

DOCUMENTATION

Meeting of the OECD Council at Ministerial Level

Paris, 7–8 June 1994

COMMUNIQUÉ

1. The Council of the OECD met on 7 and 8 June 1994 at Ministerial level. The meeting was chaired by Mr Bertie Ahern, Minister for Finance, Mr Dick Spring, Deputy Prime Minister and Minister for Foreign Affairs and Ms Eithne Fitzgerald, Minister of State at the Department of Finance, of Ireland. Vice-Chairmen were Mr Ferdinand Lacina, Federal Minister for Finance and Mr Wolfgang Schussel, Federal Minister for Economic Affairs, of Austria, and Mr André Ouellet, Minister of Foreign Affairs, Mr Lloyd Axworthy, Minister of Human Resource Development and Western Economic Diversification, and Mr Roy MacLaren, Minister for International Trade, of Canada. Prior to the meeting, the Chairman led consultations with the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC) to the OECD; both organisations submitted statements for the consideration of Ministers.
2. Mexico, which has just acceded to the Convention on the OECD, after a process which has provided valuable experience, took part in the meeting as a full Member for the first time. Ministers welcomed this event, seeing it as the beginning of a new phase in the OECD's development and look forward to Mexico's contribution to the work of the Organisation.

Promoting Growth and Employment

3. Ministers welcome the signs that the economic recovery, which began two years ago in some OECD countries, is taking root also in others and gradually gathering pace, allowing for an improved outlook for the rest of 1994 and 1999. However, Ministers recognise that further policy measures are necessary to realise the potential of OECD economies and to ensure an enduring decline in the number of jobless. Unemployment is an unacceptable waste of human potential, an ordeal for those concerned — especially young people and the long-term unemployed — and a threat to social cohesion. Member country governments are therefore giving very high priority to combating unemployment and encouraging job creation.

4. Ministers endorse the main conclusions of the OECD *Employment/Unemployment Study Policy Report*. They agree to implement its employment strategy recommendations within the context of their particular economic circumstances. They recognise that the present situation is attributable both to the effects of the recent recession and, significantly, to serious structural deficiencies, especially the inadequate and sluggish adjustment of Member country economies to the rapid changes associated with technological progress, competition and globalisation.

5. The process of globalisation will enable a rapidly growing proportion of the world population to participate in and benefit from economic development and thus will contribute to world-wide prosperity. Recent technical advances and the expansion of trade and investment create vast new opportunities for OECD countries to expand employment. To do so requires them to be permanently innovative and able to adjust, constantly improving their economic efficiency. This is the way to ensure job creation and better standards of living. It is a challenge that Member countries can and must meet.

6. Ministers agree that hindrance or reversal of globalisation, world-wide competition, technical progress or structural change runs counter to the long-term interests of Member countries. They reject protectionism of any kind, in order not to preserve artificially yesterday's jobs, instead preparing for those of tomorrow, including new well-paid jobs in emerging sectors. They endorse the OECD's analysis that to delay the necessary structural adjustment would be to go down a blind alley and make it more painful and costly.

7. Ministers also agree that their implementation of the employment strategy, in co-operation with the social partners in the light of national circumstances, depends on and must exploit the positive interaction between macroeconomic and structural policies. By contributing to strong, sustainable and non-inflationary growth, macroeconomic policy can create stable conditions which facilitate structural adjustment, private investment and job creation. By improving the adaptability and speed of adjustment of the OECD economies, and by creating a suitable climate for individual and corporate initiative, structural policies allow stronger sustainable growth without inflationary overheating.

8. To provide economic agents with a framework which gives the confidence and encouragement to move forward, macroeconomic policy must pursue three interrelated objectives:

- reduce budget deficits over the medium-term;
- ensure lasting price stability; and
- support demand as necessary and appropriate.

9. Member country governments need to be energetic in their efforts to reduce budget deficits and bring public debt and expenditure under control. This need for fiscal consolidation conditions the policy actions described below. Various elements of this general problem can be emphasised: for example, that it affects all levels of government; the fiscal burdens of ageing populations; or the need to control social expenditures or pension system liabilities (noting, inter alia, that accrued pension liabilities can amount to a significant share of overall public liabilities). But the shared broad objectives remain to realise high rates of saving and low long-term interest rates, thereby encouraging higher private investment. In addition, every effort must be made to improve the quality of budgets, by examining revenue and expenditure sides with a view towards optimising their impact on growth, structural adjustment, employment and productivity.

10. Ministers agree that monetary policy must continue to be anchored by its ultimate goal: strong, sustainable, non-inflationary growth. They recognise the different positions of the OECD economies in their economic cycles. Where recovery is well under way, monetary policy should remain vigilant in preventing the emergence of inflationary pressures, in a way which sustains recovery over the medium-term. Where recovery is not yet sustained, eased monetary policy should be maintained or the scope for further easing should be exploited as far as possible, without jeopardising prospects for price stability; where possible, consistent with the medium-term policy objective of budget consolidation, fiscal

measures will be implemented as necessary to ensure sustained non-inflationary growth led by strong domestic demand. Continuation of exchange rate co-operation will further contribute to an economic climate favourable to growth.

11. Ministers recognise that even with improved growth prospects, OECD unemployment, which has an important structural component, is projected to fall only slowly, and that comprehensive labour market and other structural reforms are therefore essential. The *Policy Report* covers a wide range of structural policies. To reduce unemployment, the aim must be to establish the conditions most conducive to innovation, private initiative and the creation of large numbers of jobs at all skill levels and to ensure that people are equipped to take these jobs. Enhanced labour market flexibility helps to match people with jobs. In these ways Member countries will be contributing fully to sustainable world economic development, while at the same time paving the way for continued improvement in the living standards and quality of life of their populations.

12. In shaping structural policies, Member country governments will aim to:

- nurture an entrepreneurial climate which encourages the creation of new enterprises, often small and medium-sized, and the expansion and adaptation of existing firms, and enables firms to increase efficiency and employment;
- ease regulations that discourage private initiative;
- complement, as appropriate, private sector initiatives to develop, disseminate and implement technological innovation, including information, communications and environmentally sound technologies;
- further liberalise services markets and exploit to the full the job creation potential of the services sector;
- reduce the general level of subsidisation of enterprises, in particular, by refraining from subsidising out-of-date and uncompetitive production;
- promote the expansion of public or private investments in modern infrastructures;
- enhance the integration of economic and environmental strategies in all sectors.

13. Member country governments also resolve to promote measures that can increase sustainable employment and help achieve both social equity and economic efficiency. With these ends in mind, they will seek:

- to further improve education and training systems, in each national institutional context and, where appropriate, in close co-operation with social partners, local authorities and private initiatives, so as to ensure that people can, throughout their lifetime, develop their knowledge and skills, thereby contributing to improved productivity and sustained high levels of growth;
- to improve the functioning of labour markets by making them more flexible, with a view to achieving a better match between the supply of and demand for jobs, and by reducing impediments to labour mobility;
- to make employment services more effective and, more generally, give high priority to active labour market policies and programmes including those targetted to the long-term unemployed and youth;
- to amend laws and regulations that discourage firms from taking on workers, or people from taking up work;
- to co-operate closely with regional and local authorities towards enhancing employment opportunities at all skill levels, without neglecting services activities which can absorb unemployed workers in large numbers.

14. The implementation of these policies, which has begun in many Member countries, calls for tenacity and effort. Sustained adjustment is necessary. As it occurs, the need for social cohesion should also

be taken into account. Each government will seek to ensure, within the constraints of their specific circumstances, that there is an adequate social safety net for those who need temporary encouragement to adjust, as well as those who despite their efforts do not succeed in adapting; they should be afforded a decent standard of living and full participation in economic and social life.

15. The benefits to be reaped from this employment strategy are considerable. Renewed confidence will strengthen consumption and investment; productivity gains and innovation will fuel rising living standards; structural adjustment, by removing obstacles and making Member countries' firms more competitive, will enable them to take full advantage of the enormous markets being opened up elsewhere in the world. Ministers stress that the success of this strategy to increase employment and reduce unemployment depends critically on initiative by individuals and firms, and their innovative and creative capacities; government action alone will not suffice.

16. Building on the *Policy Report* and the OECD's *Triennial Structural Review*, Ministers request the OECD to carry forward the work outlined below. This work should exploit fully the Organisation's multidisciplinary strengths within the framework of its committee structure. Ministers will have a first review of this follow-up programme at their 1995 meeting. The tasks include:

- to deepen and differentiate the analyses and priority policy recommendations of the *Policy Report* through cross-country analysis and by country;
- to work with national and international statistical agencies to develop better data where deficiencies impede policy-making, to co-ordinate studies on the sources of job creation and job loss, and to develop analysis of the relationships between technology (including information technology), job creation and growth;
- to use OECD's existing peer review structures to monitor collectively the implementation of policies adopted and, in particular, assess the effect of structural reforms on overall economic performance.

This work programme will also enable the OECD to respond in a timely way to the request of the G-7 Ministers for further analysis on the impact of technology and productivity on employment.

17. While economic growth and job creation in the OECD countries depend to a large extent on the macroeconomic and structural policies implemented, they are also shaped increasingly by growing interdependence with the rest of the world. The strengthening of the multilateral system and co-operation with non-Member countries are prerequisites of the strategy adopted.

Strengthening the Multilateral System

18. OECD Members celebrate the signing of the Uruguay Round Final Act and the establishment of a World Trade Organisation (WTO) as historic events which mark an important step towards a universal trading system, and will enhance world trade leading to new opportunities for employment. The agreements concluded will substantially advance trade liberalisation, expand and strengthen the multilateral rules and disciplines governing international trade, and promote further non-inflationary growth in accordance with the objective of sustainable world-wide development.

19. Ministers undertake to:

- do everything to ensure that there are no delays in the ratification process and that the new WTO will enter into force on the 1 January 1995 target date;
- avoid, during that process, any trade-restrictive or distortive measures that would contradict the letter or spirit of the new rules and disciplines under the WTO, and to conform to multilateral dispute settlement procedures;
- make every effort to find, in a constructive spirit, mutually acceptable solutions to any trade-related problems in areas where multilateral rules do not exist, and to avoid initiatives and

arrangements which are inconsistent with the principles of free trade or undermine the multi-lateral trading system;

- implement within the agreed period and respect fully and effectively the rules and liberalisation commitments contained in the Uruguay Round package, conclude speedily the remaining negotiations in accordance with the Final Act, and try to implement their commitments in advance, when possible; and
- resist protectionism in all its forms and continue to work towards further trade liberalisation, proper functioning of market mechanisms, and deregulation.

20. The OECD will actively support the Preparatory Committee and the WTO in implementing the Uruguay Round agreements and their work programmes. Drawing upon its multidisciplinary strengths, the OECD also will continue to monitor and analyse areas where further progress with liberalisation and the strengthening of the multilateral system may be required. The OECD work programme, which will involve co-operation with all relevant international organisations, will include:

- trade and environment, a high-priority area in which the analytical work already well under way will be further developed, with a report to be prepared for Ministers in 1995 containing substantive conclusions and a review of Member governments' actions to implement the OECD procedural guidelines adopted by Ministers in 1993;
- trade and competition law and policy, and trade and investment; and
- trade, employment and internationally recognised labour standards, including basic concepts, empirical evidence in trade and investment patterns, and current mechanisms for promoting higher labour standards world-wide. This work should lead to a report to Ministers in 1995.

21. The OECD will also contribute to strengthening the multilateral system by:

- continuing to monitor and analyse the progress of regional integration to ensure that it continues to complement and strengthen the multilateral system;
- entering a new phase of work aimed at elaborating a multilateral investment agreement, with a report to Ministers in 1995;
- continuing to strengthen transparency and discipline concerning officially supported export credits and export credit insurance. To this end, Ministers urge the Participants in the Export Credit Arrangement to agree to the latest Proposal from their Chairman on additional measures and future work, and report progress in 1995 on its implementation;
- ensuring that there is no relaxation in the drive to reform agricultural policies on the basis of the principles agreed by Ministers in 1987 and in 1992;
- contributing actively to the work under way at national and international levels to tackle environmental problems; Ministers reaffirm their commitment to work with non-Member countries in a spirit of strengthened partnership for successful implementation of Agenda 21 and conventions related to sustainable development and to support the United Nations Commission on Sustainable Development to this end;
- carrying further its analysis of the problems posed, in a globalised economy, by disparities in systems of taxation, which could distort the flows of goods, services and capital, and by completing its current review of the OECD Transfer Pricing Guidelines;
- advancing the work on the convergence of competition laws and policies;
- continuing analysis of subsidies and indicators of government assistance to industry;
- completing the negotiation, which Ministers consider important, of an agreement respecting normal competitive conditions in the shipbuilding industry; and
- continuing its analytical work on migration trends and policies.

22. Ministers endorse:

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- the OECD Council's Recommendation on Bribery in International Business Transactions, and they invite the Organisation to promote effective observance, by Member countries and as many non-Member countries as possible, of the principles laid down in the Recommendation;
 - the Decision of the Financial Action Task Force (FATF) to extend its work for a further five years, emphasising the importance of continued world-wide action against money laundering.

The Role of the OECD in an Evolving World

23. Many non-Member countries are gaining relevance in the world economy and are basing their development on market principles, pluralist democracy and respect for human rights, as the OECD countries have long done. Within the scope of its resources, the Organisation should continue to build up contact, dialogue and co-operation with these countries. Where mutual interest exists, it should open up to those of them which are both ready and able to assume all the responsibilities of membership.

24. Korea has established further close links with the Organisation and is now taking part in a number of activities on the same footing as Member countries. Ministers welcome Korea's intention to make a formal application for membership this year with a view to becoming a member by the end of 1995 and invite the Organisation to examine the terms and conditions of Korea's membership as soon as Korea is ready to do so.

25. The four "Partners in Transition" countries – the Czech Republic, Hungary, Poland and the Slovak Republic – have made substantial but varying headway, with the assistance of the OECD Centre for Co-operation with Economies in Transition (CCET), in moving towards a market system and integration into the world economy. All four have recently applied for membership of the OECD. Ministers welcome this and ask for an early start of negotiations with each of these countries to examine the terms and conditions of membership in order to bring each of them into the Organisation as soon as each is ready and able to assume all the responsibilities of membership.

26. Ministers welcome the Declaration on Co-operation as well as the Agreement on Privileges and Immunities signed today between the OECD and the Federation of Russia, which mark the firm intention of both parties to deepen their existing active co-operation and policy dialogue. They hope that this co-operation will help to strengthen the ongoing transition process in Russia and contribute to the full and beneficial integration of this major country into the world economy.

27. The CCET should continue to make effective use of its available resources to provide support to other countries in Europe and Asia engaged in transition to market economies, through a focused programme of activities. Ministers welcome the substantial efforts that these countries have made. They ask the Organisation to consider how to develop for Bulgaria, Romania and Slovenia, in the light of their recent requests to the Organisation, new country-specific programmes tailored to their particular requirements. They note that the other countries, in particular the Baltic States, may be interested in such country specific programmes.

28. China has become in many respects a leading player in the world economy. The OECD will continue to broaden its knowledge and understanding of this country. Possibilities for dialogue and co-operation will be explored with China and developed where mutual interest exist.

29. Ministers express satisfaction with the continuing OECD dialogue with the Dynamic Non-Member Economies (DNMEs). They look to the informal high-level meeting with the DNMEs, to be held in Tokyo in October 1994, as a major opportunity jointly to explore ways to develop the dialogue. As the number of dynamic economies and major players in various sectors increases, it is important to provide possibilities for mutually beneficial dialogue with the OECD. For similar reasons, the Organisation will remain attentive to all possibilities for intensifying relations with regional groupings. Ministers encourage the Organisation to continue its study of economic and other linkages with major developing

countries (other than the DNMEs).

30. Ministers also note that OECD contacts with countries in Latin America are increasing beyond those with Latin American participants in the DNME dialogue. They are pleased that, after Korea, Argentina and Brazil have joined the OECD Development Centre.

31. While an increasing number of developing countries are making encouraging economic and social progress, many others have yet to embark on the dynamic growth path. OECD governments are committed to continuing to bring support to the self-help efforts of these countries, especially the poorest, notably in sub-Saharan Africa, in building up economic and social infrastructures, and developing the human resources necessary for their economic growth and smoother integration into the world economy. Member countries are committed to give particular consideration to the interests of developing countries in implementing the Uruguay Round results and in dealing with new trade issues. Member countries will seek to assist the least developed countries to take advantage of the outcome of the Round. Basic economic and political reforms, especially those aimed at good governance, deserve particular support in partnership and dialogue with developing countries. Poverty, debt, hunger, disease, population growth, environmental, refugee and migration pressures in developing countries are all issues of global importance for sustainable development. In conflict and famine situations, special aid responses are required, and they should be integrated with the needs and strategies for long-term development. Recognising the importance of sustaining their efforts in this field, Ministers ask the OECD to address the issues of aid effectiveness, quality and volume as well as improved coherence of OECD Member countries' policies.

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32. As the 21st century approaches, the world, now marked by generalised economic interdependence, holds great promise as well as risk. The OECD countries bear a special responsibility for ensuring that sustainable economic development and social progress are consolidated and extended. They intend to shoulder that responsibility and contribute to the full, through all their policies, towards further harmonious and constructive pursuit of the universally shared benefits offered by the process of globalisation. They look to the OECD to help them achieve this through its analyses, its identification at an early stage of upcoming issues and opportunities, its recommendations, and its monitoring of Member countries' policies.

SOURCE: OECD Press Division, Paris.