

Unclassified

PAC/AFF(98)1



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

OLIS: 03-Jun-1998
Dist.: 04-Jun-1998

PARIS

Or.Eng.

PUBLIC AFFAIRS AND COMMUNICATIONS DIRECTORATE
PUBLIC AFFAIRS DIVISION

PAC/AFF(98)1
Unclassified

**TUACEVALUATION OF THE COMMUNIQUE OF THE MEETING OF
THE OECD COUNCIL AT MINISTERIAL LEVEL, 27-28 APRIL 1998**

This document was distributed by TUAC to their affiliates on 30 April 1998.

66197

Document complet disponible sur OLIS dans son format d'origine
Completed document available on OLIS in its original format

Or.Eng.

**COMMUNIQUE OF THE MEETING
OF THE OECD COUNCIL AT MINISTERIAL LEVEL
27-28 April 1998**

TUACEVALUATION

Overview

1. The 1998 OECD Council's agenda covered four areas: - economic growth and the global implications of the Asian crisis; structural reform and adjustment; strengthening the multilateral system and; the OECD's role and future challenges. However, developments on the MAI dominated the meeting and the media interest as Ministers strove to reach a consensus on its future, and on which a separate Ministerial statement was released. A TUAC note is circulated in addition to this evaluation.
2. In a new development Donald Johnston, OECD Secretary-General, organised more extensive consultations with the social partners than in past years. This took the form of a working dinner with key Ministers and certain Heads of OECD Directorates on the eve of the Ministerial meeting, followed by joint TUAC/BIAC consultations with Ministers the next morning. At both events the trade union delegation stressed that the Asian crisis had laid open the fault lines running through the global economy, and that the correct response was to govern and manage its direction in the interest of all with a strong social dimension, rather than to push ahead blindly with more liberalisation and deregulation. Co-ordinated policies for growth had to be put in place, along with adaptable as opposed to flexible labour market policies to give workers confidence in change. At the same time a broad-based transparent Commission had to be initiated to forge a new consensus on the appropriate international financial market regulation. Without these measures the risk of a backlash against globalisation was a real one.
3. The Communique issued at the end of the meeting highlighted the confused debate among policy makers on how best to respond to the challenges posed by the crisis in Asia and globalisation in general. Ministers were complacent on the prospects for growth, and the familiar policy messages were repeated on the need for macroeconomic stability, structural reform and further liberalisation. The references to the WTO were worrying as Ministers called for further and deeper liberalisation, without responding to the need for a meaningful social dimension. Little of any substance was said on the need to develop a new architecture to govern the operation of financial markets. Although in the consultations the need for openness and transparency in the OECD work on financial markets was recognised.
4. At the same time Ministers were clearly worried that they are losing the public debate on the effects of globalisation, and that gains from liberalisation are not being shared widely. This was highlighted by the confusions surrounding the call for a pause in the MAI negotiations and the failure to set a new deadline for the completion of negotiations. In addition, Ministers recognised that an open and informed public debate was needed on trade and investment liberalisation, and that liberalisation has to form part of a coherent set of policies to achieve improvements in living standards. What these policies are, however, appears to be little changed from the past. In this sense Ministers ducked the opportunity to have a full and frank debate on developing a new approach to globalisation.

Economic Growth, The Global Implications Of The Asian Crisis And The Multilateral System (§2-11)

5. The following messages on these key issues can be drawn from the Communiqué:
- In general, Ministers recognised the "growth potential over the longer term" in Asia, implicitly acknowledging that a short-term recovery was unlikely. Emphasis was placed on the need for "good governance and effective structural policies" together with macroeconomic stability. Nothing was said on the worsening situation in many of the Asian countries as unemployment rises, except to say that appropriate, targeted development assistance should be provided. As expected Ministers urged the full implementation of agreed reforms with the IMF and World Bank. However, aware of the problems that could arise if trade deficits widen in the OECD as a result of the Asian crisis the Communiqué called on OECD countries to sustain growth and domestic demand.
 - The Japanese government sought and gained support from the OECD countries for its latest stimulus package, but on the margins of the meeting criticisms were made that it still fell short of what's needed to stimulate effectively domestic demand led growth. Similarly, Korea's reform efforts were welcomed, but no recognition was made to the role played by the Korean trade unions in helping to stabilise the economy, nor to the need for Korea to bring its labour legislation into conformity with ILO rulings on freedom of association.
 - Turning to the effects of the Asian crisis on the OECD region, the message was one of complacency - "the underlying economic situation in most OECD countries is generally good". Sound public finances and control of inflation were highlighted, but with medium-term fiscal consolidation. Importantly, within this the role of tax reform was stressed.
 - As regards particular regions, the policy framework in the US "should continue to be directed at sustainable expansion and to increase national savings", but attention should be paid to the emergence of inflationary pressures. On the European Union, while the familiar statements were repeated on the need for "sound and credible macroeconomic policies" together with structural reforms, Ministers nevertheless stressed the need for EMU participating countries to base their recoveries on "the sustained growth of domestic demand".
 - Beyond this mixed messages were sent on the need to reform the existing architecture governing globalisation. The ongoing debate on the need to re-regulate financial markets was ignored in the Communiqué, except to say that "effective structural policies" were needed for "financial systems". Similarly, the Communiqué was silent on the TUAC demand for an open transparent international Commission to develop a new financial market architecture. The Communiqué noted that the events in Asia "have underlined the importance of international monetary and financial co-operation", and that advantages lay in "all parties working together in a co-ordinated manner to prevent, manage and contribute to overcoming crises of a global nature". Ministers also endorsed the establishment of an OECD special programme to address issues, including social ones arising from financial instability in non-Member countries. During the TUAC/BIAC consultations the OECD Secretariat agreed to a dialogue with trade unions on the programme itself and requested more concrete proposals from TUAC on how to reduce financial market instability. This will be followed up.

- Likewise, mixed messages were given on the process of globalisation itself. In light of "public concerns" about the effects of trade and investment liberalisation, Ministers recognised the importance of having an open and well informed debate on these issues. The Communique also stated that "liberalisation is one important component, among others, of what must be a coherent set of policies aimed at achieving a durable improvement in living standards", and that the gains from globalisation should be as widely shared as possible. The way of achieving this, however, appears to be no more than continuing existing policies but explaining them better.

Promoting Structural Reform And Adjustment (§12-21)

6. The Communique grouped the following issues under this broad heading:

- *Implementing the Jobs Strategy:* this section of the Communique was more balanced than in 1997. Notwithstanding the emphasis given to the prevalence of structural unemployment, the Communique nevertheless highlighted the existence of high levels of cyclical unemployment in some OECD countries. No explicit reference was made to labour market "flexibility" as the means to increase employment and reduce unemployment. The message was such that the Jobs Strategy should be implemented in full but "tailored to the specific conditions in each country". In addition, the growing regional disparities in unemployment were noted, as were the growing income disparities in a number of countries.
- The Communique also touched on two recent OECD thematic reviews on entrepreneurship and the role of technology and productivity in job creation. In both cases Ministers eschewed the language of labour market deregulation in favour of broader policies to "provide a suitable setting... to improve the conditions for entrepreneurial activity", and to "facilitate the ability of both firms and individuals to adapt to technical change". Within this the importance was stressed of lifelong learning for all, and the need for effective education and training systems.
- Ministers called for a progress review on the Jobs Strategy for their meeting in 1999, and welcomed the OECD's forthcoming work on youth unemployment which will include a meeting of labour market experts in early 1999, to be followed by a high-level policy conference later in the year. TUAC will be making an active input into both activities.
- *Improving Strategies for Ageing and Social Policy* : Ministers received the OECD Report "Maintaining Prosperity in an Ageing Society" that proposed a range of "principles" to guide policy reform in encouraging "active ageing". The Communique also noted the forthcoming meeting of OECD Social Policy Ministers that will develop further policy conclusions in this area. It is hoped that trade union consultations will be an integral part of the meeting. A TUAC statement is now being prepared that sets out the trade union agenda for social policy.
- *Governance and Regulatory Issues:* the Communique called on the OECD to develop a set of standards and guidelines on corporate governance. TUAC will seek to be involved in the follow-up of this activity.
- Ministers also welcomed the recent approval of an OECD Recommendation on Improving Ethical Conduct in the Public Services. This was discussed at a recent TUAC/PSI/PUMA consultation where it was agreed that discussions would be held on how best to involve trade unions in the OECD monitoring process.

- A reference was made to the follow-up work by the OECD on Regulatory Reform. Here the OECD will among other things conduct a series of country reviews analysing regulatory reform issues in Member countries. TUAC has been actively involved in this work, both in seeking to ensure that the policy recommendations steer away from the old agenda of deregulation, and ensuring that each OECD country review mission meets with trade unions.
- *The Electronic World:* Ministers noted their intention to seek a WTO agreement on trade aspects relating to electronic commerce, and welcomed the ongoing OECD work to examine the economic and social policy implications of this matter. As part of this a conference of Ministers will be held in Ottawa in October 1998. TUAC will be participating in the OECD work programme and the Ottawa conference.

Strengthening The Multilateral System (§23-33)

7. This section of the Communiqué reverted to a traditional call for liberalisation. Much was said by Ministers on widening and deepening trade liberalisation through the WTO, and the Communiqué reaffirmed the role of the OECD in preparing the ground for future WTO negotiations, including Agriculture. Ministers did renew their support for "the observance of internationally recognised core labour standards and the goal of reaching agreement on an ILO declaration and follow-up mechanism", and also noted "the important role of the social partners in the process. However, these statements are inadequate when set against the trade union demand to set up a WTO Working Party on trade and labour standards, or to include labour standards in WTO national reviews, and even the statement in the Singapore WTO Communiqué and London G8 Jobs Conference that the ILO and WTO Secretariats would continue collaboration.

8. One welcome development was the affirmation by Ministers of their commitment to the OECD Guidelines for Multinational Enterprises, and the need to ensure their relevance and effectiveness. This commitment will be tested in the forthcoming review of the Guidelines, where TUAC has called among other things for measures to strengthen implementation mechanisms.

9. This section of the Communiqué also included the need for an early ratification of the OECD Shipbuilding Agreement which had an original target date of January 1996; the marking of the 20th anniversary of the Export Credit Arrangements; the announcement of the OECD Recommendation on measures against "hardcore" cartels; and the commitment by Ministers to implement by the target date of 31 December 1998 the OECD Convention on Combating Bribery of Foreign Public Officials. On this point TUAC along with the ICFTU and the ETUC co-operated to produce a joint statement (released during the Ministerial meeting) with BIAC and other international business organisations calling on governments to ratify the Convention. TUAC has also been invited to participate in the further activities of the OECD Working Party dealing with this issue, and will involve the ICFTU in this work.

10. In addition, Ministers welcomed the OECD Report, "Harmful Tax Competition: An Emerging Global Issue", along with the establishment of Guidelines on Harmful Preferential Tax Regimes, and a commitment was made to produce a list of tax havens and create a Forum on Harmful Tax Practices. In essence this represents a determination by the OECD to curb the proliferation of tax havens that undermine the fiscal base of other countries. TUAC has fully supported these aspects of the OECD's work. It is of concern, however, that Luxembourg and Switzerland announced that they would not participate in this work.

OECD's Current And Future Challenges (§34-38)

11. The debate centred on three challenges for the OECD namely: its work with non-Member countries and future Members, its work on sustainable development, and matters relating to internal reform and the budget. Work with non-Member countries will continue to centre around the "Big 5" of Brazil, China, India, Indonesia and Russia, transition countries plus the new work on financial markets arising from the Asian crisis. Divisions continue as to whether the OECD should expand its membership. While Ministers confirmed that it must remain open the current focus is on Russia and the Slovak Republic, with the former being over the medium-term. A debate also took place around the OECD's partnership strategy to help developing countries. The agenda here includes the development of a broad range of indicators related to sustainable development, emphasising social and environmental factors. As part of this Ministers welcomed the new OECD Guidelines on Gender Equality and Women's Empowerment in Development Co-operation. Agreed further work included a report for the 1999 Ministerial meeting on the links between trade, investment and development, plus the development of a Recommendation on the untying of ODA.

12. A three year work programme on sustainable development (interpreted as economic, social and environmental development) was agreed that followed on from the Shared Goals for Action adopted by OECD Environment Ministers in April this year. This includes analysing ways in which Member countries can meet the Kyoto targets, and work with non-Members on strategies to implement sustainable development. Support was also given to re-interpret Article 1 of the OECD's Convention such that the term 'sustainable' as applied to economic growth includes social and environmental considerations.

13. As regards internal OECD reform a inconclusive debate took place around the budget formula, with some large contributors seeking greater contributions from smaller countries. Further budget cuts may still occur as Ministers simply recognised the need to return to a "stable and predictable budgetary climate as soon as possible".