller integration of new members into the multilateral trading system.

20. *Public interest in globalisation* has focussed on the multilateral system. Enhanced openness and transparency of that system is central to the task of demonstrating the benefits that flow from open markets. Public understanding of the linkages and complementarities between trade liberalisation and the range of issues arising in other policy areas must be deepened if the multilateral trading system is to be strengthened and gain broad public support. Enhanced co-operation among relevant international bodies -- such as the WTO, IMF, World Bank, UNCTAD, ILO, WHO, UNEP -- and OECD is essential. OECD's analytical work in support of the multilateral trading system, including its work on investment, trade and environment, trade and core labour standards, and trade and competition, together with its contributions to international understanding of governance issues, remains relevant.

21. Ministers strongly regretted the failure of the Participants to the *Export Credit Arrangement* to reach agreement on an Understanding covering agriculture as mandated in the Uruguay Round. They called for the negotiations to be resumed and successfully concluded by end of July if possible and by the end of 2000 at the latest. The work on the financing issues of the Export Credit Arrangement should examine its disciplines in relation to commercial practices and to their consistent application, taking into account, inter alia, recent developments in the WTO. Good progress has been made in the OECD's Export Credit Group on strengthening common approaches on environment and export credits. Ministers urged completion of the Work Plan by the end of 2001, and requested a report on progress at their next meeting. The Export Credit Group should also strengthen measures towards ensuring that export credit support to Heavily Indebted Poor Countries (HIPC) is not used for unproductive purposes.

22. Ministers noted with concern that the *OECD Shipbuilding Agreement* had not yet come into force and that the industry continued to face serious difficulties in certain regions. OECD will continue its work on shipbuilding, including to improve transparency, particularly in view of the need to establish normal competitive conditions in the industry. OECD will enhance contacts with major non-OECD shipbuilding countries.

23. *Support to farmers* in the OECD area as a whole, as measured by the Producer Support Estimate, has returned to the high levels of a decade ago. Low world commodity prices and the resulting pressure on farm incomes have led many countries to introduce new measures or to provide additional support to farmers. In many cases measures have been implemented in ways inconsistent with the principles of agricultural policy reform, whereas in some other cases countries have introduced decoupled support measures consistent with these principles. Ministers reaffirmed, in conformity with Article 20 of the Uruguay Round Agreement on Agriculture, their commitment to the long-term objective of substantial, progressive reductions in support and protection, resulting in fundamental reform. Ministers agreed to continue their efforts to implement the broad set of shared goals and policy principles for agricultural policy reform, and recognised: the multifunctional characteristics of agriculture, and the need to ensure that policies should be targeted, transparent and cost-effective, maximise benefits, and avoid distorting production and trade. Food safety, food security, viability of rural areas and protection of the environment, as well as the economic efficiency of the agro-food sector, are common concerns. Policies to address these

concerns need to respect the principles and criteria, noted above, as agreed in OECD. OECD work is of great value for the reform of agricultural policies and as support for on-going WTO trade negotiations.

24. *Effective and sustainable management of fisheries resources* and the relationship between resource management and trade are important areas for international action. Over exploited fish stocks must be rebuilt to sustainable levels. Policies should address the causes of overfishing and short-term social and economic adjustment costs without distorting trade or detracting from the global objective of sustainable resource use. OECD's recent study, *Transition to Responsible Fisheries*, together with new work initiated on fisheries market liberalisation, the costs of managing fisheries and fisheries sustainability indicators, including government financial transfers issues, will be valuable contributions to policy development. Aquaculture issues should be an integral part of this work.

Governance

25. There is an increasingly *common governance agenda* in OECD and non-OECD economies. Approaches to governance must adapt if the benefits of globalisation are to be fully realised and shared, and take account of each country's circumstances. Ministers called on OECD to continue to make its vital contribution to policy-making and implementation on governance issues, in dialogue with economies outside the Organisation's membership through its developing *Governance Outreach Initiative*, in partnership with other international and regional organisations, and in broad and open consultation with civil society. OECD will report progress on its *Governance Outreach Initiative* in 2001.

26. Ministers welcomed the updated *Guidelines for Multinational Enterprises* adopted by OECD governments together with those of Argentina, Brazil, Chile and the Slovak Republic. The Guidelines provide a robust set of recommendations for responsible corporate behaviour worldwide consistent with existing legislation. They are part of the *OECD Declaration on International Investment and Multinational Enterprises* which provides a balanced framework to improve the international investment climate and encourage the positive contributions multinational enterprises can make to economic, social and environmental goals. The Guidelines have been developed in constructive dialogue with the business community, labour representatives and non-governmental organisations and represent an important step in addressing some of the public concerns over globalisation. Effective implementation will depend upon the responsibility and good faith of all concerned: governments, business and labour organisations and other interested parties all have a role to play.

27. OECD will continue its analytical work in the field of *investment policy*, including work on maximising the benefits of investment liberalisation, its social and environmental dimensions and on harmful forms of policy-based competition to attract investment. OECD will encourage non-Members to adhere to the Declaration on International Investment and Multinational Enterprises.

28. OECD has made important progress towards eliminating *harmful tax practices*. As a follow-up to the 1998 Council Recommendation on Harmful Tax Competition, 47 potentially harmful preferential tax regimes of OECD Member countries have been identified. Ministers having approved the 1998 Report reconfirmed the commitments of their countries to remove by April 2003, following development of further guidance on the application of the 1998 criteria, any features of their preferential tax regimes found to be actually harmful. On tax havens, the OECD initiated a review of a number of jurisdictions. Ministers welcomed the commitment by six jurisdictions* to eliminate harmful tax practices, and they are not identified in the Report** issued today, even if they presently meet the tax haven criteria. Of the remaining jurisdictions, 35 have been identified as having met the technical criteria for being tax havens.

* Bermuda, Cayman Islands, Cyprus, Malta, Mauritius, and San Marino.

** Progress in Identifying and Eliminating Harmful Tax Practices.

The OECD will develop by 31 July 2001 a List of Unco-operative Tax Havens. This list would be used as the basis for the development of defensive measures as foreseen in the 1998 Report. The OECD will assist co-operative jurisdictions to meet international standards as they move away from using harmful tax practices, and will initiate a dialogue with non-Member economies to eliminate such practices.

29. *Electronic commerce* raises new issues for *tax policy and administration*. Business, consumers and governments need a predictable environment if the full potential of e-commerce is to be exploited. Ministers confirmed the lead role of OECD to achieve the successful resolution of these issues: progress has been made toward implementing the *Ottawa Taxation Framework Conditions for E-Commerce*. Ministers welcomed the constructive contribution by business and countries outside the Organisation's membership to this work and looked forward to a progress report at the next meeting on both the direct and indirect tax issues raised by electronic commerce. OECD will co-sponsor a global conference in 2001 on "Tax Administrations in an Electronic World".

30. The fight against *corruption* is a high priority. Considerable progress has been made in the ratification, implementation and monitoring of the *Bribery Convention* which came into force in February 1999. Twenty-three countries have completed their internal process, 21 of which have had their implementing legislation reviewed by the Working Group on Bribery. Ministers commended these countries and urged that deficiencies identified in current implementing legislation be remedied as soon as possible. Ministers were encouraged that a number of countries are on the verge of completing their internal process and it is urgent that all signatories ratify and implement the Convention. Ministers called on the Working Group to begin monitoring of enforcement of the implementing legislation as soon as possible. Anti-bribery legislation must now be effectively applied in practice, and work advanced on further issues relating to corruption^{***}. To strengthen the fight against corruption, bribery of foreign public officials should be made a serious crime triggering the application of money laundering legislation. OECD will continue to seek to engage countries outside its membership in its work. Work should continue regarding the potential anti-corruption effects of international trade rules pursuant to the 1999 Ministerial mandate.

31. The Financial Action Task Force has also made significant advances in spreading the *anti-money laundering* message throughout the world, notably in its report on improving the policies of non-co-operative countries and territories.

32. *Hard core cartels* are a multi-billion dollar drain on the world economy. Governments need to demonstrate to consumers around the world that they will be protected effectively against such abuse. OECD's 1998 Recommendation has been a catalyst for tougher anti-cartel laws and new enforcement programmes; more countries now need to join this effort. Bilateral and multilateral law enforcement co-operation needs to be enhanced and efforts undertaken to eliminate unjustified obstacles to appropriately safeguarded information exchange between and among countries.

33. Further progress on *regulatory reform* is necessary in Member countries. High quality regulation, in open and competitive markets, will remove inefficiencies without jeopardising high standards in areas such as health and safety, and the environment. The multidisciplinary work of the OECD on regulatory reform and the current reviews of progress in Member countries are a valuable contribution to promoting good regulatory practices, and should continue with other Member countries.

^{***} Bribery acts in relation with foreign political parties; advantages promised or given in anticipation of a person becoming a foreign official; bribery as a predicate offence for money laundering; and the role of foreign subsidiaries and offshore centres in bribery transactions.

34. OECD and the World Bank have successfully initiated joint activities to promote corporate governance reform worldwide, using the *OECD Principles of Corporate Governance* as a framework for dialogue. The two institutions will further their efforts over the coming years through a series of white papers addressing specific corporate governance issues in Russia, Latin America and Asia. In order to further promote financial stability and corporate transparency, the OECD will conduct analytical work on the misuse of corporate entities.

35. Corporations are responding to public concerns through adoption of *codes of conduct*. More analytical work is needed to understand the implications of this development.

36. *Biotechnology* is of growing importance to our societies because of its far-reaching consequences for, inter alia, human health and healthcare, agro-food production and sustainable development. Deepened international understanding and co-operation in managing the benefits and risks are necessary if the potential economic, environmental and social benefits are to be realised and new regulatory issues resolved. Public confidence, in particular, needs to be retained and enhanced through transparent policies. OECD will continue to contribute to this process of understanding across the broad range of biotechnology issues, and will seek to engage countries outside its membership in this work. Ministers invited OECD to consider holding a conference in 2001 to address the environmental impacts of genetically modified organisms.

37. *Food safety* is a fundamental objective for all governments. Ministers affirmed their commitment to a science-based and rules-based approach. How precaution should be applied to food safety in circumstances of scientific uncertainty is being discussed to promote understanding of the various view points on the subject and to achieve greater global consensus on this issue, in particular in the Codex Alimentarius Commission. OECD has undertaken substantial work on biotechnology and other aspects of food safety, including work requested by the G8, contributing to international understanding on different policy approaches. Consultation with interested parties, notably with NGOs and the Edinburgh Conference on GM foods in February this year, has been very successful. The OECD will continue to undertake analytical work and to play an effective role in international policy dialogue on food safety, maintaining its engagement with civil society and seeking to share its work in this area with countries outside the Organisation's membership. Drawing on its comparative advantages, the work of the OECD will effectively complement, without duplication, the activities of other international organisations, in particular the FAO and WHO.

Development Co-operation

38. *Development co-operation* has a crucial role to play in promoting the inclusion of developing countries in the process of globalisation in order to sustain growth and reduce poverty. The Development Assistance Committee Policy Statement *Partnership for Poverty Reduction* signals the key importance of comprehensive country-level development frameworks integrating anti-poverty strategies. The internationally-agreed development goals set for 2015 for poverty reduction and social and environmental progress provide a reference point and performance monitoring tool for both international action and domestic development strategies. Real advances have been made in most regions during the 1990s, but many countries, particularly the poorest, will not achieve the goals without major domestic efforts and international support. Commitment to respect for human rights, including gender equality and the empowerment of women, is an integral part of development co-operation, and vital for sustainable poverty reduction.

39. *Poverty reduction strategies* and partnership are the basis for the significantly increased debt reduction effort for HIPC countries agreed last year. Member countries' contributions to finance agreed multilateral debt reduction, based on the principle of fair burden sharing, should be made as soon as

possible to avoid delay in implementation. Resources freed by debt reduction and foreign assistance must be used effectively for development and poverty reduction, and unproductive expenditure avoided. OECD will develop guidelines on poverty reduction as well as further guidance on implementing partnership principles in ways that improve public governance in partner countries. Improved policy coherence within OECD countries is also necessary if developing countries are to take full advantage of the opportunities of globalisation: OECD will develop a Checklist on Policy Coherence to assist its Member countries in this area. The OECD will also deepen its analytical work on the linkages between trade liberalisation, economic growth and poverty reduction.

40. *Aid flows* to developing countries have increased significantly for the second year running. OECD governments welcome this development. They will work to ensure that this recovery continues and will increase their efforts to make additional funds available. In doing so, most Members are guided by the 0.7 per cent ODA/GNP target. OECD governments will seek to mobilise private domestic and external resources as recommended in the new Development Finance Agenda. Ministers regretted that DAC members were so far not in a position to reach a consensus on a recommendation on untying aid to the least developed countries as mandated by the DAC High Level Meeting in 1998. In order to increase the effectiveness of aid, Ministers urged that discussions continue aimed at reaching agreement as soon as possible.

Co-operation with Non-Members

41. Ministers endorsed OECD's continuing programme of *co-operation with non-Member economies*. They welcomed the Special Dialogue conducted at high levels, and recognised the important contribution that such meetings make to the enrichment of policy dialogue, and to mutual understanding on global issues, between the OECD countries and non-Members. The global reach of the OECD programme of co-operation with non-Members reflects the growing interdependence of the world economy. The Organisation must deepen and extend its relations with non-OECD economies, in the fields where it has a comparative advantage, toward the development of a rules- and values-based world economy. Furthermore, Ministers reiterated that OECD must remain open, on the basis of mutual interest, to membership by countries sharing the same values, while being selective and pursuing the Organisation's tradition of high standards for membership as well as efficiency and relevance to its Members.

42. Building a democratic, peaceful and prosperous *South Eastern Europe* requires a strong determination by the countries in the region to reform their economies and societies, and a sustained commitment by OECD countries to co-operate with them. Ministers pledged the continuing active support of their countries to OECD's efficient work in South Eastern Europe, particularly its contribution to the design and implementation of the Stability Pact's Compact for Reform, Investment, Integrity and Growth, and Anti-corruption Initiative.

* * *

43. Progress has been made toward the *financial stability* of the Organisation, in particular through the decision to establish a pension fund for its staff. Ministers encouraged the Organisation to strengthen its current work on priorities and financial and management reform. The implementation of a long-term strategy for OECD's headquarters site is essential to the Organisation's effective and efficient functioning.

44. Ministers welcomed the *OECD Forum 2000*, which marks a major step forward in the Organisation's openness toward economies outside its membership and to civil society. In this context, they asked the Secretary-General to develop options for strengthening the process and structure of its consultation and dialogue with civil society.

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ANNEX 2

WRITTEN STATEMENTS*

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* Statements submitted to the Secretariat during the meeting [see CES (2000)12, §§ 18 and 20].

ITEM 198: POLICIES FOR GROWTH AND SOCIAL COHESION
POINT 198 :MESURES EN FAVEUR DE LA CROISSANCE ET DE LA COHESION SOCIALE

AUSTRALIA / AUSTRALIE

Mr. Mark Vaile, Minister for Trade, Department of Foreign Affairs and Trade

We strongly welcome the Growth Project along with the OECD work before us at this MCM. There is a lot of OECD work before us at this MCM that are important deliverable policy products, such as in the tax area. But, we should not lose sight of the fact that the OECD is also very strong on policy analysis as well. The Growth Project is an example of that, as was the Jobs Study.

Australia is one of the countries identified in the first report as having lifted its trend GDP growth per capita in the 1990s, compared with the 1980s. We are now into our 9th consecutive year of strong low inflation growth. There has been a clear lift in trend productivity growth, and our fiscal house is in order. We powered through the Asian crisis, even though we were one of the OECD countries that was most trade-exposed to that region.

We draw a simple lesson from this. Countries which progressively implement deep and comprehensive structural economic reforms, and run sound macroeconomic policies perform better economically. And those countries, which undertook the reforms early, reap the benefits early as well.

Now is this just an old economy story ? Clearly not. In fact, we do not see the old economy and the new economy being put into separate boxes. Not all countries are going to be or should be big producers of information and communication technology. The law of comparative advantage tells us that. We are not big producers of information and communications technology, but we are very big users of it, including in traditional industries. The investment share of ITC has grown remarkably and progressively, as it has in many countries. And the effects of this are beginning to be felt.

As we see it, the new economy is not just a technology story. It is an innovation and productivity story that flows from learning how to use the technology to transform production processes at the grass roots level. That raises a central policy question for the Growth Project. What is the best policy framework to achieve that ?

Not all the answers are in yet, as has been evidenced by the discussion today. But we do know that it is a rich story that includes stable macro-policies, and broad and deep structural reform in product labour and capital markets. That makes markets more open and increases competition, and helps to make the economy adaptable and innovative, so that it can adjust to and take advantage of the productivity benefits flowing from more intensive use of ICT. There are other more specific things as well, relating to entrepreneurship, education and research policies, and we certainly look forward to the final report to weave that story together.

AUSTRIA / AUTRICHE

Public Governance in the New Economy
The Role of the State in the Knowledge-Based Economy
Alfred Finz, Deputy Minister of Finance

New Economy or Old Economy within a New Framework?

The remarkable success of the U.S. economy during the past decade is based on a return to high rates of productivity growth. Estimates of total factor productivity growth show that around two thirds of the increase are due to the production and use of new information and communication technologies (ICT). The widespread applicability of ICT in nearly all economic and social fields have led to characterisations of ICT as a new "basic or universal" technology, similar to the introduction of the electric motor or the railroads.

While ICT has gained recognition as the major driving force of growth and productivity, other technological developments in the fields of biotechnology, material sciences and nano-technology have similar potential to revolutionise the way in which our economies and societies function. Their respective roles have not been documented sufficiently, in part because developments are still too young to have been able to exert their influence. Literature on the history of technological developments also shows that gestation periods of around 40 years are not uncommon for such multi-purpose technologies to gain acceptance and to make their decisive breakthroughs in applications around the world.

All this goes to show that a focus wider than on ICT is necessary in order to gain some insight on the future possibilities of technological developments and their concomitant organisational and institutional changes. The lives of our children and our grandchildren will be far different from ours, but not only because of new possibilities in ICT, but also in the other areas mentioned above. This means that what they will eat, build, how their health will be maintained, where they will work and how they will get to work (if at all), how they will spend their leisure time – all these will be very different from today.

While further development of these new technologies will change our lives significantly, a number of economists have maintained that they will also revolutionise the way our economies work: they talk of long-term sustained growth without business cycles, about the insignificance of large-scale current account imbalances, of the ever-rising value of assets – in short they maintain that the usual restrictions on growth have disappeared.

I would like to take exception to these forecasts. While I agree that we are in the middle of significant changes in the way we live and work, I see no evidence whatsoever that the basic rules of economics are outdated. The framework remains the same, the internal functioning has changed and will change even more.

Policy Action Needed

The result of this recognition is that the usual tasks of the economic policy maker will still be around for a long time to come. The "New Economy" has not made us superfluous. It has changed some of our tasks, but we still have to take care that business cycles are not disruptive, that a sort of balance is maintained with respect to savings and investment, with our current balance and we must make sure that we fight increasing signs of a "bubble economy" wherever they occur. Only in this way will the macroeconomic environment allow our citizens and enterprises to fully participate in the New Economy.

In addition to these macro-economic policy tasks we need to make our supply side, the factor and goods markets, more competitive by increasing flexibility, abolishing obsolete restrictions and by creating a market environment which is competitive and provides a fair playing ground for all participants and for those who would like to enter the markets.

While for us in Europe macroeconomic policy is carried out by the European Central Bank, the Finance Ministers and the Social Partners (with respect to wage setting), and their respective co-ordinating bodies, structural policies are our own domestic task.

New Government for the New Economy

Let me make a special point about a specific aspect of structural policy, i.e. the role of the State in the New Economy. It seems very clear to me that with the change in the relations between business firms and between them and consumers, the third "player" in the economic game, namely the government, must also change its ways.

These changes must occur at several levels. For one, we must realise that most continental European countries have expenditure share in GDP which are 10 to 15 percentage points higher than those of our major international competitors. While part of this higher share is due to higher quality of public services, most of it goes back to higher European preferences for state provision of public services. But tastes change and more and more Europeans are realising that with economic development, with more differentiated societies, and also with increasing wealth, the usual demand patterns change. The post-war economies of the 50s and 60s conditioned a high demand for (relatively uniform) public services, the rich societies of the turn of the century, however, require less public provision, more differentiated goods (also public and merit goods), and rather higher quality than more quantity.

This recognition has only recently started to penetrate the thinking of European policy makers. I think we must build on that and ask ourselves very seriously, which functions a modern state still needs to provide, at which regional level, in what amount and in which quality. It has become quite obvious that a further increase in the revenue share – which in a number of countries hovers around 50% - is not politically palatable. And public deficits are set on a consolidation path.

While the tasks of the State are different from the ones private agencies (enterprises) provide, the confines of what delineates the public from the private sector have started to blur. This implies that more and more co-operation between public and private agencies are feasible (and desirable), the respective weights given by the specific task. The public sector can learn a lot from the private one about customer orientation, organisation, efficiency, personnel management, etc.

One of the most important tasks is the installation of effective budget controlling instruments at the government level, a task for which I am personally responsible in Austria. This project involves a large-scale reform of the way in which the budgeting process is carried out, performance is being measured, responsibilities are distributed and controlled.

We are in the process of installing global budgeting for all departments where decisions on substance and financing are lodged within the same units. We are designing instruments to get a grip on future costs of legislative measures. We must put more focus on the longer-term dynamics of expenditures.

We have initiated a process whereby all tasks the federal government performs (and this exercise must be extended to the other layers of government) are being evaluated as to their further need, their most efficient provision and their cost structure.

One of the projects with a lot of value added for citizens and enterprises is the installation of a "virtual public office", essentially a computer point where all necessary contacts with public authorities can be carried out electronically. This is complemented by the "one stop shop" principle which enables enterprises and citizens to obtain all necessary licences and other dealings with government at one central focus point, instead of having to contact around 30 different offices in case of an application for the establishment of a new business. These developments should result in significant time (and cost) savings to the "customers" of public services.

Also in the future the government will maintain its very unique and separate identity and form of organisation. Personally, I do not like the term "Austria Incorporated" which some politicians are fond of

using, implying that government should be run like a corporation. The general service idea, the need to balance interests of different parties, the macroeconomic tasks, its commitment to the welfare of all the country's citizens – all these distinguish government activities from private ones. But this distinction virtually requires that government uses the best methods available, that changes in the business and households sectors are mirrored by the government, in order to supply best value at lowest cost. And in the field of method and organisation, government has a lot to learn from the private sector.

Only if government realise that not only enterprises are under increasing competition, but that there is also intensifying competition among systems (states) where foreign and domestic firms and consumers compare services and costs across borders and make their locational investment or purchasing decisions accordingly, will government be put in a position to see its services of part of the (immaterial) infrastructure which the country needs for its citizens to flourish.

The new initiatives at the EU level, the pioneering work of the OECD in the field of government innovation – all these have to be implemented speedily. The political task is to find acceptance for these ideas among the citizens, the firms and – most difficult – the public employees. We in Austria are taking this task very seriously. Our objective is to streamline the public sector, to set the right incentives and to make it more efficient – in the interest of our citizens and enterprises.

BELGIUM / BELGIQUE

M. Pierre Chevalier, Secrétaire d'Etat au Commerce extérieur

Je serai très bref dans mon intervention. J'ai quatre points.

Le premier, c'est que le Gouverneur belge souhaite, par son Action qui tranche avec le passé, moderniser son système de protection sociale et augmenter les opportunités d'emploi. C'est ce que nous appelons en Belgique l'Etat social actif. En menant cette nouvelle politique, mon Gouvernement se situe dans la logique qui s'est dégagée des travaux de l'OCDE, en même temps qu'il s'insère dans les objectifs pris dans la stratégie de l'Union Européenne. Le Gouvernement a élaboré un plan d'action pour leur transposition sur le plan interne. Par ailleurs, le Gouvernement a conçu un accord avec les partenaires sociaux - syndicats et patronat - en vue de garantir leur soutien à la mise en oeuvre des conclusions du Conseil Européen de Lisbonne.

Mon deuxième point concerne l'investissement dans les ressources humaines. Certes, les nouvelles technologies présentent des risques - ce que nous appelons "le fossé numérique" en est un, mais en Belgique nous sommes fermement convaincus que les opportunités l'emportent largement sur les risques. C'est la raison pour laquelle nous réaffirmons en Belgique l'importance des politiques d'éducation et de formation aux nouvelles technologies. Dans ce cadre, nous avons d'ailleurs adopté un programme destiné à donner à chaque école l'accès Internet. Notre philosophie est claire : Les nouvelles technologies, par leur effet d'entraînement, peuvent et doivent créer un cercle vertueux qui passe par la hausse des niveaux de vie, l'amélioration du capital humain et le renforcement de la cohésion sociale.

Mon troisième point est le suivant. Le Gouvernement belge est d'avis que l'emploi et la sécurité sociale restent les meilleurs instruments pour lutter contre l'exclusion sociale. Dans ce contexte, je souhaiterais souligner que, pour le Gouvernement belge l'emploi n'est pas une masse fixe de volume de travail qu'il faut partager entre un nombre de travailleurs et d'employés mais une donnée qui évolue de façon dynamique pourvu qu'on élimine les obstacles structurels et fonctionnels qui empêchent le développement socialement justifié du marché du travail. La Belgique s'est engagée avec ses partenaires de l'Union Européenne à renforcer l'échange des meilleures pratiques, les "best practices", sur la base d'indicateurs arrêtés de commun accord.

Mon quatrième point concerne le rôle des PME (petites et moyennes entreprises) dans nos efforts de promouvoir la cohésion et l'intégration sociale au niveau européen et, partant, dans chaque Etat membre de l'OCDE. Dans une économie comme celle que nous connaissons en Belgique, les PME jouent un rôle absolument moteur par leur ouverture à l'innovation dans un environnement de compétitivité et de dynamisme croissants. A cet égard, la Belgique se félicite de la tenue, à Bologne, à l'initiative de l'Italie, d'une conférence de l'OCDE. sur les PME dont les résultats sont significatif pour la reconnaissance de l'importance des PME pour la croissance, l'innovation, la création d'emplois, le développement régional et local ainsi que la cohésion sociale.

Permettez-moi enfin d'encourager l'OCDE à poursuivre ses analyses approfondies et de réaffirmer l'importance de son processus d'évaluation par les pairs. Dans mon pays les travaux de l'OCDE ont grandement contribué au concept de l'Etat social actif, concept dont nous sommes fiers en Belgique.

JAPAN / JAPON

Mr Hisamitsu Arai, Vice-Minister of International Trade and Industry

Policies for Growth and Social Cohesion

Information technology (IT) has brought about a new and ever-expanding global market and transformed the economic system, as witnessed by the rapid growth of the knowledge-based economy. With the emergence of this new economy, which differs substantially from the traditional economy, we need to establish an environment in which each participant in the market is able to realise the potential of and take full advantage of the benefits of a knowledge-based and globalised economy.

From this point of view, I would like to emphasise, in particular, the importance of intellectual property rights policy and competition policy.

Let me first say a few words about intellectual property rights policy. As the soft-economy advances, the value of ideas takes precedence over that of goods. It is essential to create a mechanism that gives appropriate incentives to engineers, scientists and researchers as innovators to actively engage in innovative research and development activities. Therefore, appropriate intellectual property rights protection is needed as a catalyst for innovation, helping to "add the fuel of interest on the fire of genius."

A tremendous amount of varied information is freely flowing throughout the world. At the same time, there has been a substantial increase in intellectual property rights infringement. It is clear that in order to realise a trustworthy information society, we need a system that prevents such abuses and gives appropriate rewards to efforts and talents devoted to inventions.

Let me now touch upon the creation of a pro-competitive policy. In the information society, the major industries will be those whose marginal production costs are very low compared to the costs of developing products. Therefore, we are apt to witness dramatic changes in the competitive style between companies and between markets such that innovators and early market entrants swiftly get the lion's share or that new markets instantaneously overtake old markets. Therefore, competition in such markets tends to be stymied, which in turn can lead to a dominance or monopoly through a network effect, the power of which can be abused on a global scale. International co-operation is needed to deepen discussions on pro-competitive rules that can respond appropriately to the features of the new economy.

I know that it is not an easy task to respond in a timely and appropriate manner to the new economy which is rapidly expanding by dog year. In concluding my intervention, I would like to stress the

importance of urging the Organisation to help us engage in ambitious discussions on appropriate policies and co-operation.

JAPAN / JAPON

Mr Taichi Sakaiya, Minister of State, Economic and Planning Agency

1. *Preface: The Japanese Economy and the Future Policy Tasks*

The Japanese economy is presently overcoming a long recession phase and simultaneously accomplishing major structural reforms toward the realization of a “knowledge value” society.

As I first contended in a book written in 1985, the “knowledge value” society is now becoming the dominant paradigm in the post-industrial society. At that time, I defined the “knowledge value” society as “a society where the value of knowledge is the primary source of economic growth and corporate profits.” This is now being achieved in North America and several European and Asian countries via the IT revolution. It can be said that the so-called “New Economy” has been brought about by a momentous change in social systems triggered by the IT revolution and that it represents the initial phase of a new stage of the historical development. The U.S. economy appears to be already in the midst of this process. However, Japan—which built up the consummate industrial society for the mass-production of standardized goods—has vacillated at the advent of this great change. This vacillation was a major cause of the stagnation of the Japanese economy during the 1990s.

2. *The Japanese Economy over the Past Two Years*

i. Overcoming the Greatest Recession in the Postwar Era

From 1997 through 1998, the Japanese economy experienced its most serious recession in the half century since the end of the World War II. To counter this recession, the administration led by Prime Minister Keizo Obuchi, which took office in late July 1998, implemented policies in every field including fiscal, tax, and financial measures, and struggled to prevent Japan from falling into a deflationary spiral.

First, the Obuchi Administration introduced market principles into the financial industry, with thorough adherence to the process of selection and elimination. Second, the administration worked to prevent bankruptcies of small and medium-sized enterprises by creating a special credit-guarantee framework for these firms. Third, the administration expanded demand via large-scale public works expenditures and tax reductions. Meanwhile, the Bank of Japan has adopted the so-called “zero interest rate” policy since February 1999 to help underpin the economy via monetary policy. As a result of these efforts, since the summer of 1999, confidence in the outlook for the Japanese economy has been recovering, albeit slowly, leading to a rise in stock prices and a recovery in capital investment.

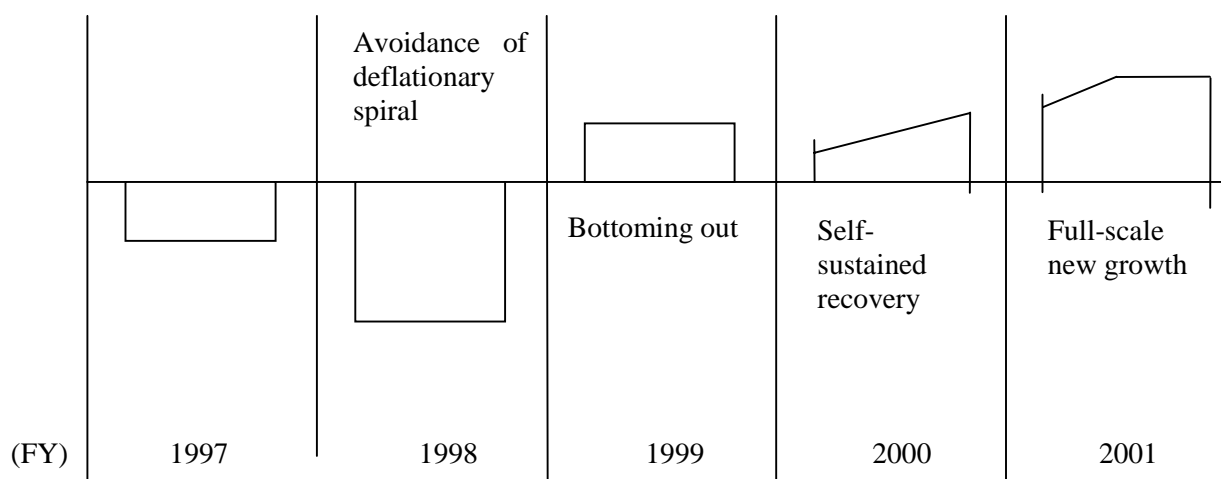
ii. Achievement of Positive GDP Growth in Fiscal Year 1999

In the fiscal year 1999, the Japanese government gradually shifted the relative emphasis of its policies toward projects for the next century and began to focus its efforts on implementing structural reforms and preparing the foundations for new development, as well as on stimulating the economy via aggregate demand expansion. Consequently, in fiscal year 1999, the Japanese economy achieved a positive real GDP growth of 0.5 percent, essentially attaining the government’s target.

3. *The Present Conditions of the Japanese Economy*

Although the Japanese economy is still facing a severe situation, the movement toward economic recovery has become clear. The government has positioned fiscal year 2000 as “the year of self-sustaining economic recovery,” and aims at putting the economy on a self-sustained recovery path led by private demand.

Roadmap of Japan’s Economic Rebirth



Note: The heights of the bar charts in the diagram do not necessarily correspond to growth rates.

The government’s Economic Outlook released last December forecasts a real GDP growth of 1.0 percent for fiscal year 2000, but at present many private research institutes and international organizations are predicting higher growth rates in their recent projections.

Real GDP Growth Projections by private research institutes and international organizations

Private Research institutes (as of 23 June)					
(After 1-3 QE)	Average of projection	FY 2000	1.7%	FY 2001	1.9%
	Highest projection		2.5%		3.5%
	Lowest projection		0.9%		0.7%
OECD (May 2000)		CY 2000	1.7%	CY 2001	2.2%
IMF (April 2000)		CY 2000	0.9%	CY 2001	1.8%

The policy issue in Japan henceforth is to enhance qualitative changes, or structural reforms.

4. *The Outlook for the Japanese Knowledge Value Revolution*

Over the past two years, the Japanese economy has achieved rapid structural reforms, the purpose of which is to change various systems and customs established to achieve an industrial society for the mass-production of standardized goods toward ones more appropriate for the knowledge value society.

i. *Progress Toward the Knowledge Value Society*

The first attempt has been to change the financial system. In 1998, the Japanese government abandoned its traditional policy of protecting financial institutions across the board and implemented a strict market-oriented policy by enhancing selection and elimination. This policy change has resulted in a major restructuring of the financial sector. Japan's 17 major banks will be reorganized into four large banking groups by next April.

The rearrangement of the financial institutions is shaking the "keiretsu" corporate groupings that have been organized around large financial institutions. Moreover, the business custom of placing and receiving orders based on "keiretsu" affiliations is also in the process of collapse in some fields, and transactions over the Internet are on the rise.

Employment customs are also changing and the practice of lifetime employment is weakening.

Furthermore, policy direction toward small and medium-sized enterprises has shifted from protection to an emphasis on the establishment of new businesses, by which the government is striving to attain a low-cost structure throughout Japanese economic society.

ii. New Developments

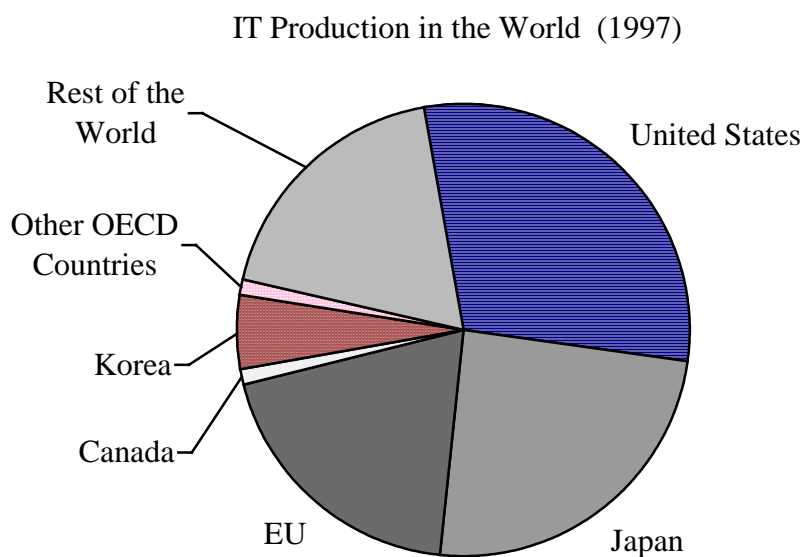
Private capital investment has been increasing since the fourth quarter of 1999. It is said that a central role has been played by IT-related investment. The spread of information equipment in the household sector has also been remarkable. The number of mobile phones has already reached 50 million units, surpassing the number of fixed telephone lines. Particularly, the number of "i-mode" units, which have larger screens and provide access to the Internet, is projected to exceed 10 million units within fiscal year 2000. This has the potential of completely changing the life and the information environment of the Japanese people.

The nursing care insurance system, which was launched in April 2000 to address the aging of the society, is expected to lead to expanded employment through the market entry of private firms into the elderly care business and the expansion of services.

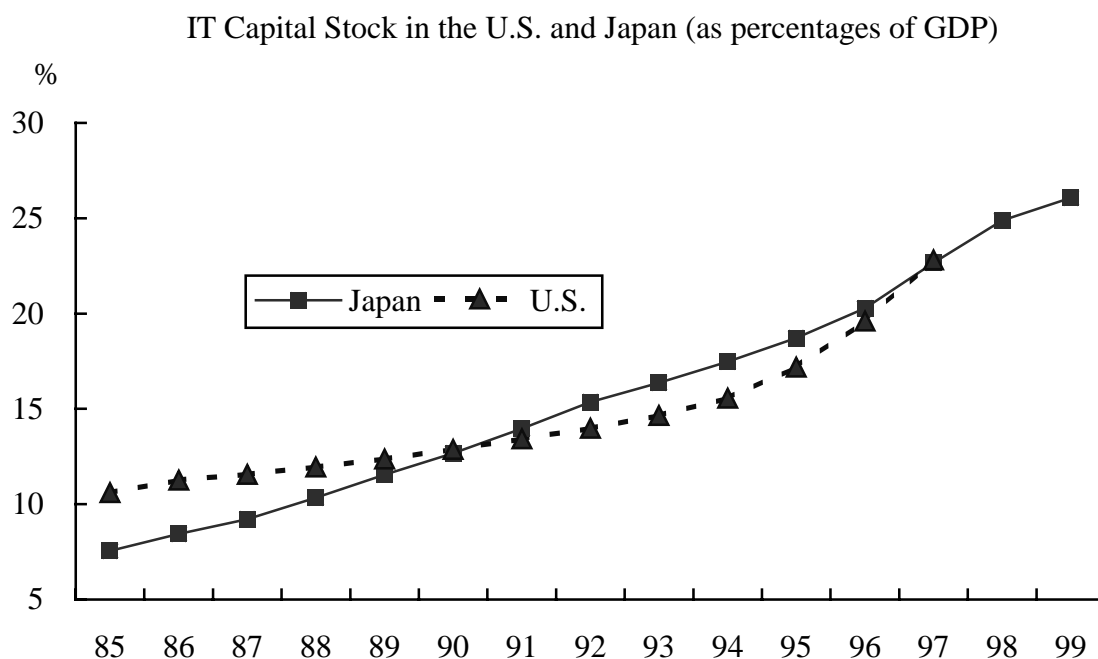
In the environmental field, Japan has now begun earnest efforts towards reducing, reusing and recycling of goods following the enactment of the basic law for the promotion of recycling society.

iii. Issues to Realize the IT Revolution

Japan's IT activities can be comparable to those in the U.S. in terms of production capability of IT-related equipment. However, the acceleration of economic growth and improvement of productivity resulting from the IT revolution has not yet been realized. Japan is particularly behind the U.S. in development of software and in the creation of versatile content. Japan has the outstanding advantage of creating content in the fields of animated cartoons and software for games. However, the financial system and the social evaluation system are not sufficient to develop them.



Source: OECD, "IT-OUTLOOK 2000"



5. *Conclusion: The Rebirth of Japan and the IT Revolution*

As noted in the OECD Secretariat's "Growth Project" report, promoting the IT revolution to improve productivity throughout the economy will be an imperative factor for the revitalization of the Japanese economy, or for the realization of a Japanese knowledge value revolution. I have great expectations for the OECD's final report, which includes policy recommendations by the Secretariat.

I believe that three fields—IT, the environment, and the response to the aging of society—will be the key areas for rapidly achieving a Japanese renaissance. Although Japan is facing extremely harsh fiscal conditions, it also has massive savings that surpass the fiscal deficit, and I am convinced that Japan has sufficient strengths to complete a knowledge value revolution within two to three years.

KOREA / COREE

Mr Rak-Yong Uhm, Vice Minister of Finance and Economy

I would like to begin by commending the OECD Secretariat on its first report for the Growth Project. We, the Korean government, believe that this Project will be instrumental in identifying new trends in the global economy as well as the driving forces of sustainable growth.

I understand the final report, which will be prepared next year, will provide greater factual evidence on network effects and specific research findings on elements that may make the "New Economy" possible. I expect that the report will provide important guidelines for sustaining economic growth and social cohesion in the new global age.

Mr Chairman, please allow me to say a few words to provide the Korean government's perspective on the topic at hand.

As well documented by OECD reports on my country, the Korean economy is in the later stages of overcoming economic crisis, which has been achieved in a short time by pushing forward a wide range of economic reform policies.

In doing so, our aim is not just to return to our pre-crisis status, but to elevate our economic structure to a higher level of efficiency and soundness. Accordingly, we are also initiating and implementing a national development strategy for a knowledge-based economy which targets knowledge as a new major growth source. We are making efforts to raise multi-factor productivity by incorporating knowledge into the traditional factors of production.

Prospects are encouraging in this regard. During the past year or two, we have witnessed a spectacular growth of the knowledge-based sectors. In particular, the ICT related sectors grew by 22%, accounting for 38% of the Korean economy's overall growth rate of 10.7 % in 1999. Such growth has been associated with the opening up of a new world of exciting opportunities for small and medium-sized venture enterprises, which have been concentrated in these sectors.

In order to ensure a smooth transition to the knowledge-based economy, we are also developing a digital divide solution policy in parallel with our digital promotion policy.

The policy is being implemented with a view to safeguarding the disadvantaged sectors of society most at risk of succumbing to the digital divide and, thereby, improving income distribution and enhancing social cohesion. The key features of this policy include:

- Providing high-speed internet service in farming and fishing villages
- Supporting the supply of free PCs and internet access for low-income students, and
- Providing digital education for homemakers, farmers and fishermen, the elderly and the handicapped.

Finally, I would like to briefly mention the historic inter-Korean summit talks that took place two weeks ago in the North Korean capital of Pyongyang.

The successful conclusion of the summit created momentum for the easing of tensions on the Korean Peninsula and paves the way for a new era of reconciliation and co-operation between South and North Korea. We believe that the talks will be a major step towards lasting peace and stability in Northeast Asia.

My government also believes that pursuing balanced development of the economies of the South and North will be essential in fostering long-term social cohesion for the entire Korean Peninsula.

In this regard, we plan to pursue economic cooperation with North Korea, on a gradual, step-by-step basis, and at a level commensurate with our capacity.

As we reflect upon the recent summit talks, I would like to emphasize the crucial role the international community played in helping bring about this historic event. My government deeply appreciates the support of the international community, in particular those countries represented here at the Ministerial Council Meeting.

We very much hope that the fellow Member countries of the OECD would continue to lend their interest and support in encouraging development of the North Korean economy and helping it become a more active member of the international community.

NETHERLANDS / PAYS-BAS

Gerrit Ybema, Minister for Foreign Trade, Minister of Economic Affairs

I would like to thank you for giving me this opportunity to present my views on the policy consequences of the New Economy.

In my view, the new economy is not an isolated phenomenon. I would say that we are experiencing a broader, more structural change in social-economic conditions. The three main features of this change are, firstly, the information revolution, secondly, the trend towards individualisation of our societies, and thirdly, the ongoing internationalisation of our economies. We are not just faced with the fact that companies make more and more use of information and computers in their production processes. For businesses and governments alike, the whole world is becoming more demanding. On the one hand we are faced with ever more fierce international competition, on the other hand we are faced with more critical and demanding citizens and consumers. In my view, the requirements of this modern knowledge based society translate into four policy objectives. Firstly, to create an adequate framework for the internet economy. Secondly, to create a climate for excellence in education and R&D, thirdly, to create a flexible and entrepreneurial society, and fourthly, to implement the transition from a welfare state to an enabling state, that supplies both opportunities and incentives for investment in employability. Let me briefly give you my thoughts on each of these objectives.

Firstly, the IT-revolution will have to penetrate into the very veins of our economies. IT has the potential to become a breakthrough technology, and like earlier breakthrough technologies, it may herald a new era of social and economic progress. An important prerequisite for this to materialise is the presence of adequate 'framework conditions' for the Internet economy. Issues like safety, privacy, and harmonisation of technological standards will have to be settled, if the Internet economy is to blossom. Furthermore, competition in telecommunications over and between infrastructures must be fostered, and telecommunications services must be broadly and cheaply accessible to consumers. Additionally, the

modern knowledge-driven economy may also have implications for competition policy. The production of knowledge-intensive goods and services is characterised by high fixed and low marginal costs, and by network externalities. Consequently, markets for such goods may well contain monopolistic tendencies. On the one hand, dominant market positions may be attained more easily than in the old economy. On the other hand, loss of a dominant market position may imply that firm is driven off the market. In short, markets may become 'winner-takes-all-markets'. Competition policy must be equipped to deal with these issues, if and when they arise.

The second policy objective is related to knowledge in a broad sense. R&D will become more important in a knowledge-driven economy. Technological progress will take place ever faster. In such an economy, the need to develop new technologies, and the need to apply these technologies in new products and production processes, will pose ever more stringent demands on the climate for R&D. Governments will have to stimulate the production of knowledge in top-class universities, research centres, and technologically advanced firms. Furthermore, the link between development and application of technology will have to be improved. This requires transparent market places for technology, where firms with specific technological needs may come in contact with suppliers of technological know-how.

Competing in a knowledge-driven economy will also require an excellent system of education. Therefore, we will have to evaluate whether the institutional structure of current education systems stimulates the development, accumulation, and diffusion of knowledge. It is my firmly held belief that by and large it does not, and that market forces and initiatives will be needed to make our education systems more dynamic. Schools and universities must be and will be faced with competitors at home and abroad, both for students and for teachers. They will have to prove themselves in this competitive environment.

Thirdly, our economies will have to become more entrepreneurial. As a result of the lower search costs associated with the Internet, consumers will find it cheaper and easier to compare prices and product characteristics, and to find products that meet their specific demands. National economies can only survive in this competitive world, if they themselves are competitive. They must be conducive to entrepreneurship and competition. Regulatory burdens must be lowered, and it must become easier to set up firms. This will require a broad range of policy initiatives, aimed at for instance cutting unnecessary regulation, but also at prices and availability of venture capital. Furthermore, it is important to realise that firms in the new economy will operate in a new, more risky environment. Knowledge and technology are less tangible than old-economy assets like plants and equipment, and the return on investment in technology may become more difficult to assess beforehand. This effect must be compensated for by raising the incentives to invest in technology, for instance by lowering the corporate tax burden, but also by adequate protection of intellectual property rights.

Another way in which our economies may become more competitive is by opening up new markets. Let me explain. The dynamics of the modern economy will also have implications for governments. Consumers, or rather citizens, that demand high-quality, tailor-made goods and services from private firms, will not be satisfied by public service providers that do not meet the same standards. In most western countries, however, public services are supplied by inefficient bureaucracies. Consequently, there is the risk of a social divide: those that have the opportunity to do so will turn to private, high-quality suppliers of for instance health care and education, simply because bureaucracies are not equipped to deliver tailor-made high-quality services. Therefore, governments will have to redefine their role in public service provision. Their task should be not to supply public services themselves, but – again - to leave room for market initiatives and market forces. The government should only set and enforce standards, in other words become supervisor, instead of supplier. And many of these services like health care and education, will form new markets with new opportunities for private initiative.

There is yet another aspect to the entrepreneurial society that I would like to highlight. A modern

knowledge-driven economy will have to be characterised by flexible institutional arrangements. When someone wants to make the step from being unemployed to becoming employed, his institutional environment should accommodate, and indeed stimulate such a step. The same holds true when a worker wants to become an entrepreneur. Speaking for my own country, there are many examples of situations where choices made in the past tend to lock people in, and inhibit their development in later stages. It is not easy to undo a choice once made between following an education and working, or between working and taking care of children. For instance, if someone goes to college right after school, he gets financial support from the government. If he goes to college after having worked for a couple of years, he does not. By institutional arrangements such as these, choices made in the past may become permanent. However good the intentions were when we devised them, many of our institutions will become barriers to the development of human capital, and will prevent talents from being exploited. Therefore, transitions between working and setting up your own a company, between working and following an education, should become more fluid.

The fourth policy objective is the transition from a welfare state to an enabling state that supplies both opportunities and incentives for investment in employability. In the modern knowledge-driven economy, social security arrangements will change in nature. Policy should be aimed at stimulating people to work, and at stimulating those who do not work to reintegrate into the labour force as quickly as possible. People should get both the opportunities and the incentives required to keep up with developments in the labour process. In the modern economy knowledge and education will be crucial. Adequate levels of training and education form the best guarantee for job security. If someone becomes redundant in the new economy, he will have to improve his training and education in order to get back to work. This will require a shift in emphasis within social security arrangements. Social security should not be aimed primarily at providing stability of income, but at offering incentives and opportunities for earning income.

Governments themselves will have to concentrate on their core competences. A government's core competence is not the provision of goods and services, but setting standards and enforcing rules. Clearly, the level at which most rules are determined will change. In some cases, national governments will decentralise responsibilities to local governments. In many other cases, national policy will have to be embedded in international agreements. Apart from the obvious examples such as environmental policy, this also holds true for many of the challenges that will be posed by the new economy. Harmonisation of technical standards, and of the legal framework for e-commerce, the creation of a European area for R&D, removing the remaining barriers to international trade, these are all issues that will have to be addressed at the international level. That is why meetings like these are so important.

TURKEY / TURQUIE

M. Recep Önal, Ministre d'État chargé des affaires économiques

Nous nous félicitons, conformément aux décisions prises par le Conseil des Ministres de l'OCDE de l'an dernier, qu'une nouvelle étude en matière de croissance ait été entreprise par le Secrétariat.

Nous constatons que les effets de la dernière crise intervenue en 1997 et 1998 ont pratiquement disparu. Ceci dit, la question de savoir ce qui doit être fait pour avoir une croissance économique qui soit en accord avec l'environnement et qui ne porte pas atteinte à la stabilité des prix est toujours d'actualité.

Nous estimons qu'il serait opportun de bien analyser le phénomène de la croissance afin de renforcer les mécanismes susceptibles de prévenir la répétition des crises.

La croissance se poursuivra-t-elle dans la zone OCDE ? Ces opportunités de croissance créeront-

elles de nouvelles demandes et de nouvelles productions pouvant contribuer à une meilleure répartition des revenus? Quelles sont les politiques que les décideurs doivent mettre en œuvre ? Bien qu'il soit difficile de trouver une réponse à toutes ces questions, nous avons l'espoir que l'étude en cours permettra de dégager de nouvelles pistes.

Par ailleurs, outre les facteurs traditionnels de production tels que la main-d'œuvre, les capitaux et les ressources naturelles, la croissance de la productivité globale de l'ensemble des facteurs a acquis beaucoup d'importance. Dans le cadre de la nouvelle économie, la production du savoir et l'accès à la connaissance ont désormais un caractère incontournable.

L'OCDE, est chargée de rechercher les moyens permettant à ses Membres de renforcer leurs structures économiques et de rendre possible une croissance stable et durable, et à ce titre d'orienter nos gouvernements. Ceci dit, à notre sens, tout en nous préoccupant de la prospérité de nos propres sociétés, la bonne approche consisterait à multiplier le nombre d'analyses tenant compte des efforts économiques des pays pauvres afin de leur apporter un soutien technique. Il sera peut-être difficile d'enregistrer des progrès immédiats mais, parallèlement à la progression du budget de l'OCDE, nous pourrions accroître les études concernant les économies des pays défavorisés et la réduction de la pauvreté. Dans le contexte de la globalisation, outre le développement, nous pourrions contribuer d'avantage à l'amélioration de la répartition des revenus et à la consolidation de la paix sociale.

Monsieur le Président, chers collègues, je voudrais à ce stade résumer la situation économique dans laquelle se trouve la Turquie.

Toutefois, je tiens à remercier l'ensemble des pays Membres de l'OCDE qui ont apporté leur appui moral et matériel suite au terrible séisme qui a frappé notre pays l'année dernière et qui a également bouleversé notre économie. Je voudrais également exprimer ma gratitude au Secrétariat de l'OCDE d'avoir entrepris sans délai les études techniques sur le sujet.

Une mission d'inspection technique de l'OCDE s'est rendue en Turquie au lendemain du tremblement de terre ainsi qu'au mois de mai 2000, afin d'analyser la situation économique suite au séisme. Je sais que le rapport qui a été préparé sera inclus dans l'évaluation économique annuelle de mon pays au mois de novembre. Il est indéniable que ces études de l'OCDE contribueront grandement aux évaluations de nos propres entreprises publiques et privées.

Dans le cadre de l'accord signé entre notre gouvernement et le FMI, le programme de stabilité économique et de lutte contre l'inflation a déjà produit de très bons résultats dans ses grandes lignes quatre mois après sa mise en oeuvre. Nous avons déjà constaté de très bons signes notamment au sein des marchés financiers.

La lettre d'intention additionnelle qui a été remise au FMI au terme de l'évaluation du premier trimestre du programme, a été examinée à l'occasion de la réunion du FMI au mois d'avril confirmant que la Turquie poursuivait son programme avec succès et a conduit au déblocage de la seconde tranche du financement prévu.

La productivité de l'économie turque a repris de la vigueur après le retrécissement de l'an passé. Comparé au premier trimestre de 1999, nous constatons notamment que l'industrie manufacturière du secteur privé est à nouveau dans une phase de croissance positive. Sous l'effet de la hausse des prix du pétrole et de la reprise économique le déficit des opérations courantes au cours du premier trimestre 2000 s'est creusé. Cela étant, il est de nature à pouvoir être maîtrisé.

Malgré la reprise de la production et de la demande on note une diminution de la hausse des prix. Cette diminution, qui s'est précisée au début du mois de février cette année, s'est poursuivie au mois de

mars et au mois de mai. L'indice des prix de gros, ainsi que l'indice des prix à la consommation enregistrent les valeurs les plus basses des huit dernières années.

Un autre volet du programme de lutte contre l'inflation réside dans la poursuite avec succès de la politique de change dont le but est de stabiliser durablement la monnaie turque. Les réserves en devises sont toujours au-dessus des minimas convenus avec le FMI. Parallèlement à cette évolution nous constatons une amélioration des notations attribuées à la Turquie par les organismes internationaux d'évaluation. 5,1 milliards de dollars ont été obtenus des marchés financiers internationaux par le biais d'émissions obligataires.

L'effet le plus notable du programme de lutte contre l'inflation sur les marchés financiers a été la baisse des taux d'intérêts. Les taux d'intérêts des émissions du trésor public au cours de l'année 2000 sont largement en dessous de ceux de l'année précédente, d'où un prolongement de la durée de l'endettement. Bref, la confiance des marchés s'est accrue.

L'un des éléments du programme économique que nous mettons en œuvre a consisté en la création d'un conseil supérieur bancaire de régulation et d'inspection totalement indépendant afin de mieux surveiller ce secteur et de consolider sa structure concurrentielle.

En matière de sécurité sociale, d'importantes réformes ont été entreprises, le régime de sécurité sociale a été doté d'une structure plus rationnelle contribuant à diminuer ainsi le poids des organismes de sécurité sociale sur le budget.

Dans le domaine du secteur agricole très sensible pour de nombreux pays, beaucoup d'efforts ont été déployés pour entamer des réformes visant un soutien direct au revenu en remplacement du système en vigueur afin de rationaliser le soutien à l'agriculture.

Par ailleurs, et en ce qui concerne les privatisations qui sont d'une importance vitale pour la réussite du programme de stabilité, 5 milliards de dollars ont été obtenus au cours des quatre premiers mois de l'année, ce qui nous montre que nous atteindrons l'objectif de 7,6 milliards de dollars que nous nous étions fixé pour l'année en cours.

Parallèlement à ces développements, quand nous comparons les évolutions hors intérêts du budget entre janvier-mai 1999 et janvier-mai 2000, nous voyons que l'excédent budgétaire qui était de 900 millions de dollars l'année dernière a atteint aujourd'hui 6,6 milliards de dollars.

En conséquence, nous constatons que notre programme économique se déroule de façon satisfaisante. Notre économie qui avait connu une régression de 6,4% en 1999, espère atteindre une croissance maîtrisée de 5,5% en l'an 2000.

UNITED STATES / ETATS UNIS

Mr. Martin N. Baily, Chairman, Council of Economic Advisers

Why are we talking about a new economy in the U. S. ?

The first reason is that productivity growth has accelerated from about one and a half percent a year 1973-95, to about 3 percent a year 1995-99.

This acceleration is heavily related to technology, both the investment in IT hardware and software (i.e., the use of the technology), and also the extraordinary productivity of the industries

producing the technology.

Some part of this acceleration is surely temporary, the result of unusual growth in demand, and it is only about four years in duration. But a substantial fraction appears to be structural and hence, potentially, will result in a sustained improvement in productivity performance. Moreover, the signs of information technology as an enabler of business system change have been visible for much longer than just four years.

The second reason is that there has been a dramatic increase in the stock market valuation of U. S. corporations. The rate of increase was 16 percent a year from January 1993 through May of 2000, resulting in nearly \$18 trillion of wealth held by shareholders. The increase in market valuation has been oriented to the high-tech sector. NASDAQ and Internet stocks accounted for a large fraction of U. S. market capitalization in March of 2000.

I am not going to comment on whether the market today is overvalued, undervalued or just right. But I note that even if someone (not me) believed that only a half of the growth in the market since 93 were just speculation, there would still have been trillions of dollars of stockmarket wealth added due to fundamentals.

The third reason is that there are direct signs of acceleration in the accumulation of knowledge and intangible capital. R&D spending has soared, so has the number of patents, and the number of trademark registrations. Use of the Internet and the Web is exploding. This type of evidence reflects only the tip of an iceberg, but it all points in the same direction.

Size and Innovation in the New Economy

The increased importance of information and intangible capital results in two countervailing trends with respect to size. There are centrifugal and centripetal forces at work.

First, since information has high fixed costs and low marginal costs of production, there are economies of scale and scope. Large firm size and first mover advantages become important, and the advantages of size are accentuated by globalization.

But, at the same time, lower costs of communication and interaction allow small companies to compete by entering a market at a narrow point in the value chain. This can force large companies to outsource activities or downsize, to focus on core competencies. They may choose to globalize on only a sliver of their overall business. As one would predict from the work of Nobel Prize winner Ronald Coase, the boundaries of firms and industries are being changed by developments in IT. In the end, new competition will determine how the boundaries of firms and industries are changed.

One activity being outsourced is technology development. In large companies, burdensome review processes can stifle innovation, in part because innovation undermines existing vested interests within the firm. In the past, lack of financing has provided a barrier to innovation in small firms, but today's venture capital industry, and the active IPO market, have reduced this barrier and encouraged innovation by small firms. Through stock options, the market has provided tremendous incentives to successful innovators.

Another facilitator of innovation in the U. S. has been access to talent. Higher education provides a flow of new-trained graduates. Immigration has also been important. Twenty-nine percent of the new start-up firms in Silicon Valley 1995-98 had CEOs from India or China.

The Interaction of the Old and the New Economies

The new economy is dramatically affecting the old economy. Farmers can use the Internet to check meteorology and soil forecasts based on satellite information. Nurses carry Palm Pilots that contain patient information from all parts of the hospital. Truckers get street directions from the GPS system and are tracked by their companies. They use the Internet to seek out new loads and avoid empty return trips.

These impacts may not always be visible in macro data. Productivity is poorly measured in many old economy industries. And the innovations companies are adopting may not boost market value when industry competitors are all doing the same thing. As Schumpeter noted years ago, excess profit come from innovating ahead of competitors.

*The old economy is driving the new economy.*The interaction is two-way. For example, a dynamic evolving retail industry is using the new technology to communicate and coordinate its value chain from marketing and design, to customer check out, to transportation, to wholesaling, to purchasing and manufacturing. This creates demand for hardware, software to improve business systems. The same story applies over and over as traditional industries become the customers and end-users for the information sector.

It is appropriate to talk of a new economy. But recall that most of the jobs and most of the GDP remain in traditional industries. These are driving the new economy as they themselves are being changed by it.

Policy in the New Economy

We know from the macro data that investment has been a major part of the acceleration of productivity. Fiscal discipline and sound monetary policy have been vital parts of the low-interest-rate high-investment U.S. expansion of the 1990s.

I mentioned the strong higher education system in the U. S. It is important that students from all backgrounds have the opportunity to take advantage of the system. Moreover, in a world where steelworkers sit at computer consoles controlling giant machines, computer skills are often needed by high school graduates. Companies are looking for workers at all levels that can keep records, understand instructions and solve problems. These are skills that schools must teach in order that workers not be left behind.

Right now, some workers are struggling in the new economy. Old skills have become obsolete. Jobs have been lost. To deal with this problem, access to training and retraining is vital, plus a safety net that encourages work, including adjustment assistance and programs such as the Earned Income Tax Credit.

The private sector is the heart of the new technology. But at critical points the government has played a central role through support for basic and precommercial research. And while the new technologies have prospered in a freewheeling, free-market culture, there are times when government must set rules of the game—intellectual property protection, international trade rules, privacy, anti-trust policy, labor protections. Government has a key role in the establishment of the infrastructure of the new economy.

Finally, however, I want to stress policies toward competition, open markets and change. New firms, new technologies and new business systems are springing up. The nature and pace of technology are new, but the importance of change is not. Studies of manufacturing plants and studies of industries in different countries have revealed that productivity growth depends on the entry of new establishments and firms, the expansion of the most efficient operations and the reduction or closure of the less efficient—in short, it depends on productive evolution.

To offer an analogy: At 4° Celsius water and ice remain in equilibrium. The proportions of each remain the same. But in actuality the ice is continuously melting and the water is continuously freezing. The apparent equilibrium conceals massive change at the micro level.

Similarly, an economy may appear to be growing steadily. But underneath there is massive change. Jobs are being created and destroyed. New firms are entering and old firms leaving. New technologies are developed that gain competitive advantage for a period, and then are overtaken.

Policies and regulations that encourage flexible labor and product markets, competition and openness are the policies that support economic evolution and change. These can and must be given a human face. They promote leading edge performance in traditional industries, which, in turn, drive innovation in the new economy.

One final comment on the spread of the new economy to other countries. Many of them have more to gain from the new economy because their traditional industries have not evolved as far, and the potential for performance improvement is greater. But the potential for social disruption is also greater. The adjustment to the new economy may be harder to manage in economies that have traditionally been more tightly regulated.

***ITEM 199: GUIDELINES FOR MULTINATIONAL ENTERPRISES
POINT 199 :PRINCIPES DIRECTEURS A L'INTENTION DES ENTREPRISES
MULTINATIONALES***

AUSTRIA / AUTRICHE

Mr Martin Bartenstein, Federal Minister for Economic Affairs and Labour

Austria supports recent OECD efforts to improve public and corporate governance in international economic affairs: The OECD Convention against Bribery and Corruption signed in 1998, the OECD Principles of Corporate Governance adopted last year and the just finished review of the OECD Guidelines for Multinational Enterprises. By addressing important concerns raised in the public debate on the effects of globalisation, these efforts perfectly complement the long-standing OECD work on the benefits of crossborder trade and investments.

I am convinced that the newly revised OECD Guidelines for Multinational Enterprises, effectively and responsibly implemented, can help to secure the public consensus necessary for further improvements of the international framework for investments.

The Guidelines review also highlighted the benefits, both in terms of substance and of efficiency, of an active approach towards collaborative, multidisciplinary work through increased co-operation among Committees and Directorates and, more generally, of increased transparency and openness towards all interested parts of society and towards non-member countries. These positive developments should be explicitly recognised and further strengthened.

CZECH REPUBLIC / REPUBLIQUE TCHEQUE

Mr Pavel Mertlik, Vice Prime Minister and Minister of Finance

My authorities do appreciate the result of the revision of the Guidelines for Multinational Enterprises in the field of investment. We share together with governments of other countries adhering to

the Guidelines the set of values newly incorporated into them. We understand that the text, which we are endorsing today, represents a delicate balance of views and interests of all parties involved. I mean OECD Member states and adhering non-Members, representatives of business and trade unions as well as some NGOs.

As a recommendations of non-binding nature, which our governments do address to multinational enterprises operation in our countries or from them, the Guidelines, if accepted by the business community and well implemented, would play indispensable role in promoting appropriate investment and business behaviour and stimulate investment flows in line with sustainable development.

We find it important that new chapters on environment and consumer interests were introduced into the Guidelines and that the provisions on core labour standards and human rights were strengthened.

Compared with our concrete domestic situation, framework which the Guidelines do establish goes sometimes beyond what the current legislation requires from domestic enterprises. We hope that high standards of business behaviour set up by foreign investors will serve as an example of conduct to the domestic firms.

As far as the implementation procedure is concerned, we in the Czech Republic are in the process of mobilising the functions of the National Contact Point. Up to now, our NCP was not exposed to any problem arising from foreign investment. The need to promote the revised Guidelines becomes now actual. As life in other Member countries showed, when the number of cross-border investors is growing, different kinds of conflicting issues, related in substance to the Guidelines, can easily arise and we should be prepared for smoothing them. The Guidelines provide us with a good framework to do so.

We believe that the Guidelines will well serve their purpose.

NETHERLANDS / PAYS BAS

Mr Gerrit Ybema, Minister for Foreign Trade

By adopting the revised Guidelines for Multinational Enterprises, the OECD will once again provide testimony of its added value. In 1976, the OECD Guidelines appeared as the first comprehensive code of conduct for international business. And it is still the only one. It was not a question of governments imposing rules on business. That would never work. In drawing up the Guidelines, business and labour have been consulted all along the way. The aim was to create a voluntary engagement. This tripartite set-up has ensured continued respect for the Guidelines.

In reviewing the Guidelines the same concept has been retained, except that we have included NGOs in the consultations. That is only logical, given that most of us now consult NGO's on questions of trade and investment. The review has reaffirmed the soundness of the original Guidelines. Although the changes are important, they are not revolutionary. Most of all, they reflect the important progress made by international business itself. It is business which has set itself higher standards in corporate responsibility. As governments we should acknowledge that progress.

Corporate responsibility is an important part of my political agenda at home. In my view restoring political consensus on free trade and investment requires an engagement by business. I do not believe that corporate responsibility is a fad or a hype. Most major firms understand perfectly well that they need a licence to operate in today's world of critical and well-informed consumers.

As governments we should assist business in providing an adequate international framework of

recommendations. Such a framework is an indispensable tool for firms with major international operations. It is an equally indispensable tool for governments in answering questions from the public as to how firms are expected to behave. With the new OECD Guidelines we now have an adequate international framework.

I am pleased to give my full support to the new Guidelines. And I am proud of the fact that the review has taken place under Dutch chairmanship. I salute my colleagues from Argentina, Brazil and Chile for their countries' participation in the review process. I am confident that all of you will join me in adopting these new Guidelines.

SWITZERLAND / SUISSE

Monsieur Pascal Couchepin, Conseiller fédéral, Chef du Département fédéral de l'économie

La révision des Principes directeurs de l'OCDE à l'intention des entreprises multinationales marque l'aboutissement de négociations longues et ardues. Ce que nos négociateurs sont parvenus à accomplir au terme des dernières séances marathons peut être qualifié de bon compromis. Avec les Principes directeurs révisés, nous avons atteint notre but : proposer un cadre moderne de référence aux entreprises multinationales, encouragées à continuer à faire preuve de comportements responsables, à agir en, « good corporate citizens ».

Le résultat de cette révision doit d'abord être apprécié à la lumière des développements récemment intervenus dans l'environnement économique global. A cet égard, je relèverai :

Premièrement : Une mise à jour des Principes directeurs s'imposait face à une série d'évolutions marquantes depuis la dernière révision de 1991. Citons, dans le domaine de l'environnement, la Déclaration de Rio et l'Agenda 21, ou, dans celui de la lutte contre la corruption, les instruments pertinents de l'OCDE.

Deuxièmement : Les controverses sur l'élaboration de règles appropriées pour une économie qui se mondialise ont gagné en importance. Je me réfère ici principalement à l'arrêt des négociations en vue d'un accord multilatéral sur l'investissement, l'AMI, et à l'échec du lancement, à Seattle, d'un nouveau cycle de négociations multilatérales.

Troisièmement : La mondialisation de l'économie suscite de nombreuses inquiétudes, dont les entreprises multinationales sont rendues responsables.

Le résultat de cette révision n'est, à mes yeux, pas le seul motif de satisfaction. Le processus de révision, en tant que tel, en est un autre. Pour la première fois, en effet, des représentants de nombre d'organisations non gouvernementales ont été régulièrement consultés, puis, sur les questions importantes, véritablement impliqués dans les négociations.

Autre aspect appréciable, nos partenaires traditionnels à l'OCDE, je veux parler des organisations d'employeurs – le BIAC – et d'employés – le TUAC –, n'ont pas ménagé leurs efforts dans la défense de leurs intérêts, ce qui donne un relief particulier au compromis réalisé.

Pourtant, Monsieur le Président, il conviendra de veiller à ne pas laisser le résultat de nos négociations se diluer dans l'autosatisfaction. A nous, responsables politiques, il incombera d'agir avec détermination.

Tout d'abord, en relation directe avec les Principes révisés, notre tâche consistera à contribuer activement – par les points de contact nationaux – à la promotion des Principes directeurs. Ces points de

contact devront aussi assumer plus de responsabilités lorsqu'il s'agira d'aplanir les divergences pouvant surgir dans les domaines couverts par les Principes. Cela exigera d'adapter en conséquence les ressources mises à leur disposition. En outre, le Comité de l'investissement international et des entreprises multinationales – le CIME – devra intensifier ses efforts pour informer les pays non membres de l'OCDE sur les objectifs et la nature des Principes, et pour les encourager à y adhérer. Nul doute que l'OCDE saura alors ajuster son programme consacré aux relations avec les pays non membres.

Dans la lancée de la présente révision des Principes, et pour être à même de relever les défis auxquels, à plus long terme, nous n'échapperons pas en matière d'investissement international, nous devons d'urgence nous atteler à la révision d'autres instruments de la Déclaration sur l'investissement international et les entreprises multinationales. Au premier rang de ceux-ci, je citerai l'Instrument relatif au Traitement national et la Recommandation sur les stimulants et obstacles à l'investissement international. Le CIME est donc invité à intensifier les travaux préparatoires y relatifs, afin de nous permettre d'aborder sans tarder la phase concrète des travaux.

Je conclurai en soulignant, d'un point de vue politique et économique plus large, le rôle important qui revient aux Principes directeurs révisés : celui, en quelque sorte, de préparer la voie à des négociations multilatérales à lancer ultérieurement dans les enceintes appropriées en vue de doter l'économie mondiale d'un cadre réglementaire multilatéral dans le domaine de l'investissement international.

***ITEM 200: ADVANCES IN TECHNOLOGY : CHALLENGES FOR GOVERNANCE
POINT 200 :LES PROGRES DE LA TECHNOLOGIE : DEFIS POUR LA GOUVERNANCE***

AUSTRALIA / AUSTRALIE

Mr. Mark Vaile, Minister for Trade, Department of Foreign Affairs and Trade

Australia supports increased international understanding of the benefits associated with biotechnology, and we agree with a number of the comments that have already been made with regard to the impact it is likely to have on economic growth, particularly in those countries that have substantial capacities as far as agricultural production is concerned.

We also note that international trade in biotechnology products must be kept open and fair, and that access to markets for biotech products should be on the same basis as for any other products. We would also stress the need for a science-based, rules-based approach to international trade in products of biotechnology, built on existing WTO rules and international standard setting frameworks such as the Codex Alimentarius Commission.

We would also say the work that has been undertaken by the OECD on biotechnology and related aspects of food safety has been very helpful in terms of adding value to a lot of the broad range of work that has already been done in these areas by the FAO and the WHO. We certainly believe that they are the appropriate international fora for broad policy dialogue on biotechnology and food safety. We would strongly argue for the continuation of ongoing work within the OECD, but not the continuation of the ad hoc group that has been working on food safety beyond the mandated date of the 31st July this year.

BELGIUM / BELGIQUE

M. Pierre Chevalier, Secrétaire d'Etat au Commerce Extérieur

Monsieur le Président, Chers collègues,

Je voudrais saisir l'occasion qui nous est offerte de partager nos vues sur les questions liées à la sécurité alimentaire et aux biotechnologies.

A la suite des récentes crises alimentaires, la Belgique s'est engagée résolument dans une réforme en profondeur de son système de sécurité alimentaire, avec notamment la mise sur pied d'une Agence de sécurité alimentaire pour le contrôle de l'ensemble de la chaîne alimentaire – "de la fourche à la fourchette" selon une formule désormais consacrée. Il s'agit donc de l'établissement d'un système de traçabilité tout au long des filières de productions et de commercialisation.

J'aimerais également insister sur l'importance accordée à l'aspect « surveillance » et « action préventive ». A cet égard, tirant les leçons de la crise de la dioxine, la Belgique a notamment développé un système de surveillance unique en Europe en vue de la détection des PCB et dioxines. Ce système - appelé CONSUM - permet de remonter de manière extrêmement rapide à l'origine de la contamination et d'éviter sa propagation à la chaîne alimentaire.

Mon pays plaide également pour une harmonisation accrue au niveau de l'Union européenne et la mise en place rapide d'une Agence européenne de la sécurité alimentaire. Une harmonisation des règles, notamment sur les limites maximales de contamination, nous paraît nécessaire et nous sommes heureux que des progrès aient été enregistrés au récent Conseil européen sur ce point.

La Belgique se réjouit de ce que la Commission Européenne a été invitée par le Conseil européen, sur proposition belge, à présenter des propositions pour harmoniser les limites maximales de contaminants.

Dans le même temps, je constate que nous sommes très engagés, avec les spécificités qui sont les nôtres dans nos pays respectifs, dans une réforme et au renforcement de nos systèmes et réglementations en matière de sécurité alimentaire.

Ce que nous faisons n'est rien d'autre que d'intégrer les nouveaux défis qui nous sont posés sur le plan scientifique. En agissant ainsi, nous essayons de répondre aux attentes de nos sociétés civiles et de nos consommateurs. Le défi auquel on nous demande de répondre est donc triple : scientifique, politique et au niveau de nos opinions publiques.

Le défi scientifique d'abord.

Afin de chercher à accroître le consensus scientifique et de répondre aux nouveaux développements technologiques, mon pays soutient l'initiative prise par le Président de la Conférence d'Edimbourg et relayée par les autorités britanniques d'un panel d'experts scientifiques sur l'évaluation des OGM, Autonomie, transparence, multidisciplinarité des experts scientifiques nous semble être les éléments essentiels qui devraient fonder une telle initiative. A ceci s'ajoute la nécessité d'associer, dans un second cercle plus large, les "stakeholders" à la discussion.

Le défi politique en suite.

Clairement, c'est aux pouvoirs publics qu'il revient, dans la transparence et en dialogue avec la société civile, de trouver le juste équilibre entre les exigences de précaution, les demandes de nos concitoyens en matière d'information et de choix tout en évitant les mesures discriminatoires et les restrictions injustifiées aux échanges commerciaux de produits alimentaires.

Il me semble que l'OCDE pourrait utilement continuer à travailler sur ces thèmes et contribuer à l'établissement d'un climat plus serein. Au plus nous aurons l'occasion de communiquer nos expériences nationales et de les comparer, au mieux nous serons sans doute à même de faire progresser les approches communes au niveau international. Je soutiens la poursuite de discussions sur ce thème à l'OCDE, J'ai

aussi en tête l'approche multidisciplinaire de cette Organisation et le large degré de consensus déjà atteint entre ses membres, comme le rapport au G8 l'a établi.

Je voudrais souligner que ces travaux devraient, dans notre optique, être menés sans préjudice et en coordination avec les travaux réalisés dans d'autres enceintes. Je pense en particulier au Codex Alimentarius dont le renforcement est un souci commun à tous nos pays.

Et enfin un mot sur nos opinions publiques et nos sociétés civiles.

Les scientifiques ne peuvent répondre seuls aux défis qui nous sont posés. La science évolue et avec se développe de nouvelles incertitudes scientifiques. Les différences s'approche sur le niveau acceptable du risque au sein de nos différentes sociétés est un autre élément qu'il nous faut prendre en considération.

Il faut donc ajouter que les préoccupations de nos concitoyens, souvent relayés par nos Parlements et par les organisations de la société civile, peuvent aller au-delà du seul aspect de l'innocuité alimentaire pour toucher à des questions tels que les impacts sur l'environnement et la biodiversité, les méthodes de production, la santé etc...

Il n'est pas trop d'efforts pour répondre à l'ampleur des défis qui nous sont posés et qui dépassent largement le cadre des pays-membres de cette Organisation. Le dialogue avec les pays en développement – qu'il soient producteurs ou consommateurs de produits alimentaires – relève également d'une très forte priorité. Tous ces travaux et efforts doivent à notre estime tendre à un processus de « confidence-building measures » et de prévention des conflits.

CZECH REPUBLIC / REPUBLIQUE TCHEQUE

Mr Michael Vit, State Secretary, Ministry of Health

The desire for knowledge as well as the endeavour of making life easier are all incident to man. The present generation has become not only an involuntary but also active witness to the amazing increase of human knowledge and its direct impact on our everyday life. If a peasant living at the beginning of the Christian era found himself in the same surroundings after a thousand years, he probably would not, by a wide margin, be as surprised as his descendant from the nineteenth century who could become for a while our contemporary.

Among the events that significantly moved human knowledge forward during the last half-century, we can name as an example the discovery of the DNA structure, the penetration of men into space or the utilisation of satellites in information transfer. However, the development of human civilisation has been tainted during last decades with such undesirable experiences, bearing witness to the vulnerability of the achievements of science, as the breakdown of the Chernobyl nuclear power station or the tardy ascertainment of the cumulative toxic effects of the persistent chlorinated organic pollutants.

As early as 1974 the Internet started to be used; the first gene transfer from one species to another came one year later. Both fields of activities, in which these exciting discoveries can be included, i. e. information technology and modern biotechnology, score an intensive development namely in the last decade, as if they announced at the turn of millennia what would have a decisive impact on the development of science, technology and economy in the next century.

Unlike information technology, which can be either accepted or refused by consumer, gene technologies seem to enter our lives and get on our tables inconspicuously, covertly, unnoticed and often

also unwanted. Their arrival appears to be more rapid than the ability of governments to always adequately react, although until now, national food safety systems have been doing an effective job of protecting public health. As a consequence, governments are often criticised for only justifying the introduction of modern biotechnologies without taking into account possible negative effects that these technologies could have for instance on the equilibrium of ecosystems or human health. On top of that, consumers in different countries have different experiences with outbreaks of food-borne diseases, individual countries have different health care approaches including food safety systems and, overall, consumers are not very well informed. For example, 56 per cent of respondents of the recent representative study in our country do not have enough information about what genetically modified organisms are, 25 per cent call for mandatory labelling, 12 per cent would never buy GM food and only 3 per cent have no fear of buying it.

Nevertheless, it is very difficult, in a more and more globalised world, interconnected through information nets and trade, to localise and separate the negative experience by destroying its reason in germ. What has negative impacts in only one country one day could be felt as very unpleasant another day in another country on the opposite hemisphere. That is why it is so important to attempt to deepen international co-operation and strive for harmonisation of approaches between different countries.

In this connection, we highly appreciate regional integration and prepare ourselves thoroughly for future EU membership. At present, regulations stipulating the protection of consumers and defining frameworks for producers are being elaborated with a view of harmonising their vast majority with EU regulations by the end of this year.

As well, we also very much support the international co-operation in the field of food safety. International co-operation has to be further deepened as the utilisation of recombinant genetic technologies advances. This implies in our opinion strengthening of the Codex Alimentarius technical activities and at the same time studying different aspects of GMOs utilisation from economic, environmental, regulatory, ethical and other viewpoints.

It should be noted that there have been great advances in international efforts during the last several months, thanks to OECD involvement in food safety activities. The OECD, thanks to its analytical capacity, could in our view play a further role in this area by assessing economic parameters of introducing new biotechnologies, since convincing economic data are absolutely necessary for policy makers to make relevant decisions. We have submitted our concrete proposals for OECD follow-up food safety related activities in our statement to the G8. I would like to underline the proposal for the OECD to compare individual national food safety systems in the "peer review" process with a view to providing assessment of their performance and drawing lessons for their improvement to respond better to changing conditions.

OECD, compared to other international organisations, provides an unconflictual, impartial and relatively politically independent environment to help countries understand each other and find better consensus in areas such as precaution, risk assessment or trade disputes encompassing consumer protection. To this end, involvement of both developed and developing countries and continuous, extended dialogue with all stakeholders, including scientists and consumers, is necessary. Namely, transparency of regulatory processes and increase of public confidence can in our view only be achieved through open dialogue with the public and improvement of its access to relevant information.

FINLAND / FINLANDE

Mr Kimmo Sasi, Minister for Foreign Trade

Since our last year's meeting here in Paris, issues related to biotechnology and food safety have become object to increasing public attention and policy debate. I am sure that as politicians we all have

felt that public interest and often also concern.

For OECD, biotech and food safety have not been any unfamiliar issues. Even prior to the 1999 Ministerial there was already an on-going extensive working program on biotechnology within various committees of the OECD. However, it is since last year that biotechnology has been among the top priorities of this organisation. In my view quite rightly so. I am very happy that today we are making already a kind of an interim audit on how these matters stand today.

As we know, the world leaders - G-8 - had such a trust in OECD's capacities, that they requested it to explore biotechnology and other aspects of food safety. It was a great challenge to assume. These issues are extremely difficult and complex. Addressing them clearly calls for a multidisciplinary approach.

Let me mention that in my own administration, the question involves six ministries and a number of national central agencies. As for myself, I am in charge of foreign trade policy at the Ministry of Foreign Affairs, and at the same time responsible for food policies as well as consumer affairs at the Ministry of Trade and Industry.

The multidisciplinary and horizontal nature of the work makes the OECD especially suitable to come off with good performance. The OECD has been able to organise and process work which calls for expertise from a number of administrative sectors and scientific disciplines. It has also been able to gather the best experts from member countries and to create a constructive working atmosphere.

In Finland, we attach great value to food safety. To that end, we see that engaging also the whole food production chain is absolutely necessary to ensure a successful outcome. On the European level, Finland is attaching great attention to these matters. The European Commission adopted earlier this year a White Paper addressing Food Safety Issues. The Paper is currently discussed amongst the Member States of the Union. The Paper identifies a number of key elements for a comprehensive and integrated approach to food safety. It calls for improvements in food safety legislation, controls and consumer information. Furthermore, the Paper includes a proposal to establish an independent European Food Safety Authority. The Authority would be entrusted with a number of key tasks embracing independent scientific advice on all aspects relating to food safety, operation of rapid alert systems, communication and dialogue with consumers as well as networking with national and international agencies and scientific bodies.

But, let me return to the works of this house. The OECD report, now at hand, is a remarkable piece of work. It consists of the contributions of three working groups and two important meetings. The report does not yet solve many of the problems we are facing, but it certainly is the necessary first step on a right track. It might be well characterised as a kind of basic mapping of all the issues involved. For a policy-maker, this is important; to have a general picture of the whole; to know where various points of controversy may stand and; to indicate directions where to go.

But, as the report itself illustrates, much remains to be done. Today, we should discuss, how the OECD should forge ahead from this point and what the role of other relevant international organisations should be in this context. In my view the OECD still has an important role to play.

I would see several questions related to the tasks of this organisation:

First, the two existing working groups have their well-defined fields of work, which should self-evidently continue. Also, there are certain other parts of the organisation where biotech-related work is carried out. These activities have their place in their respective programs of work.

Second, we have to find, rather soon, a common view on the continuation of the work of the Ad Hoc Group on Food Safety, which has accomplished its presently mandated task. The Group has proven

its capability to discuss important and difficult issues, in a productive manner. I cannot imagine that any other international organisation would have been able to produce such a report in such a tight time schedule. The time and the mandate did not allow the group to go further, but it identified issues where the work should continue.

It has been mentioned that the work could continue elsewhere as well. I do not disagree. It goes without saying that the work will continue in such organisations like WHO and Codex Alimentarius. My understanding is, however, that the real issues here are not only scientific or technical, but interwoven to a large extent with non-scientific problems and they certainly have significant economic and social and political dimensions.

Therefore, Finland would support a new mandate for the Ad Hoc Group, a clearly defined, time-limited mandate. As to the contents of a new mandate, some proposals are identified in the report, dealing with kinds of questions where the OECD has its proven capacity, especially multidisciplinary socio-economic analysis and the so-called peer review of policies. But we also need a high-level policy discussion, in which the OECD has its reputation and merits. The OECD also has the means to involve key non-member countries to its work. It is also able to create a dialogue with different parts of the civil society in an organised manner.

Third, the chairman of the very successful Edinburgh Conference, Sir John Krebs, has made a proposal to establish a new international Forum or Panel. The proposal seems to have gained considerable backing. The Forum or the Panel - the beloved child has many names - would gather scientists, business community, interest groups, people from developing world - and naturally government officials - on a round table discussion about questions of biotechnology and food safety. Its task could even be extended to a larger scale of today's concerns stemming from the rapid development of life sciences.

We feel that the proposal merits a closer look and consideration. Especially in the field of biotechnology and food safety, we necessarily need consultation, co-operation and involvement of larger circles of the society. Important details, like, how and where the proposed Panel would be organised, naturally need to be discussed. It might even be a task for the Ad Hoc Group, to consider the possible organisation of such a Panel. We also have to find the means how to ensure that the results of such panel discussions are channelled to the ongoing food policy processes in relevant fora.

Fourth, I would like to mention an aspect, to which ministerial meetings often put attention only reluctantly. Namely, financing of all these useful activities. We have to ensure, that the OECD, as well as other organisations, have the necessary means to respond to the challenges we address to them.

Finally, Chairman, a few words about the issues behind. We are witnessing an era of dramatic technological development. In the recent history of feeding the world, only the green revolution some thirty years ago can be compared with recent development of modern biotechnology. The Green Revolution has proven to be largely a great success.

Now, the new modern biotechnologies promise nearly unlimited possibilities, not only in the field of food production but also in the health sector and others. In fact, certain new food products are going to have medical characteristics and vice versa. The so-called functional foods are an interesting and promising area of development. We must not deny these fruits of modern science. On the other hand, the human kind may be tampering with fundamentals of life, where not everything is known. Therefore, my approach is somewhat prudent. In Europe, we call it the precautionary principle.

Thus - on one hand - in order not to unnecessarily obstruct the development of these technologies, and - on the other hand - in order to ensure public health and environmental security, we do

need a good legislative framework both on national levels and on the international level. We also need better common understanding on the potential positive and negative impacts of the application of these technologies. However, we do not wish to speak about precaution in a vacuum. As important is to link it to a rules- and science- based approach.

In this OECD circle it is fair to say, that we are privileged to have rather well functioning food safety systems in our countries. We have to keep on paying special attention to this, in order to maintain a good level of confidence amongst our fellow citizens. Food is such a basic commodity, that the existence or inexistence of confidence in food is easily reflected to people's thinking about society at large. Therefore, we as politicians are responsible food safety policies, both on national and international levels. Risk assessment, risk management and risk communication are all essential elements of such policies. I am convinced that the OECD is well equipped to assist us in responding to these challenges.

ICELAND / ISLANDE

Mr Geir H. Haarde, Minister of Finance

The increasing public concern over science- and technology- related issues and natural and man-made risks in an increasingly complex and interconnected world puts a whole new set of challenges to public governance across the globe. On the one hand there are rising expectations towards the possibilities offered by scientific discoveries, such as in bioscience and material sciences and their application in biotechnology and information technology. On the other there is fear with respect to the possible misuse of new knowledge or its unforeseen consequences for nature and human society.

Iceland believes the OECD has a particularly important role to play as a forum for objective and scientifically based assessment of the real opportunities and the real risks associated with the application of advanced and complex technologies. The danger of special interest groups pursuing a political agenda of creating public mistrust is certainly very real, and this can impede technological advancement and negate potential benefits deriving therefrom. The OECD can play a major role in helping governments formulate appropriate policies, generate scientific evidence to inform public opinion and develop appropriate tools of governance to meet the new challenges.

Government response to these challenges is only credible if it is founded on solid science and experience, taking due account of precautionary approaches where applicable. Work deriving from the exchanges of our best qualified experts and administrators is a particular advantage of the OECD which has served us well over several decades.

This applies not least to the recent work completed by the OECD on biotechnology and food safety in response to a G8 request. We consider the reports flowing from this work to be of immense value as we collectively strive to meet the governance challenges of technological advancement in a highly dynamic sector.

We remain broadly satisfied with our food safety systems and their capacity to adapt to new technologies. But what is certain is that the future implications of these new technologies - whether those implications be economic or trade-related, ethical or social, environmental, food safety or otherwise - will make those confronting us today seem insignificant by comparison. This calls not only for the continuous review and constant development of domestic regulatory frameworks but for intensive international cooperation, communication and consultation if our endeavours to proceed responsibly and in harmony with public faith are to be successful.

In this light, Iceland considers it vital that the OECD, as a unique multidisciplinary forum,

continue along the path it has pursued through further work of the bodies it has established to deal with biotechnology and food safety issues, including the Ad Hoc Group on Food Safety. The Group could usefully look into issues of policy coherence through comparative analysis of national food safety systems, examine the socio-economic implications of regulatory measures and seek a common understanding of the application of precautionary approaches to risk assessment.

Iceland also sees considerable merit in the thoughtful ideas put forward by Sir John Krebs, Chairman of the Edinburgh Conference, with respect to the establishment of an international forum of experts, to be nominated by governments and other stakeholders, to inform policy and public debate through the best available scientific knowledge of the food and environmental safety of GM technology. The OECD could usefully seek to flesh out these ideas. The key challenge is to lead through science, knowledge and reason, not follow in the wake of misguided special interests.

JAPAN / JAPON

Mr Hisamitsu Arai, Vice-Minister of International Trade and Industry

In the coming century, which is sometimes referred to as “the century of life science”, biotechnology will be an essential instrument in humankind’s prosperity and will have a dramatic impact in a number of fields, including medicine, agriculture and environment.

In order to maximise the benefits of biotechnology for humans, research and development should be promoted, based on a fair appraisal of the enormous possibilities that the development of biotechnology could have.

The Human Genome Project, whose major objective is to elucidate human genome sequencing, is reaching its final phase; henceforth the focus of research will shift to the identification of gene functioning. Given that the research into the functions of the gene is sophisticated and requires highly professional knowledge, it will call for an even more efficient and deliberate effort than in the case of the Human Genome Project.

An OECD meeting was held in June at the researcher level. In Japan, we also plan to hold an international meeting of researchers in November, organised jointly by the industrial, academic and government sectors. The momentum towards strengthening research co-operation is growing.

Mr Chairman, I would like to emphasise that in this area the time is now ripe to consider the possibility of embarking on a “Post-Human Genome Project”, with international co-operation among scientists throughout the world. The possibility of the OECD, which has expertise in many areas relevant to biotechnology, taking the lead in this area should be considered.

In closing, I would like to express our determination to positively participate in all such activities.

PORTUGAL / PORTUGAL

Mr Francisco Seixas Da Costa, Secretary of State for European Affairs of Portugal

The increasing role of information and communication technologies (ICT) is undeniably affecting all dimensions of our daily life, both private and professionally.

There are new and renewed challenges that must be given appropriate answers. In fact, the

implications of the new economy are of a cross-cutting nature having to do with social, educational, environmental dimensions. Without following this horizontal approach, we run the risk of perverting the positive effects of globalisation.

Education has, in this context, a central role to play, promoting skills and abilities, rising levels of involvement, contributing to the accumulation of knowledge and human capital with direct effects on productivity. Besides that, human capital accumulation is directly connected to better health, greater civic engagement which promotes all dimensions of citizenship, lower crime and enhanced social cohesion. Consequently, human capital and new technology require governments to assume an increasing role in the educational systems, significant spill-overs to society.

Specific concerns, such as data privacy, consumer protection, intellectual property rights or taxes related to new technologies, cannot be ignored. The recent EU/USA summit pointed out that the European Union and the United States of America share many of these concerns and are strongly committed to find appropriate solutions to deal with these problems from a legal point of view, both at national and international level.

Let me now also express our view on the specific topic of biological technology, namely as regards its potential contribution to the promotion of sustainable development and in particular of public health. Protecting these values will foster consumer confidence and help develop biotechnology as a potential benefit of economic development.

This central concern is the basis of the precautionary principle. We strongly support this principle as well as the use of objective, transparent, science-based risk assessment procedures along with risk management procedures for its implementation. An appropriate and safe biotechnology must be cautiously explored in order to enhance food security. Only by assuring this can we guarantee the public's right to choose.

During the last months, the European Union made considerable steps on the food safety issue. The European Commission published a white paper and the Council of Ministers analysed the matter in the context of four different formations which are at the same time, particular ways to look at the matter: internal market, consumers, agriculture and health.

The recent European Council in Feira approved a detailed report on this issue, prepared at Ministerial level, and further work is planned for the future.

In this context, we strongly support the need to intensify our bilateral and especially multilateral debate on this issue in order to find adequate approaches. Taking this into account, the establishment of a consultative forum on biotechnology in the European Union/United States summit meeting in Portugal, was a significant achievement. Its action will be relevant, trying to prevent divergencies and fostering consensual approaches. Therefore, international co-operation among governments concerning food safety systems must be further developed. In this regard, the World Trade Organisation has also an important role to play. Concerning the concrete role of the OECD in this domain, my delegation fully supports the continuation of the Organisation's involvement in this area. The work done up till now brings credit to the Organisation and consolidates its role as a forum for high-level debate, that we sincerely desire to see developed.

SWITZERLAND / SUISSE

M. David Syz, Secrétaire d'État à l'économie

Les orateurs qui m'ont précédé et plus particulièrement mon collègue de la Finlande ont couvert de manière exhaustive la problématique de la biotechnologie et de la sécurité alimentaire. Je serai donc assez bref. Je peux souscrire d'ailleurs à la plupart de ce qui a été dit.

Permettez-moi avant tout de rappeler quelques considérations plus générales que nous ne devons pas - me semble-t-il - perdre de vue.

Dans notre session précédente, nous avons évoqué l'émergence d'une nouvelle économie et avons, entre autres, reconnu l'impact des technologies de l'information et de la communication sur la croissance. Nous aurions très bien pu parler dans ce même contexte de la biotechnologie.

Cette technologie connaît déjà de nombreuses applications :

- elle touche bien sûr le secteur de la santé humaine, et particulièrement le secteur pharmaceutique ;
- elle est appelée à jouer un rôle important dans les secteurs agricole et alimentaire ;
- elle connaît des applications fort intéressantes dans des processus de productions industrielles et de dépollutions environnementales, etc.

Les experts prédisent d'autres développements prometteurs : la biotechnologie comme les technologies de l'information sont des axes importants pour la croissance et donc pour la prospérité de nos économies.

C'est bien cet espoir d'une contribution en faveur de la régénération de l'environnement et du développement d'autres technologies qui établit la complémentarité entre la biotechnologie et le développement durable (équilibre de l'économie, du social et de l'environnement).

Nos gouvernements - individuellement et collectivement - ont saisi l'urgence de mettre sur pied un cadre réglementaire clair, stable et cohérent, car les investissements dans les nouvelles technologies sont gigantesques et tolèrent mal l'incertitude. Nous avons tous conscience que ces cadres réglementaires doivent bien sûr permettre les ajustements imposés par l'évolution des connaissances.

D'autre part, certains développements en matière de biotechnologie suscitent des interrogations ou des inquiétudes de la part de nos concitoyens. Nous devons répondre à ces inquiétudes légitimes.

J'en viens maintenant plus spécifiquement sur le thème du mandat et du rôle de l'OCDE en matière de biotechnologie et de sécurité alimentaire. Je voudrais avancer deux éléments de réflexion.

Les rapports de l'OCDE en matière de sécurité alimentaire montrent qu'il existe à l'intérieur de la zone OCDE des différences dans l'analyse et dans la gestion des risques. L'origine de ces divergences se situe dans la manière de percevoir, de définir et d'appliquer des concepts de base, tels que celui de l'équivalence en substance de l'OCDE et celui de la précaution. Ces principes sont aussi utilisés dans les discussions dans d'autres fora, ainsi qu'avec la société civile. Il est important de clarifier - au moins au niveau de la zone OCDE - leur portée et leur signification actuelles. A cet effet, les organes du Codex Alimentarius sont tout à fait appropriés. Mais il subsiste un débat de nature plus politique qui pourrait être mieux approfondi au sein de l'OCDE afin de faciliter l'avancement des travaux scientifiques et techniques au sein du Codex Alimentarius. Je n'exclue certainement pas que nous invitions un certain nombre de pays non-membres de l'OCDE à ce dialogue. A cet égard, je soutiens la proposition fort utile de Sir John Krebs. L'OCDE est déjà parfaitement équipée pour mettre en œuvre l'idée de Sir John Krebs.

Enfin, le compendium rédigé sous l'égide de l'OCDE à l'occasion de la réalisation du mandat confié par le G7/G8 constitue une source inestimable d'informations qu'il s'agit maintenant d'exploiter à travers un recours judicieux à la méthode de l'OCDE des examens par pays - les « peer reviews » -. Ce type d'exercice pourrait très bien améliorer la compréhension mutuelle et donc faciliter les négociations techniques dans d'autres fora (Codex, etc.)

Je suis conscient que nous n'arriverons pas à régler aujourd'hui toutes les questions institutionnelles liées à la poursuite des travaux portant sur la biotechnologie et la sécurité alimentaire. Je souhaite néanmoins vivement que nous parvenions à délimiter le cadre général à l'intérieur duquel devra s'inscrire le programme de travail futur de l'OCDE au titre notamment de la sécurité alimentaire. Si nous parvenons à ce résultat, nous aurons fait un progrès important qui donnera un juste signal à nos opinions publiques.

L'OCDE ne possède pas l'exclusivité de ce dossier, mais elle s'en situe à l'avant-garde. Elle a donc une responsabilité toute particulière, non seulement pour nos pays Membres, mais pour l'ensemble de la communauté internationale.

ITEM 201: REINFORCING THE MULTILATERAL SYSTEM
POINT 201 :RENFORCER LE SYSTEME MULTILATERAL

AUSTRIA / AUTRICHE

Mr. Martin Bartenstein, Federal Minister for Economic Affairs and Labour

I appreciate this occasion to present to you Austria's points of view concerning the most important features of multilateral trade policy:

Austria continues to support comprehensive multilateral negotiations to be launched as soon as possible in order to usefully complement the sectoral negotiations recently started on the basis of the built-in agenda in Geneva and thereby contribute to securing economic growth, employment and sustainable development. Priority should be given to the new trade issues.

The failure of Seattle has created an overall difficult situation for well-balanced negotiations regarding liberalisation in highly important sectors. However, the fact that negotiations in the fields of agriculture and services started without delay and the decision taken recently in Geneva on the implementation package including improved market access for LDCs have already created a more positive atmosphere.

We must continue to make every effort to convince developing countries that the envisaged results of a comprehensive round including many important subjects will also be beneficial to their economies.

We have also to increase transparency about the measures taken or envisaged; a continuous dialogue with the public is a precondition for gaining general acceptance for the multilateral system. In Austria consultations with all interested NGOs are being held on a regular basis. The efforts regarding confidence and capacity building vis-à-vis the developing countries and the broader engagement vis-à-vis the general public are of paramount importance and will create the necessary atmosphere for further trade liberalisation in the era of globalisation.

OECD has an important role to play in the context of maintaining the momentum of trade liberalisation, particularly in the crucial preparatory period before a new round is launched.

Thus I support all efforts to build bridges in areas where differences remain.

The research activities of OECD are extremely helpful also in this respect: They provide a balanced analysis of the most important issues policy makers are facing on the multilateral agenda. I wish to highlight the excellent OECD study on trade, employment and core labour standards which broadens and deepens considerably the knowledge in this sector. Also in the field of trade and investment we can largely benefit from the OECD experience.

Valuable inputs provided also the analysis of the links between trade and the environment and trade and competition. Austria fully shares the opinion that hard core cartels are a serious threat to world trade. The fight against anti-competitive practices therefore has to form an important part of economic policy both on national and international levels.

Useful policy conclusions can be drawn out of OECD's analysis of the forces driving globalisation, the reasons behind investment decisions and how these have changed recently (and are likely to change further), mainly due to technological developments.

Furthermore I wish to welcome the outreach activities foreseen which are of particular importance in providing a practical contribution for the preparatory process as a whole by maintaining the trade dialogue with NGOs and increasing the transparency vis-à-vis the general public.

Austria welcomes the role OECD has taken with respect to the so-called "Pact for Reform, Investment, Integrity and Growth in South East Europe". It is this region in which OECD's and its members' experience with good governance, capital movements and private sector development can make a difference.

I am convinced that the rules-based multilateral system, providing the best framework for meeting the challenges and opportunities of the global economy, has to make indeed a contribution to growth, poverty reduction and sustainable development.

BELGIUM / BELGIQUE

M. Pierre Chevalier, Secrétaire d'Etat au Commerce extérieur

Monsieur le Président,

Je commencerai par l'évocation d'un paradoxe. Dans le contexte de perspectives macroéconomiques les meilleures que nos pays aient connues depuis une génération, on constate des éléments qui contrarient la poursuite de la libéralisation :

- premièrement du côté des pays en développement, la libéralisation est perçue à l'avantage des pays industrialisés. C'est pourquoi, certains PED / PMA prônent le status quo en matière de nouvelles règles et disciplines de l'Organisation mondiale du commerce.
- deuxième élément, certains acteurs de la société civile ne voient pas l'utilité d'un round global. Ils perçoivent la mondialisation en termes négatifs par ses effets sur l'environnement, la sécurité alimentaire et par des ajustements structurels douloureux dans nos sociétés.

Dans un contexte porteur, les technologies nouvelles bénéficient à une économie basée sur la société de la connaissance et sont un atout majeur. L'Europe pourrait devenir ainsi un bloc économique

ultra performant et très compétitif. A cette fin, la Belgique entend mettre en oeuvre de façon exemplaire, les conclusions du Conseil européen de Lisbonne.

On constate donc des éléments de tension entre certains freins à la libéralisation et le contexte ambiant favorable à la croissance. Réconcilier ces tensions sera déterminant pour l'avenir du prochain cycle.

En ce qui concerne le round, la Belgique est favorable à un agenda large comprenant les sujets allant au coeur des préoccupations du citoyen et ouvert sur l'intégration des PED / PMA dans l'économie mondiale. En ce qui concerne le programme incorporé de l'OMC, nous préconisons une approche dynamique et constructive pour les négociations en cours.

Il nous paraît qu'une société mondialisée requiert de nouveaux cadres de règles et disciplines économiques. Nous plaçons à cet effet, pour un ensemble de règles non discriminatoires et basées sur le traitement national pour l'investissement qui respecteront la souveraineté de tous les partenaires.

Les mêmes raisons conduisent à préconiser un cadre de règles concernant la concurrence.

Nous avons toujours été en faveur du respect des normes fondamentales du travail et une approche prudente progressive, consensuelle et rejetant toute idée de sanctions me paraît la seule solution pragmatique. On peut penser à des mesures incitatives en faveur du respect des droits sociaux fondamentaux.

Si on ne parvient pas à résoudre les contradictions entre arguments en faveur et contre la poursuite de la libéralisation, l'OMC risque d'être fragilisée voire rendue impuissante dans sa vocation qui est essentiellement d'être un forum de négociations et de création de règles de droit. Sa seconde mission est évidemment de régler les conflits commerciaux. Depuis quelques temps, le rôle de l'OMC comme tribunal du commerce occulte sa fonction de négociation. Il y a là une dérive légaliste qui peut compromettre les efforts faits pour donner confiance au PVD. Nous devons recentrer l'activité de l'OMC sur la création de nouvelles règles encadrant la mondialisation.

La société civile doit être étroitement associée aux négociations futures de même que les Parlements. Il faudra faire preuve d'imagination à cet égard. La proposition US d'un nouveau comité consultatif pour la société civile mérite considération.

Dans beaucoup de ces domaines, l'OCDE peut entreprendre ou continuer un travail d'analyse avec comme ambition un rapprochement des opinions sur des thèmes controversés comme ceux du commerce plus en appui des négociations prochaines de l'OMC.

CZECH REPUBLIC / REPUBLIQUE TCHEQUE

Mr Jiri Maceška, State Secretary for Trade

The importance of this meeting stems from the fact that it is the first major gathering of its kind since our collective failure in Seattle to reinforce the multilateral system through a new WTO Round.

Unsurprisingly, today's discussion is not only about a new Round but also, and in particular, about the functioning of the multilateral system and about the importance we all attach to its core values and to the case of open, rules-based trade. Definitely the multilateral system is not dead and it continues to deliver considerable benefits. But, and it is also true, more than ever before, we have to throw our weight

behind this system and be more convincing in explaining its role in promoting sustainable economic growth and stable economic relations.

As to a new Round, it is encouraging to see that there is a modest shift worldwide towards backing new global trade talks and that all OECD Members, including the Czech Republic, are firmly committed to its early launch and to the concept of a sufficiently broad based agenda.

However, the experience from and after Seattle clearly shows that our individual and collective support to the pursuit of multilateral trade negotiations is far from being sufficient to get a new Round under way if an agreement on its exact nature, scope and agenda is lacking. What is, therefore, needed is a clear commitment pledging all of us to be sufficiently flexible and to work harder with a view to narrowing the gap on many of the key issues that led to the failure in Seattle.

Indeed, none of us has ready-made recipes how to build a consensus necessary for a new Round and how to reconcile diverging positions. But there seems to be a widely shared perception that the best way to proceed is to move the steps one by one and restore mutual confidence and confidence in multilateral system represented by the WTO.

As many have already said, we are progressing, both in Geneva and elsewhere, although not as fast as we all would wish. But the atmosphere seems to have improved. We do have a good start to the agriculture and service talks. Everyone is likely to be ready to engage in good faith and prepare a solid technical ground for future bargaining in the broader context. We have a good resumption of discussions on investment, competition and transparency in government procurement. We hope these discussions will allow us to better understand each others' position and will pave the way for appropriate decisions regarding the ways of handling these issues in the WTO.

We are particularly pleased to have been able to contribute to the steps taken recently in Geneva in order to respond to the needs of developing and least-developed countries and their aspirations to participate more fully in the multilateral system.

At the same time, we remain realistic and we are well aware that a lot remains to be done to restore developing countries' confidence in free trade. Suffice to mention rather negative reactions of least-developed countries to the package of market access measures in their favour. Although being successful in establishing a special mechanism to address the issues arising from implementation of existing WTO agreements, we all know how difficult a task lies ahead of us to find appropriate solutions to developing countries' concerns. It also remains to be seen what impact will have a number of legal complaints launched recently against measures which developing countries consider to be a part of a confidence building process.

When talking about confidence building, we should avoid any hypocrisy. Apparently, one of the reasons of the failure in Seattle was lack of conviction on the part of the traditional driving forces in the developed world as well as insufficient support of the general public and business for the idea of a new Round.

This gives rise to some concern and we are of the view that, in the OECD, much more time could and should be devoted to the exchange of views on the increasing role played by civil society in the multilateral system. What steps have to be taken to better convey the benefits of open trade and the costs of protectionism? How to deal with demands for more active involvement of the WTO in labour and environmental issues and how to reconcile them with concerns about their possible impact on the existing market access?

Another issue that deserves our attention has to do with business interests in the WTO and more

specifically in a new Round. Is it true that these interests are now somewhat lower compared to the Uruguay Round? And when the answer is affirmative, why is it so? Is it because of proliferation of regional or bilateral approaches? Is it due to modest results achieved so far by the WTO in some areas or has it to do with disbelief in the WTO ability to deliver meaningful results in a short period of time?

These are the issues which, according to our view, deserve the OECD's greater involvement. The OECD has a critical role to play in restoring confidence in the multilateral system and in bringing a new Round into life. Needless to say that the Czech Republic remains ready to assist the OECD in performing these demanding duties.

FINLAND / FINLANDE

Mr Kimmo Sasi, Minister for Foreign Trade

The Ministerial provides us with an opportunity not to be missed. We have to give both to non-members and the civil society a clear signal of our commitment towards the multilateral trading system. But to be credible, we must also make it clear that we are serious in our efforts to tackle the problems of developing countries. Furthermore, we cannot overlook the anxieties expressed by our civil societies, albeit they are in many cases unfounded.

As the study published recently by the WTO (19.6.2000) once again confirmed, "openness to trade helps developing countries catch up with the rich ones and that the poor generally benefit from the faster economic growth that trade liberalisation brings". Still, as WTO's Director General Mike Moore stated in his article to the Financial Times, "trade alone may not be enough to eradicate poverty, but trade is essential if poor people are to have any hope of a brighter future". We would add that naturally also the correct national policies need to be in place; investing in education, health care etc.

Those that have opened up their markets have succeeded. The simple brilliance of the multilateral trading system is that all participants open up their markets - of course the more developed and aggressive economies profit most in the beginning - but the others will follow. The success story of one of our members, South Korea, is an encouraging example for others. The about 30 or so countries, that are currently applying to become Members of the WTO show firm belief in the multilateral trading system and positive effects of trade liberalisation. And one should not forget that an old and influential member of the WTO, the United States also just reaffirmed its belief in WTO(!)

But admittedly, WTO and its more developed members could take the concerns of the developing countries better into account. Without being a development organisation, WTO can give e.g. effective technical assistance on its special field of competence: the multilateral trade rules and how to use and follow them. And there may be provisions of the special and differentiated treatment awarded to the developing country members that have not been fully used. But still, the most powerful tool for addressing the concerns of all WTO members, are multilateral trade negotiations. Only in an inclusive negotiations package can everybody get something. That is also the only way we can deal with the trade related issues worrying our civil societies. WTO is not alone able to shape or manage the globalisation process but by continuously developing and strengthening international trade rules we can at least increasingly harness it. I don't think that the world would be a better place without WTO for any country, the least for small countries and developing countries.

We welcome the on-going efforts to improve coherent functioning of the multilateral system to address different dimensions and effects of globalisation. The OECD has a role to play in this by providing rigorous, objective, and multidisciplinary analysis in furtherance of trade and investment liberalisation and in finding arguments in favour of them.

In OECD's work, we welcome the importance attached to openness and a regular dialogue with non-governmental organisations on issues related to the multilateral trading system and globalisation in general. It is essential to try to deepen public understanding of different aspects of the globalisation agenda in order to maintain broad public support for the multilateral trading system and further trade and investment liberalisation. To that end, we need an on-going engagement and consultation with the general public, particularly at the national level.

We consider the added emphasis on the development dimension in OECD's work on trade issues especially relevant and a useful element in the confidence-building process in Geneva. We feel that capacity building for trade is an important element in that context and we are also underlining that in our development co-operation policy. We appreciate the work of DAC on this score and think that it should continue to put emphasis on these issues.

In our view, OECD has a valuable role in helping build bridges in areas where differences remain. Such are especially public concerns on trade liberalisation and insufficient policy coherence. We think that in the prevailing situation, it is all the more essential to share OECD's sound analysis and argumentation with non-member economies and engage ourselves in an on-going dialogue on these issues with them.

To conclude, Mr Chairman, we see an important role for the OECD in contributing to reinforce the multilateral trading system and strengthen the WTO.

ICELAND / ISLANDE

Ambassador Sverrir H. Gunnlaugsson, Permanent Secretary of State, Ministry for Foreign Affairs

While much attention has been devoted to the failure of the Seattle Ministerial in recent months, our faith in the multilateral trading system remains as strong as ever. The WTO is quite simply of irreplaceable value to Iceland and indeed to the world economy as a whole. Contrary to some of its vocal critics, the multilateral trading system is the true engine of global economic growth and prosperity and its well-being is fundamental to that of all the world's people. That message must be broadcast loud and clear. The challenges and opportunities confronting the system in an era of ever-increasing globalisation must be met, harnessed and exploited to the shared benefit of all, developed and developing alike.

Iceland wishes to stress that a broad-based, balanced and inclusive New Round would be the best way of moving forward to sustain the momentum of liberalization, promote economic growth and development and meet the diverse challenges of globalisation. Our efforts in Geneva and other fora will aim to build consensus on a balanced package with no *a priori* exclusions. Our ambition to move expeditiously has, however, to be tempered by the recognition that we can ill-afford a second failure. We should use the available time wisely to build a solid and realistic platform from which to launch a New Round in the course of next year. Meanwhile, work on the built-in agenda should proceed as planned.

The lessons to be drawn from Seattle are many, but not least that far more needs to be done to address the legitimate concerns of the developing world as well as those of our respective civil societies. Effective communication and consultation strategies, inside and outside of Government, have to be pursued vis-a-vis the gamut of public interests and greater transparency achieved without placing at risk the core nature of the WTO as a forum for intergovernmental negotiations. A careful balance has to be struck. The OECD can play a key role in informing public debate and in this respect the timely initiative on FORUM 2000 is to be applauded.

Open trade and investment policies are key ingredients to sustained growth and development, but

fall short when not accompanied by a coherent set of economic, financial, structural, environmental and social policies administered under sound public governance. This fundamental truth has to be kept in mind and effectively taken into account in our efforts to forge a consensus for a New Round.

We strongly support the confidence-building measures initiated by the Director-General of the WTO to address developing countries' concerns, including measures in favour of LDCs, capacity-building through technical cooperation and the range of implementation issues that require urgent attention. We also endorse fully all OECD work on trade and development issues, which plays a vital role in moving the process forward.

From Iceland's point of view, a fundamental objective of a New Round should be to incorporate the objective of sustainable development fully into the multilateral system. It would surely be difficult to identify a greater contribution towards alleviating the concerns that have burdened the multilateral system of late. In this respect we look forward to the OECD's Policy Report on Sustainable Development and the Environmental Outlook and Strategy in 2001.

We remain particularly concerned about resource use and management. Each country has its priorities in this respect based on its economic interests and acquired expertise. In Iceland's case - as is well known - this is to be found in fisheries. Fisheries subsidies are widely recognized to be the most important contributor to overfishing, to say nothing of their trade-distorting effects.

Iceland has along with other like-minded WTO Members proposed that future negotiations should aim to reduce and eliminate fisheries subsidies that distort trade, harm the environment and undermine sustainable development. We will continue with our partners to lead work in the WTO and other relevant fora with the realization of this important objective in mind. We urge others to take on the same challenge in their own respective areas of expertise, so that we may collectively advance the sustainable development agenda through the next WTO Round.

JAPAN / JAPON

Takashi Fukaya, Minister of International Trade and Industry

As we approach the 21st century, we need appropriate social and economic systems if we want to respond to the demands of the new century. In this regard, Japan strongly supports a new WTO round and is making all possible efforts to ensure its early launch, in co-operation with our trading partners.

It is crucial that the new round should reflect the interests of all participating countries. As such, the negotiations should be comprehensive and include improvements not only in market access but also in the existing rules. The introduction of new rules would enable countries to harness the effects of globalisation, to respond appropriately to the new challenges of the 21st century and to ensure a more balanced distribution of benefits to developing countries.

Based on these thoughts, I would like to focus on the following two issues, the WTO and IT.

First, it is important to establish new mechanisms so that developing countries can fully benefit from the WTO system. The outcome of the Ministerial meeting in Seattle substantially weakened international confidence in the multilateral trading system. There is a lesson to be learned from this. I believe that it is of critical importance to "do steadily what we can do now" to rebuild confidence in the WTO. In particular, we must put in place mechanisms to allow developing countries to truly benefit from the WTO system.

At the recent APEC Trade Ministers Meeting in Australia, Japan proposed efficient and strategic capacity building measures for implementation of WTO Agreements by developing countries. The proposal includes identifying the needs of the respective developing countries, drafting strategic plans for capacity building, and responding to these individual needs, implementing capacity building measures with the support of relevant international organisations. These capacity building measures will focus, *inter alia*, on i) expanding knowledge and skills for implementation of WTO Agreements, ii) developing a legal framework for domestic implementation, iii) enhancing the related infrastructure for domestic implementation, and iv) strengthening negotiating skills or building capacity so as to improve participation in the international dispute mechanism of the WTO.

This framework, broadly supported in the APEC, could usefully be expanded into a WTO-wide proposal. At the same time, we look forward to a strengthened co-ordination among relevant international organisations and to enhanced trade-related assistance by these organisations, in order to make capacity building activities more effective. It is also vital to reinforce the on-going "Integrated Framework" and to appropriately co-ordinate the "Integrated Framework" with regional or bilateral capacity building measures. We are determined to actively contribute to the above initiatives.

Concerning the second issue, I would like to propose the creation of IT-related international rules responding to new frontier issues in the 21st century. In this regard, I would like to stress the need for balance in the IT revolution in the following three areas. First, the information technology revolution will provide enormous opportunities not only for developed countries but also for developing countries. Second, great opportunities exist for enterprises as well as consumers. And third, with a view to ensuring these opportunities, rule-making as well as liberalisation of e-commerce should be addressed.

Concerning the creation of rules on e-commerce, I believe that the following four points are essential. First, further liberalisation of domestic regulations that hinder the development of e-commerce should be undertaken. Second, basic principles on e-commerce regarding domestic regulation, minimising the introduction of new regulations, should be established. Third, a pro-competitive environment in the e-commerce related markets should be created. And fourth, the WTO and other relevant international organisations should co-operate as appropriate.

To this end, I would like to propose the establishment of a horizontal working group in the WTO in which a wide range of related issues are discussed. For example, liberalisation of domestic regulations, so necessary for development of e-commerce, could hinder new business opportunities when combined with the market dominance or monopoly of a particular company. Another example would be to find a balance between the protection of intellectual property or network privacy and the responsibility of internet-service providers for their violation. Therefore, rules in the IT area should be discussed horizontally from various points of view.

The OECD can play an important role in this area. I believe that the OECD should make ambitious proposals on international rule-making in the information technology field, taking full advantage of its expertise in such areas as authentication, protection of privacy, and consumer protection.

In closing, may I simply add my earnest expectation that the OECD Council at Ministerial Level will send a strong message for the early launch of a new round, and that it will give meaningful input to the G8 summit in Kyushu-Okinawa.

KOREA / COREE

Dr. Han Duck-soo, Minister for Trade

1. Strengthening the System

Governments are currently standing at a crossroads. After many efforts at the Seattle Ministerial, many national governments may be wondering whether the march forward in trade liberalization is justified and whether there is any chance of a breakthrough.

In this regard, I agreed with the view that the multilateral trading system is like a bicycle. Unless you pedal your way up the slope, the bicycle loses its motion, stops, and falls down. At first glance, that analogy may sound a little simplistic. But it does reflect an essential truth. As the globalization proceeds, new trade issues are emerging at an alarming speed, and they require the trading system to remain adaptable to them. Competition problems caused by international mergers and acquisitions, the ever-growing link between trade and investment, e-commerce, and new developments in sectors such as biotechnology are all examples of such emerging issues. But if the status quo prevails in our trade regime and we fail to agree on overhauling its mechanisms, new realities may very well render the system obsolete and eventually inoperable.

Another reason why the maintenance of a momentum is essential in the trade regime pertains to the presence of protectionist forces. To prevent the damage that new trade-restricting measures would inevitably do to our multilateral trade regime, it is vital to strengthen discipline and minimize legal loopholes in WTO agreements, such as the ones on anti-dumping and safeguards, so as to limit the unhealthy leeway available to vested interests.

In my view, these factors are all justifications for a reinforcement of the multilateral trade system. Now, how do we go about doing this? Members failed to agree on an agenda of the new round during the Seattle Meeting. Should we then conclude that the prospects for a round are gloomy and that we should consider an alternative approach to a new round?

2. A Comprehensive Approach

I do not think so. A round in a comprehensive form has proven to be a superior option compared to any other form of negotiation. The first reason for this is that the comprehensive approach best allows for issue-linkages. It is generally recognized that linking issues and negotiating them as a package facilitate a mutually agreeable balance of concessions. This could pave the way for the conclusion of talks, particularly in a multilateral setting.

While the comprehensive approach may perhaps delay the entry into force of some sectoral agreements agreed upon at an early stage in the overall negotiations, it helps to avoid situations where problematic "sticky issues" are left unresolved. Some issues with sector-by-sector negotiations would certainly require more time to resolve and necessitate linkages.

3. Actions Needed to Launch the New Round

Some people argue that the political context for the launch of a new round is not ripe enough. However, one should keep in mind that we are part of a dynamic process in which, with patience and good faith, concrete steps can be taken to move the process forward and put into place favorable conditions.

We may take some concrete steps for that purpose.

First, we need to build greater confidence among Members. Indeed, WTO Members have entered into dialogue at the WTO and started to take actions to heal the scars left by the Seattle battle. In this respect, Korea welcomes the recent moves in the WTO on confidence building measures, and will do its best to help ensure that such measures bear fruit. Even outside the realm of the WTO, Members should

now be engaged in as much dialogue as possible among themselves through various formal and informal contacts. For its part, Korea will also actively participate in other international trade fora, including APEC, ASEM, and ASEAN+3, and use bilateral channels to exchange views with other countries.

The second step that should be taken is addressing developing countries' concerns. They complain that a hasty liberalization of their markets will incur unbearable costs to their economy and the frail social cohesion. Another problem developing countries must confront is the lack of resources that plague many of them when negotiating trade agreements, implementing these agreements, or using the multilateral rules to their advantage, i.e., reaping the benefits from the WTO. To convince these countries that further trade liberalization is mutually beneficial, we must offer them a fair balance of concessions.

The last step needed to create winning conditions relates to civil society. Concerns about job security, living standards and environmental protection are now being voiced by many NGOs, including consumer, environmental, human rights and other interest groups. These NGOs are articulate and well-organized. As a result, they wield increasing power within the policy-making process at the national level, with an impact on trade policy at the international level.

Responding to the interests and concerns of the civil society is crucial to securing the support of our citizens for the WTO system. Without domestic support, our efforts would be in vain. It is important for civil society to grapple with the fact that trade agreements are not ends in themselves; they are a valuable means to important ends such as alleviating poverty and malnutrition, widening the circles of development, sharing technological progress, sustaining the health of our planet, and advancing the cause of peace. It is imperative that the civil society understands this, and the WTO's initiative to enhance cooperation with different agents of civil society, including NGOs, is, in this sense, warranted.

However, I believe that the primary responsibility for maintaining effective channels of dialogue with civil society rests with the national government. The need to maintain active interaction with NGOs should always be balanced against the built-in requirement of preserving the inter-governmental nature of the WTO.

4. Conclusion

In conclusion, I would like to briefly highlight the important role the OECD can play to strengthen the multilateral trading system.

One significant role that the OECD must play is in regards to public relations. In order to rally support from the public, it is vital that we effectively publicize the benefits of trade liberalization. In this regard, the various activities within the OECD could help meet this end and I encourage their intensification.

I would also like to suggest closer cooperation between the OECD and other international organizations, especially the WTO. Greater coordination and coherence is bound to benefit everyone, particularly in the field of policy advice and economic research.

SWEDEN / SUEDE

Mr Leif Pagrotsky, Swedish Minister for Trade

Mr Lamy made the case that we must argue for and explain globalisation and the need for rules. He talked about a gap between public opinion and the views of trade politicians, and asked the OECD for

help in bridging that gap. He asked us to provide the political ammunition needed to rally support for further negotiations.

Mr Lamy was worried time is not on our side, that time is working against us. I agree with that analysis, but it depends on us, on how we use the time as it passes, if we use it productively to build respect for and confidence in how we are working to shape globalisation.

I, too, think, the OECD has an important role to play by producing analyses and contributing to a deeper understanding of how trade promotes growth and prosperity.

But I also see a need – or an opportunity – for the OECD to bridge that gap that Mr Lamy mentioned by showing action.

The credibility gap between us around this table and public opinion is due in part to a lingering suspicion that more trade actually means less rules. We agree that that is not true. That is not what we want.

But let us not just say so. Let us show it. Let us show that when we say that we want more competition, we mean fair competition.

We can manifest this at this meeting by including language in the communique, saying that we want to put an end to harmful – and by harmful I mean discriminatory – competition between our countries for investment.

I ask for your support on this.

We should mark that we do not accept the possibility that globalisation produces a race to the bottom. We should effectively put that suspicion to rest. And we can take a first step towards doing that here today. We should prove that politicians can take charge over the direction of globalisation, and that big global companies are not the only drivers of this process.

Mr Lamy said that time is not on our side, as opposition to trade and globalisation is on the rise.

That is exactly why we should use this organisation to make use of our time.

Our decision this morning on Guidelines for Multinational Enterprises is a good example of how we should work. How we as politicians address the new challenges of the globalised economy.

Another good example is the measures we took yesterday on the Report on Harmful Tax Competition.

Yet another such credibility raising activity would be to provide enough funding to make OECD work against corruption continue to produce good results.

We need to keep the aim of bridging the credibility gap in mind when we determine the agenda for work in the OECD this coming year.

We can show by our actions that we are serious about trade and investment liberalisation being fair and on our terms. Let us do that. Let us show that we are working on globalisation with a human face, not only talking about it.

SWITZERLAND / SUISSE

M. Pascal Couchepin, Conseiller fédéral, Chef du Département fédéral de l'économie

La Suisse réitère son soutien à la libéralisation progressive des échanges et au renforcement des règles dans le cadre du système commercial multilatéral de l'OMC. De plus, elle attache de l'importance à réaliser une meilleure cohérence entre la politique commerciale et les autres politiques (développement, environnement, finance, aspects fondamentaux des droits des travailleurs, etc.) et à assurer la complémentarité des accords régionaux avec le système commercial multilatéral. La Suisse soutient également la poursuite des nombreuses procédures d'accession à l'OMC en cours qui attestent l'attrait du système commercial multilatéral.

Après l'échec de la Conférence ministérielle de Seattle, l'objectif principal de la Suisse, à l'instar d'autres pays, est de créer un climat de confiance afin de nouer un consensus en faveur du lancement d'un cycle de négociations en 2001. Le programme de négociations devra être suffisamment large pour que l'essentiel des intérêts des Membres soient couverts. Pour la Suisse, ceci signifie que le prochain cycle de négociations devra non seulement porter sur les questions traditionnelles d'accès au marché mais également sur l'adaptation du système commercial aux réalités économiques contemporaines. Dans cette optique, nous concevons que les négociations actuellement en cours sur les services, l'agriculture et les indications géographiques constituent des travaux sectoriels utiles qui devront s'insérer dans un contexte plus large: celui d'un authentique cycle de négociations. Nous estimons également que les prochaines négociations devront apporter une réponse tangible aux préoccupations des pays en développement. C'est là l'unique moyen de gagner leur acquiescement à la poursuite de la libéralisation des échanges. De plus, étant entendu que le programme de négociation devra refléter les intérêts de tous les membres de l'OMC pour que notre plaidoyer en faveur de l'ouverture des marchés soit crédible aux yeux des pays en développement, il faut accepter d'approfondir la libéralisation du commerce des textiles et de mieux discipliner les instruments de défense commerciale comme les mesures antidumping.

A plus court terme, la Suisse se félicite des mesures de confiance prises envers les pays en développement au début de mai par le Conseil général de l'OMC. Nous sommes conscients que la mise en oeuvre de certains engagements pris à Marrakech est difficile pour une partie des pays en développement et des pays en transition. Nous devons donc soutenir les efforts que ces pays font pour respecter leurs engagements.

Pour certains, il sera nécessaire d'accorder une prolongation des délais de transition tout en posant des conditions précises afin de s'assurer que les engagements pris soient honorés *in fine*. Une approche au cas par cas nous semble être la voie la plus prometteuse. De plus, l'octroi d'une assistance technique appropriée devrait servir de mesure d'accompagnement.

La Suisse se réjouit que l'OMC soit devenue l'objet d'une attention particulière. Toutefois, ceci implique d'intensifier le dialogue avec le public et les milieux non gouvernementaux. La Suisse est d'avis que c'est en premier lieu la tâche des membres de l'OMC d'améliorer la transparence et l'information sur l'OMC tout en saluant les efforts entrepris au sein de l'OMC à ce sujet.

L'OCDE a un rôle important à jouer en soutenant les efforts en faveur d'une libéralisation progressive des échanges et un système fondé sur des règles multilatérales. Par ses travaux analytiques, l'OCDE contribue – grâce à son expérience et à son vaste champ d'activités - à améliorer la compréhension des liens qui existent entre la politique commerciale et les autres politiques. Ces activités constituent un travail préparatoire essentiel en vue du lancement d'un nouveau cycle de négociations.

TURKEY / TURQUIE**M. Recep Önal, Ministre d'Etat chargé des Affaires économiques**

La Turquie a toujours soutenu le système commercial libéral fondé sur des règles élaborées par l'OMC. A ce titre, la Turquie est favorable au lancement d'un nouveau cycle de négociations de large portée. Elle soutient également les mesures visant à instaurer un climat de confiance. Dans ce contexte, la Turquie se félicite des efforts déployés à Genève après la réunion de Seattle. En outre, s'agissant du lancement d'un nouveau cycle de négociations elle croit en la nécessité de poursuivre les travaux visant à parvenir à une identité de vue politique tout d'abord entre les différents pays développés.

L'échec de la conférence ministérielle de l'OMC à Seattle n'est pas une première dans l'histoire du système commercial international. En fait, l'expérience de Seattle nous a permis d'identifier clairement les différences d'appréciation fondamentales existant tant entre les pays en développement et les pays développés qu'entre les pays développés eux-mêmes.

Afin que le prochain cycle de négociations puisse être couronné de succès, il faudra veiller à choisir attentivement les autres thèmes liés aux questions commerciales. Il est important que les nouveaux thèmes permettent de s'adapter aisément et durablement aux conditions qui sont l'objet de changements rapides au sein du système commercial international. Les efforts visant à inclure des sujets tels que les normes fondamentales du travail qui relèvent du domaine de compétence d'autres organisations internationales et qui au plan politique font l'objet de controverses sont de nature à mettre à nouveau en péril la réussite d'un nouveau cycle.

D'autre part, il y a lieu de prendre en compte les besoins spécifiques des pays en développement. A cet effet, les nouvelles négociations commerciales multilatérales devraient, sans discrimination aucune, être conduites en tenant compte des intérêts et approches divers de l'ensemble des pays concernés.

Par ailleurs, la Turquie attache une grande importance aux travaux entamés récemment au sein d'organisations internationales concernant les problèmes relatifs aux pays en développement et la réduction de la pauvreté. Elle souhaite que des travaux allant dans ce sens puissent être entamés dans ce nouveau cycle.

Avant de lancer un nouveau cycle de négociations de large portée, je voudrais également insister brièvement sur la nécessité de procéder à l'élaboration de stratégies générales concernant les priorités du programme incorporé. Le fait que les négociations concernant les services et l'agriculture aient débuté tel que prévu initialement est satisfaisant. Néanmoins, alors que des préparatifs en vue d'un nouveau cycle se poursuivent, il convient de ne pas négliger les secteurs essentiels contenus dans le programme incorporé.

ANNEX 3

LIST OF PARTICIPANTS

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