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**SUMMARY REPORT BY THE CHAIRMAN ON THE JOINT CONSULTATIONS
HELD ON 25 MAY 1999 BETWEEN THE BUREAU OF THE COUNCIL
MEETING AT MINISTERIAL LEVEL AND THE BUSINESS AND INDUSTRY
ADVISORY COMMITTEE TO THE OECD (BIAC) AND THE TRADE UNION
ADVISORY COMMITTEE TO THE OECD (TUAC)**

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1. Yesterday, Tuesday 25 May 1999, the Chairman, Mr. Angel Gurría, Minister of Finance of Mexico, held interesting and informative discussions with representatives of BIAC and TUAC. He was joined by representatives of the Bureau, Delegations, the Secretary-General and senior members of the Secretariat. A list of the participants is attached as an Annex to this report. The discussions covered a number of issues.

The World Economic Situation

2. BIAC concurred with the OECD's guarded optimism on the prospects for global recovery and agreed that global growth was below potential. TUAC was less optimistic about economic prospects and emphasised the risk of deflation in some economies and concerns over the sustainability of the trade deficit in the United States. Against this background, BIAC and TUAC had somewhat different views on the policy requirements needed to promote faster and sustained growth and the structural initiatives needed to lower unemployment.

3. BIAC argued that there is a need for OECD leadership to extol the policies which have the greatest potential to achieve sustainable growth. In their view, this requires open markets, transparent financial systems, the forceful maintenance and pursuit of the OECD Jobs Strategy, further progress on regulatory reform, lowering barriers to entrepreneurship and avoiding policies which would limit the ability of firms to adapt to change or exploit new business opportunities, such as electronic commerce. BIAC noted that OECD analyses underlie these policies and are already in the public domain, but urged the OECD to make greater efforts to make the results of its work more visible. This would help policymakers in OECD countries convince electorates of the need to pursue structural reforms and at the same time constrain advocates of misguided policies.

4. TUAC emphasised the need for more expansionary and better co-ordinated macroeconomic policies, with fiscal and monetary policy oriented towards achieving more balanced and faster growth to ward off the risk of deflation. Underlying this position is a concern that conventional macroeconomic concepts, such as structural unemployment rates, act as an overly restraining force on the pursuit of more expansionary policies. Structural policies required a more sophisticated approach and a shift away from the somewhat sterile debate on unemployment in the OECD, which in their view, is pre-occupied with flexible labour markets and is not delivering the desired results. A new paradigm is needed. One which addresses societies' concerns about employment security and supports communities through periods of change. Such an approach, TUAC argued, requires closer attention to the eradication of poverty, a more equal distribution of wealth, a stronger emphasis on the development of skills, better communication and closer partnerships with business organisations and other groups in society so that people are not excluded from the gains that globalisation can deliver and are informed players in the process of change.

5. TUAC believes market liberalisation has gone too far and too fast and in part attributes the crises in emerging market economies to earlier financial market liberalisation. It would like to see an inquiry into the sources of financial instability and closer consideration of a Tobin tax. BIAC disagrees with this interpretation of the causes of financial market turmoil. BIAC considers that the lesson from crises in emerging markets is a need to focus more on governance issues at the firm and government level.

Trade and Investment: Challenges and Opportunities for the Multilateral System

6. Both BIAC and TUAC agreed that protectionism would not support the objectives of sustained growth and wealth creation. TUAC was concerned, however, that continuing trade and investment liberalisation reflected insufficient attention to how the benefits of liberalisation are shared and to concerns about a loss of economic security. BIAC worried about the role that fear and uncertainty can play in undermining public support for liberal trade and investment systems and highlighted that further

liberalisation needed to be accompanied by meaningful responses to societal concerns. The issue was not whether to have globalisation or not, but rather how best to respond to the challenges and opportunities it gives.

7. BIAC stressed the importance of reaching an agreement in a shorter period of time compared with the last round of global trade talks. The issues that BIAC believed should be part of the agenda include further progress on tariff reduction, electronic commerce, lower barriers to trade in agriculture, the simplification trade and customs procedures, an examination of the links between trade and investment, the environment and competition, full implementation of the TRIPs and agreement on further measures to liberalise government procurement. Towards this end, they emphasised the useful role which the OECD could play in providing relevant policy analyses and thereby raise public understanding and support for the round, which BIAC considers essential.

8. TUAC stressed the importance of a social dimension to the global trade and investment system. They urged that a new round of trade talks incorporate measures to advance respect for core labour standards into the WTO. While expressing its strong support for the respect of core standards, BIAC did not share the view that they should be an element of the international trade regime. TUAC also argued that the WTO needed to be more transparent and open in its processes so that groups whose interests are affected by trade policies can be heard directly. TUAC emphasised the importance of ensuring an equal distribution of the gains from trade liberalisation. In this respect, it backs calls from some developing countries to link support for a new round of trade talks with debt relief.

Other points

9. At dinner, the Secretary General invited BIAC and TUAC to discuss how, in their view, the future role of the OECD should evolve. This prompted a wide ranging discussion, but with a number of recurrent themes. These include the uniqueness of the OECD in terms of its commonality of values and the diversity and high quality of its analyses. Such analyses are important, since they assist domestic policy makers build support for economic reform and expose the potential costs of ill-conceived policy ideas. Looking forward, these strengths should be used to add value to the debates on the public policy responses posed by the challenges of globalisation and the technological revolution currently taking place. BIAC and TUAC argued that these forces are reshaping the way policy makers, industrialists and trade unions deal with social problems, income and wealth distribution - including debt relief - trade issues, economic growth and transition during periods of rapid change. The analyses – in particular horizontal work – of the OECD could play a leadership role in providing best practice policy recommendations on these new policy issues. But both TUAC and BIAC consider that the organisation needed to better package and sell its facts, analysis and policy recommendations.

10. The challenges for the Organisation from potential expansion of country membership was alluded to by TUAC and BIAC. The majority of speakers expressed the importance of preserving OECD's work methods. The preferred course would be to engage non-member countries and civil society in partnerships that facilitate the exchange of views as well as the transmission of ideas which stem from the output of the Organisation.

11. The Chair thanked BIAC and TUAC for their views, and noted that such consultations played an important and useful role in the OECD's work. Detailed accounts of BIAC [C/MIN(99)19] and TUAC [C/MIN(99)20] views and recommendations have been presented in written submissions to Ministers.

ANNEX

*SHORT LIST OF PARTICIPANTS IN THE CONSULTATIONS HELD
BETWEEN THE BUREAU OF THE COUNCIL AT MINISTERIAL LEVEL
AND REPRESENTATIVES OF BIAC AND TUAC
TUESDAY 25 MAY 1999*

Bureau of the Council

Chairman	Mr. Angel GURRÍA Minister of Finance	MEXICO
	Mr. Luis DE LA CALLE Vice Minister International Trade Negotiations Ministry of Trade and Industry	MEXICO
	Mr. Carlos NORIEGA Chief Advisor to the Minister of Finance Ministry for Budget and Finance	MEXICO
	H.E. Mr. Francisco SUÁREZ DÁVILA Permanent Representative	MEXICO
Vice-Chairman	Mr. Roberto SPINELLI Head of the International Organisations Directorate Department of Economic Affairs Ministry of Foreign Affairs	ITALY
Vice-Chairman	Mr. Marek WEJTKO Deputy Permanent Representative	POLAND

OECD Secretariat

The Secretary-General

Business and Industry
Advisory Committee to the
OECD (BIAC)

Mr. Douglas C. WORTH
Secretary General, BIAC

Mr. Jacques SAMPRÉ Vice Chairman of BIAC Ancien Directeur Délégué, SANOFI	FRANCE
Dr. Josef SIEGERS Vice Chairman of BIAC Member of the Executive Board Confederation of German Employers' Associations (BDA)	GERMANY
Mr. Filip HAMRO-DROTZ Chairman of the BIAC Committee on Employment, Labour and Social Affairs Senior Advisor, International Affairs, Confederation of Finnish Industry and Employers	FINLAND
Mr. Frank J. FARFONE Chairman of the BIAC Trade Committee Vice President, International Affairs The Dow Chemical Company	UNITED STATES
Mr. Andrea CAMANZI Vice Chairman of the BIAC Committee on Information, Computer and Communications Policies (ICCP) Vice President, Legal, Public and Regulatory Affairs, Ing. C. Olivetti & C. S.p.A.	ITALY
Dr. Andrea GAVOSTO Senior Vice President Chief Economist, FIAT S.p.A.	ITALY
Mr. Luigi GAMBARDELLA Institutional & Regulatory Affairs Ing. C. Olivetti & C. S.p.A.	ITALY
Mr. Luis de la PENA STETTNER President, Aceitera El Gallo Sa De CV c/o COPARMEX	MEXICO
Mr. Sergio SOTO PRIANTE Director of International Relations Employers Confederation of the Mexican Republic (COPARMEX)	MEXICO
Mr. Andrzej MALINOWSKI President SAVA Investment Group S.A. Chairman BIAC Poland	POLAND
Mr. Steven L. BATE Executive Director, BIAC Secretariat	

Mr. Deniz ERÖCAL
Manager, BIAC Secretariat

Mrs. Hanni ROSENBAUM
Manager, BIAC Secretariat

Ms. April TASH
Manager, BIAC Secretariat

Trade Union Advisory
Committee to the OECD
(TUAC)

Mr. Bob WHITE CANADA
Chair of the Delegation, TUAC President
President, Canadian Labour Congress (CLC)

Mr. Benoît ROBIN FRANCE
Assistant - Secteur économique
Force Ouvrière (Cgt-FO)

Mr. Heinz PUTZHAMMER GERMANY
Member of the Executive Board
German Confederation of Trade Unions (DGB)

Mr. Jerry ZELLHOEFER UNITED STATES
European Representative
American Federation of Labor & Congress of Industrial
Organizations (AFL-CIO)

Ms. Louise WALSH UNITED STATES
Assistant European Representative
American Federation of Labor and Congress of
Industrial Organizations (AFL-CIO)

Mr. Bob HARRIS AUSTRALIA
Chair -- TUAC Working Group on Education, Training
and Labour Policy
Representative, Australian Council of Trade Unions
(ACTU)
Senior Consultant, Education International (EI)

Mr. Cunningham NGCUKANA SOUTH AFRICA
General Secretary
National Council of Trade Unions (NACTU)

Mr. John EVANS
General Secretary, TUAC Secretariat

Mr. Roy JONES
Senior Policy Adviser, TUAC Secretariat

Mr. Roland SCHNEIDER
Senior Policy Adviser, TUAC Secretariat

Mr. Lucien ROYER
TUAC/ICFTU Co-ordinator