Council at Ministerial Level, 26-27 May 1999

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

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  
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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  
Chair of the Delegation, TUAC President  
President, Canadian Labour Congress (CLC)  
CANADA

Mr. Benoît ROBIN  
Assistant - Secteur économique  
Force Ouvrière (Cgt-FO)  
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Mr. Heinz PUTZHAMMER  
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German Confederation of Trade Unions (DGB)  
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Mr. Jerry ZELLHOEFER  
European Representative  
American Federation of Labor & Congress of Industrial Organizations (AFL-CIO)  
UNITED STATES

Ms. Louise WALSH  
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American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)  
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Mr. Bob HARRIS  
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Senior Consultant, Education International (EI)  
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Mr. Cunningham NGCUKANA  
General Secretary  
National Council of Trade Unions (NACTU)  
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General Secretary, TUAC Secretariat

Mr. Roy JONES  
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Mr. Roland SCHNEIDER  
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