OUTCOME OF THE MEETING
OF THE OECD COUNCIL AT MINISTERIAL LEVEL
26-27 June 2000

EVALUATION
By the TUAC Secretariat

Overview

1. The theme of this year's OECD Ministerial Council was “shaping globalisation”, a political message concerning “governance” expressed in the overview paragraphs (1-4) of the final communiqué. The seven sections that follow show the increased importance that the OECD is now attaching to our priorities and concerns. The first three sections - sustainable development and social cohesion; the (favourable) world economic development; the “new economy” and sources of new growth, are all subjects high on the trade union agenda. On European economic policy, initially strong messages for further monetary tightening were eventually softened. This viewpoint was jointly emphasised by TUAC and BIAC during consultations with the Ministers.

2. The section on trade liberalisation is an attempt to pick up the pieces after Seattle. But it is clear from the Ministerial discussions that negotiations on a new trade round are still a distant prospect. The communiqué recognises the need for more co-operation among international institutions including the ILO. The communiqué raises a wide range of key issues of “global governance”. These include:- OECD work with non members to set up a common governance agenda in consultation with civil society; the OECD Guidelines on Multinational Enterprises adopted by all OECD governments plus Argentina, Brazil, Chile and the Slovak Republic and applicable on a worldwide scale; the elimination of harmful tax competition; the fight against bribery and corruption and money laundering; international co-operation against cartel pricing practices; OECD Principles of Corporate Governance; food safety and genetically modified organisms (GMOs). The sections on development co-operation and Co-operation with Non-Members reiterate statements made in previous years, but make reference to human rights (paragraph 38).

3. The OECD's recognition of its need to engage in dialogue with civil society was reflected by the holding of the “OECD Forum 2000” which took place in parallel to the Ministerial Council. The Secretary-General was asked by Ministers to further strengthen consultations with NGOs, though not for the moment through the establishment of a third official advisory committee to the OECD. For the time being, TUAC and BIAC will remain the consultative bodies and NGOs will be consulted on an issue by issue basis.

4. Despite the overall optimistic tone in the communiqué, the OECD now officially recognises “the serious concerns felt by many” (paragraph 3) over globalisation, as OECD countries are facing “the most profound transition in decades”. Globalisation is not regarded as a case of markets dominating policies, but rather OECD governments having a priority task to maximise the benefits while limiting the costs of globalisation. This is the substance behind the overall theme for the Ministerial of “Shaping Globalisation”. Another “first” in years is that OECD Ministers felt that returning to full employment is possible - though only if the old supply side recipes of the (now dated) OECD Jobs Strategy are put in
place (paragraph 6). Labour market flexibility is not mentioned in the text, however it is agreed that “barriers to work” need to be removed.

Economic Policy

5. Strong economic growth - the strongest since 1988 - with low inflation and falling unemployment is the overall picture the OECD is painting for 2000-2001. However, the OECD area reflects different stages of the economic cycle, and the outlook for non-OECD countries is more uncertain. Commodity and financial market developments continue to carry considerable risks (paragraph 7) and the least developed countries remain excluded from the benefits of globalisation.

6. For the United States, the OECD acknowledges that a higher non-inflationary growth potential exists. This is translated into a lower than previously estimated NAIRU which constitutes an implicit self-critique for OECD economists. For the immediate period, however, the OECD sees mounting inflationary pressures (“demand still running ahead of supply”) and expresses worries about the rising current account deficit. Implicitly the OECD is advocating a tightening of monetary policy in order to squeeze internal demand growth (paragraph 8).

7. For Europe, growth and employment prospects are seen as “better than at any time since the late 1980s” (paragraph 9). Employment is increasing without generating inflation. Initial drafts of the communiqué contained a disguised recommendation to the ECB to further increase interest rates (to “a more neutral monetary stance”). Following pressure from some governments including the US and from both TUAC and BIAC, the communiqué now stresses the ECB’s policy goal of “maintaining price stability”. Fiscal revenues resulting from higher growth should be used to reduce public debt. Otherwise European governments are called on to continue fiscal consolidation with the goal to “transform the current expansion into a lasting one”. While the tone is still overly cautious, it should be noted that the former OECD belief of a European trend potential growth rate at 2 - 2 ½ per cent maximum may be revised upwards. The advocated “further progress on structural reform” does not specify further labour market deregulation.

8. For Japan, the outlook is less certain and views of governments appear divided. The cautious communiqué language does not reflect earlier debates on Japan at the time of the OECD Economic Policy Committee in May. These focused on ways to lead the Japanese economy out of the deflationary trap while avoiding a further rise of the Yen and a steep increase in public debt. A recommendation to the Bank of Japan to inject more money into the economy by “monetising” parts of the public debt was not upheld. The communiqué thus calls for “accommodative monetary conditions” to be maintained and issues a clear message for public policy that “fiscal consolidation is not appropriate in the short run”. Significantly, the OECD acknowledges that a full recovery will have to be led by private demand and accompanied by further reform of the banking sector and corporate restructuring (paragraph 9).

New Economy

9. A full OECD report on the new economy and growth will be presented to the 2001 OECD Ministerial. The project’s focus is to examine whether a trend increase in productivity growth is occurring due to spread of information and communication technology. The communiqué already notes the importance of “growth and stability-orientated macroeconomic policies”; flexible markets and entrepreneurship. This is a different and less interesting message from initial OECD work on the project which emphasised the importance of “social capital” and physical investment. The communiqué does recognise that the risk of a growing “digital divide” is real.
Trade

10. The trade section in the communiqué (paragraphs 16-24) recognises that any new Round of negotiations is not imminent and calls for “flexibility ... if we are to build consensus for a new Round” (paragraph 16). It says the lessons of Seattle “are clear”. Significantly the communiqué calls for enhanced co-operation among international organisations - WTO, IMF, World Bank, UNCTAD, ILO, WHO, UNEP and OECD. It sets the OECD’s role as doing analytical work including that on trade and core labour standards. Disputes over support for agriculture left the communiqué saying little in detail on specific trade issues.

Governance Issues

11. The “governance” agenda of rule setting is becoming more concrete with the Guidelines and the report on tax havens and tax competition as being the two significant new achievements of the Ministerial.

Guidelines on Multinational Enterprises

12. The endorsement by all OECD Ministers along with Argentina, Brazil, Chile, and the Slovak Republic of the outcome of the Review of the OECD Guidelines for Multinational Enterprises is a welcome step towards the establishment of new rules governing social, environmental and other key policies in a globalising economy. The decision recognises that a business as usual approach to governing the activities of multinational enterprises has failed. The real challenge now facing the OECD is to work with trade unions and others committed to making the Guidelines work at the national and international levels, both within and beyond the OECD area, so as to ensure that they are implemented and enforced in practice. The TUAC Secretariat will prepare a discussion document for affiliates setting out a range of options to consider on work regarding next steps on the Guidelines.

13. In the wider field of international investment Ministers called on the OECD to tackle the social and environmental dimensions, including “harmful forms of policy-based competition to attract investment” (paragraph 27). TUAC will seek to ensure that this includes, among other things, work on the impact of such competition on core labour standards, especially as applied to export-processing zones.