

• ••••• SG/PRESS(91)31
• ••••• Paris, 5th June 1991

COMMUNIQUE

1. The Council of the OECD met on 4 and 5 June 1991 at Ministerial Level. The meeting was chaired by Mr. W. Kok, Deputy Prime Minister and Minister of Finance, and Mr. K. Andriessen, Minister of Economic Affairs, the Netherlands. The Vice-Chairmen were the Rt Hon Douglas Hurd MP, Secretary of State for Foreign and Commonwealth Affairs, the Rt Hon Norman Lamont MP, Chancellor of the Exchequer, and the Rt Hon Peter Lilley MP, Secretary of State for Trade and Industry, United Kingdom.

2. At a time of major international political change, Ministers reaffirm OECD Member countries' long-standing directions and basic objectives of economic and social policy. They have accordingly identified a number of policy challenges, on which resolute action will be taken:

- a) The basic values shared by the OECD countries -- pluralistic democracy, respect for human rights, and market oriented economies -- are finding increasing recognition throughout the world. The peoples of many countries outside the OECD can progressively benefit from this change in their political, social and economic life. Ministers express their countries' determination to increase economic relations with non-Member countries pursuing these basic values. In this regard, Ministers welcome the launching of the Partners in Transition Programme, with the CSFR, Hungary and Poland.
- b) In an increasingly interdependent world, a particular responsibility rests with OECD countries to create and sustain a favourable global economic environment. This is all the more necessary as there are widespread concerns about high levels of unemployment in many OECD countries. Ministers stress that, after the recent slow-down, they aim to return to sustained expansion with price stability. Firmly rooted in an ever closer co-ordination, economic policies will continue complementary macro-economic and structural measures. Macro-economic policies should support economic recovery and sustain growth while promoting price stability. Active structural policies are crucial because they expand supply potential and increase flexibility, thereby permitting stronger sustainable growth and higher employment levels. Such growth with price stability in OECD countries is important to the world at large, not only because it

- stimulates economic activity everywhere, but also because it allows for increased savings to be mobilised for investment, which in turn assures future economic growth.
- c) A free and open system of trade, investment and capital flows is vital. Early agreement on a substantial and comprehensive outcome to the Uruguay Round trade negotiation is the highest priority for both structural reform and international economic co-operation. In the face of increasing globalisation of economic activity, it will be a major step towards defining and putting into place new rules and disciplines required for the world economy to function well, to the benefit of all. In this respect, Ministers reaffirm their resolve to fight protectionism in all its forms.
 - d) Technological progress, which is both a cause and an effect of strengthened competition and globalisation, contributes importantly to economic growth. The adaptation to changing technology entails a continuing process of adjustment throughout the economy as well as in society at large. While the central role in this process falls to firms and to individuals, governments bear an important responsibility, including in achieving policy coherence and convergence so as to facilitate adaptation to new technologies within countries and to prevent potential international frictions.
 - e) It is essential that all -- be they countries or individuals -- should benefit from economic growth. Ministers stress the need for OECD and non-Member countries alike to formulate coherent policies in the fields of economics, environment, social affairs and technology that are mutually reinforcing in support of broadly based sustainable development. Ministers reaffirm their strong commitment to enhanced co-operation with developing countries.

Ministers consider that, because of the range and interlocking nature of its activities, the OECD has the capacity to make a particularly useful contribution in response to those challenges.

THE ECONOMIC SITUATION

3. OECD economic growth has slowed significantly over the past year, with output actually falling in some countries, and unemployment is again increasing. Some slowing of demand was necessary in countries exposed to overheating and to reduce current-account deficits where they posed problems. The slowing of demand and tight monetary policy contributed to a reduction of underlying inflationary pressures. The weakening of demand was temporarily intensified by the sharp increase in oil prices and the marked fall in confidence occasioned by the Gulf crisis and war. In some countries and economic sectors, the negative effects may prove to be more protracted.

4. While the risks of continuing weak activity, due in part to the persistence of high real interest rates and to the slowdown in investment in many countries, cannot be ignored, OECD activity is projected to recover in coming months, underpinned by a number of factors:

- The reduction of uncertainty following the end of the Gulf war which has led to a rebuilding of confidence in some countries;
- The reversion of oil prices to levels which obtained prior to the Gulf crisis;
- Notable falls in interest rates in some countries;
- The substantial reduction of major external imbalances, removing a threat to the outlook; and
- Continued growth in Japan and Germany (where the demand effects from unification remain strong).

MACROECONOMIC POLICY DIRECTIONS

5. The basic medium-term requirements for macroeconomic policy remain unchanged. It is important that sound monetary and fiscal policies should lay the groundwork for a reduction in real interest rates and a sustained global economic recovery with price stability. This will help reduce overall unemployment in OECD countries. Monetary policy will therefore continue to be conducted with vigilance and prudence, particularly in countries where inflation remains a concern. In many countries, progress in reducing inflation has provided scope for lowering interest rates.

6. The persistence of high real interest rates and the aggregate deficit of the OECD current account suggest that the level of savings is insufficient to meet demands for investment. In the light also of the investment needs of developing countries and countries in central and eastern Europe, it is all the more essential that OECD countries reduce their overall absorption of saving, while at the same time reducing excessive current-account imbalances between themselves.

7. Fiscal policy is also important in this context and will continue to be set within a medium-term framework for budget objectives. Measures to reduce persistent budget deficits and/or correct distortions in tax and regulatory systems (including in relation to private savings) can increase the overall level of saving and investment and produce a better allocation of resources. Pressures likely to arise in some areas of public spending will be attenuated by improving management and allocative efficiency of the public sector, in part by raising productivity in certain public services and by identifying those expenditure items which can most effectively and equitably be subjected to competition.

8. Ministers welcome measures announced by the United States and other budget deficit countries to reduce their budget imbalances in accordance with medium-term plans and recognise that efforts may be needed also in other countries to strengthen public sector savings. They note the special nature of the present budget deficit in Germany in the context of German unification and the decisions already taken by the German government to reduce it over the medium-term. Ministers stress the importance of implementing fully these budget deficit reduction plans.

•
9. The recovery of growth will create employment, but sustainable reductions in unemployment over the medium term will also require appropriate structural policies, including in respect of removing rigidities in the labour market, and improving education and training.

10. It is essential that economic policy be credible, that policies and objectives be stated clearly, and that their international compatibility be ensured. Further strengthening of international economic co-operation remains a top priority. Close policy co-operation will help to provide a sound global economic environment. Through its widespread activities and broad geographic coverage the OECD can play a useful role in this regard. Continued co-operation in respect of exchange rates will contribute to greater exchange market stability and thereby to a better functioning of the international monetary system.

STRUCTURAL PRIORITIES IN A GLOBAL CONTEXT

11. In the present environment of increasing globalisation and fast-paced technological advance, the critical importance of a flexible and resilient economy is highlighted as never before. The full benefits of expanding international trade can be achieved only by economies that are fully adaptable. Ministers underline therefore the major role that structural policies have to play in improving productive potential so that economies can grow faster and more sustainably, with high employment and price stability, leading to increased well-being of the people. These policies cover, in a closely interrelated manner, the full span of economic and social domains. In each of these, they encompass domestically defined and implemented measures as well as international co-operation in its varied modalities, including legally binding agreed instruments.

12. Ministers consider that, in addition to its role in macroeconomic co-operation, the OECD is particularly well placed to help clarify structural problems and relevant solutions, in particular because of the variety of its competences and because its Secretariat and committee system can manage issues which cross traditionally compartmentalised policy domains. Ministers also stress the important role already played by the OECD's structural surveillance programme. It provides the forum for multilateral peer review, which fosters the process of structural reform and encourages operational approaches to it. In this connection, Ministers welcome the proposals of the Economic Policy Committee for making structural surveillance more effective. Ministers call upon the Organisation further to develop and deepen its work on structural issues and, where appropriate, to:

- explore their policy interconnections;
- assess the most effective ways of taking them into account in the process of policy formulation; and,
- in those areas which lie beyond the ambit of current international negotiations, consider the feasibility of elaborating operational arrangements.

13. Ministers highlight, in paragraphs 14 through 42, the following broadly

• interrelated areas they assign to the Organisation for structural work: economic (trade, agriculture, rural development, technology, competition, financial matters); social (labour-market policies and human resource development, social policy, migration, urban affairs); environment; public sector management; and energy.

THE ECONOMIC FIELD

a. Trade

14. The Uruguay Round has the highest priority on the international economic agenda. Success here, which will further strengthen the open multilateral trading system, remains crucial to continued growth of world trade and the world economy and would greatly enhance the process of structural reform. Ministers therefore agreed that the Round must be brought to a substantial and comprehensive conclusion as early as possible, preferably before the end of the year. They recognise that to achieve this goal, political decisions to overcome major existing differences are needed by all participants without delay, the pace of negotiations must be intensified in all areas, and substantial progress must be achieved by the end of the summer. Ministers took note of the report of the Trade Committee, and endorsed its conclusions. They are determined to build on earlier progress to achieve a wide-ranging, substantial, balanced and global agreement and a complementary institutional strengthening of the GATT system. They are committed to their standstill obligations, and not to undermine the prospects of success by trade action contrary to GATT rules, to the Round's objectives or the headway made so far.

15. In this respect, Ministers strongly reaffirm their rejection of tendencies toward managed trade, unilateralism, bilateralism and sectoralism. Bilateral trade disputes should be resolved in ways consistent with GATT rules and procedures. They underline that the Negotiations should not be a pretext for delaying autonomous efforts towards structural adjustment in the trade area. The improved market access and strengthened trading system resulting from the successful conclusion of the Uruguay Round will foster further integration of an ever-growing number of countries into the trade and world economic system.

16. Regional integration is another significant area of development in trade relations. It can stimulate the multilateral liberalisation process and should be in conformity with international obligations and with the objective of maintaining and strengthening the multilateral trading system. Ministers invite the Organisation to continue to monitor developments in the field of regional integration.

17. Looking beyond the Uruguay Round to the trade issues of the 1990s, Ministers emphasize the need to address the new dimensions of trade policy. This includes a whole range of issues which arise because of the increasing globalisation of the world economy and the closer relationship between trade policy and competition, investment, technology and innovation, and environment policies. The increasingly international scope of economic activity has seen the emergence of areas in which the needs of private agents and governments run ahead of the existing "rules of the game". There is a perceived need for better understanding of these issues and, where appropriate, convergence of

•
policy approaches and consideration of fresh rules. Many issues, traditionally viewed largely from a domestic policy perspective, have taken on an international dimension, affecting the setting of trade and investment policies themselves. Hence, widening the consideration of trade policies in the 1990s to take account of new developments will go hand-in-hand with efforts to avoid conflict with other policy spheres.

b. Agriculture

18. Agricultural reform. Ministers acknowledge that there has been very limited progress in agricultural reform along the lines they set out when they met in 1987 and in 1988, particularly in relation to the progressive market orientation of agricultural production and trade. They take note of the 1991 Monitoring and Outlook Report by the Agriculture and Trade Committees and endorse its conclusions. Support to agriculture, as measured by producer subsidy equivalents (PSEs), increased in 1990 after declining in 1988 and 1989. The OECD Secretariat has estimated transfers from taxpayers and consumers at nearly \$300 billion for 1990, slightly above the previous peak of 1987 when expressed in dollar terms. Structural surpluses have re-emerged in the OECD area for most commodities, confirming that the temporarily more balanced market situation of 1988 and 1989 was due mainly to drought or to the impact of supply-control efforts. World prices dropped in 1990 compared with the previous year; there has been an upsurge in export assistance; and trade tensions have remained unabated. Unless policies are improved, the budgetary and economic costs, as well as trade tensions, are likely to rise and the economic prospects of countries dependent on agricultural exports are likely to be seriously affected, including developing countries.

19. Following on all the reform principles defined in 1987 and 1988, Ministers confirm their commitment to achieving substantial progressive reductions of agricultural support and protection, in particular in the context of the Uruguay Round, through the framework approach set forth in the Mid-Term Review. To this end, the participants have agreed to conduct negotiations to achieve specific binding commitments on each of the following areas: domestic support, market access, and export competition; and to reach agreement on sanitary and phytosanitary issues. Account will be taken of participants' non-trade concerns. In order to facilitate adjustment, specific measures, such as certain forms of direct income support payments or autonomous quantitative restrictions of supply, can be envisaged. Such measures, however, must not introduce new economic distortions to international markets. Agricultural reform, to the extent possible, should simultaneously advance trade liberalisation and environmental objectives. In doing so, steps should be taken to integrate agricultural and environmental policies more closely, so that agriculture is conducted on an environmentally more sustainable basis.

20. Ministers invite the Organisation to continue to support the process of agricultural reform by: monitoring its implementation, including through quantitative instruments and qualitative considerations; improving its capacity to assess the medium-term market outlook; assessing the impact of various policy scenarios for reduction of support and protection on production and trade; analysing particular aspects of the reform process, such as direct income support and structural adjustment, and their effect on incomes and social and environmental conditions, and on economic efficiency, while recognising that in some countries agriculture is multifunctional in character;

•
defining policies which can achieve both agricultural reform and protection of the environment, and which can contribute to an efficient set of policies in the context of rural development; and assessing and promoting ways of maximising the positive impacts of reform on non-Member countries and of assisting those countries moving towards a more market-oriented agricultural system, while taking into account the interests of food-importing developing countries.

c. Rural development

21. Ministers are concerned by lagging economic development in many rural areas. They recognise significant public interest in the environmental, social, recreational and cultural values of these areas. They consider that dynamic rural development policies can help to smooth structural adjustment there. The design and execution of such policies, which address both economic and public-value goals, is a complex task which provides scope for the participation of several ministries at the national level, and roles for authorities at the regional and local levels as well as for the private sector. Reformed agricultural policy has a significant part to play, as do policies in other domains, the aim being to identify different possible ways for the development of rural areas. Ministers expect that the recently-established Rural Development Programme will take a multi-sectoral, inter-disciplinary approach to rural development policy; they look forward to the Programme's report and recommendations in 1992.

d. Technology

22. Ministers note the reports on the Technology/Economy Programme (TEP). They believe that the findings of the TEP exercise demonstrate vividly the close inter-relationships between a range of issues in areas such as science and technology, human resource development, corporate governance, trade, investment and competition, all of which will increasingly underpin national competitiveness and economic performance in the 1990s, and the need for governments better to co-ordinate and ensure coherence amongst domestic policies in these fields. Ministers underline the role of technology in helping to sustain growth and welfare, both in OECD countries and also in non-Member countries. They stress the central role of the firm in the technological process, and underline the important role of governments in providing an economic and social environment conducive to the fostering of this process, both domestically and internationally. They encourage the Organisation to continue actively its monitoring activity on structural and trade aspects of technology-related issues, in particular in respect of communication technologies. Ministers welcome the report of the ad hoc group of the Council on the Technology/Economy Programme and accordingly have agreed to the policy statement annexed to this Communiqué.

e. Competition

23. Competition policy. The increasing international scope of economic activity has resulted in a situation in which the existing "rules of the game", as defined by national or regional competition policies might be usefully complemented. Ministers ask the Organisation to continue its work on the international dimension of competition policies and on their interaction with policies in other areas such as trade and industry. They note that recent work

•
in the Organisation on competition law and policy provides the foundation for greater policy convergence and progress towards updating and strengthening the existing rules and arrangements (including both policy principles and procedures) for international co-operation in this area. They invite the relevant committees actively to pursue these matters, including the effectiveness of trade rules in facilitating international competition.

24. Industrial subsidies. Ministers re-affirm their view that industrial subsidies have generally impeded rather than promoted structural adjustment, have created or sustained inflexibility and distortions, notably in the trade area, and have added to pressure on public expenditure. Ministers remain firmly of the view that every effort should be made to eliminate or bring under enhanced discipline subsidies that have trade distorting effects. Ministers welcome progress by the Organisation in improving transparency in this area, which will strengthen the basis for a common international understanding of the economic effects of industrial subsidies. They invite the Organisation to engage in a systematic monitoring of industrial subsidies, and they commit their governments to providing the information necessary to update and improve the internationally-comparable data base which has been constructed under the auspices of the Industry Committee. OECD governments will step up their collective efforts to increase transparency, in particular through a peer review procedure and, taking into account developments in the Uruguay Round negotiations, to improve industrial subsidy discipline. This work could lead to the eventual definition of commonly accepted OECD guidelines.

25. Shipbuilding. Ministers welcome the progress made in the OECD Council Working Party on Shipbuilding towards a draft agreement respecting normal competitive conditions in the commercial shipbuilding and repair industry. They welcome that all parties are firmly committed to conclude a balanced agreement, the main elements of which are now taking shape, and emphasise the need to maintain momentum in the negotiation to present a draft agreement by July 1991, so that outstanding political differences can be resolved as quickly as possible. Ministers also note with satisfaction that the Republic of Korea fully participates in the negotiation.

26. Export Credits and Tied Aid Credits. Ministers remain convinced of the need for a balanced agreement to reduce substantially, through improved discipline and transparency, the trade and aid distortions that result from the use of subsidised export credits and of tied aid credits. Therefore, they welcome the reports from the Chairmen of the competent OECD bodies and the progress made on the main elements of a future agreement. Against this background, Ministers expressed their commitment to overcome remaining obstacles in order to come to an agreement in the near future; in any case, not later than the end of this year. Ministers welcome the agreement reached in the Export Credit Group of the Trade Committee to study export credit premium systems and structures, and they look forward to a report on its completion.

f. Financial matters

27. Financial markets and foreign direct investment. Structural reform has made the greatest progress in areas affecting capital flows and foreign direct investment (FDI), and these have importantly affected the external positions of Member countries. Nonetheless, it is still necessary to ensure that liberalisation gains are consolidated and extended, in particular with respect

•
to FDI, in light of a number of signs in recent years in policies and practices that run counter to the liberalisation trend. To this end, Ministers adopted the Report on the Review of the 1976 Declaration and Decisions on International Investment and Multinational Enterprises. They welcome the reinforcement of the Declaration, through the addition of a section on co-operation to avoid conflicting requirements on multinational enterprises and the introduction in the Guidelines for Multinational Enterprises of a new chapter on protection of the environment. They note the progress towards a strengthening of the National Treatment Instrument inspired by the principles of standstill, non-discrimination, transparency and rollback, and agree to reinforce the procedures for implementing the existing substantive commitments through notification, examination and a multilateral framework for dealing with conflicts that may arise. They also express their determination to further reinforce and broaden the scope of international discipline in the area of FDI.

28. The OECD Codes of Liberalisation have played and continue to play an important role in promoting free movements of capital between countries, and have contributed to the maintenance of free current invisible transactions. Ministers welcome the prospect of the extensive further liberalisation of the banking and financial services, agreed in May 1989, entering into effect in the very near future. OECD governments remain firmly committed to the pursuit of continued liberalisation in the field of investment and services. Progress has already been achieved in the areas of tourism, audio-visual works and insurance, as well as in banking and financial services. Efforts to promote liberalisation must be continued through further strengthening of the Codes and investment instruments.

29. Certain sectors of financial markets have experienced problems in recent years. Ministers note the recent announcement of financial-sector reform to modernise the regulatory and prudential framework of financial markets in the United States, with the overall objective of enhancing competition and improving efficiency. They welcome the intention of the U.S. authorities to proceed with these reforms in a manner consistent with the principles of the OECD Codes of Liberalisation. They invite the relevant OECD committees to intensify surveillance of international financial developments, with a view to keeping Members informed and promoting both further liberalisation and co-operation among national regulators.

30. Ministers welcome the significant strengthening of international co-operation, in particular among OECD countries and other participants in the Financial Action Task Force, to stem the use of the financial system in laundering the proceeds of criminal activities, in particular drug and drug-related offences. They agree to develop this co-operation further and invite the Organisation to provide secretariat services to the Task Force.

THE SOCIAL FIELD

31. Despite considerable economic progress in OECD countries, concerns remain about a number of societal issues, including long-term unemployment, inequality of opportunities, marginalisation, persistent dependency on income transfers, and demographic developments. Economic progress and success on the social front are mutually supportive. This will require a concerted approach over the longer term in a complex range of policy areas. This includes, in

•
particular, the development of the skills needed fully to exploit the new technologies and the opportunities they present; the need to re-integrate those excluded from activity; and policies to cope with intensifying urban problems and to revitalise declining rural areas. Successful adjustment of our economies and societies will also require renewed efforts to improve opportunities for women in the labour market and to advance their careers throughout working life. To achieve all these goals it will be necessary to reinforce the emphasis on integrated "active" policies rather than passive income support programmes which often discourage participation. Ministers urge the OECD to step up work in the domains covered in the following paragraphs.

a. Labour-market policies and human resource development••

32. Ministers endorse the main conclusions of the meeting of the Education Committee at Ministerial level in November 1990, which emphasised that (i) high quality education and training provide the foundation for developing a broad range of skills for all; (ii) access, governance, financing and partnership are important for the successful performance of educational systems; and (iii) to promote lifelong learning, education has to be complemented by training and re-training, especially for adults. Ministers, concerned about the high levels of unemployment in many countries, encourage active labour-market policies which will facilitate structural change, for example through the provision of training for the unemployed and for workers threatened by displacement. Labour-market and social policies will also aim at supporting those who have never entered the labour market or those who have become detached from it, and in particular, those who have become dependent on income transfers. Such labour-market, social, education and training policies are part of a comprehensive approach to human resource development, and will help to meet one of the key challenges of the next ten years: ensuring that labour markets and labour forces can respond flexibly and effectively to growing social and economic change. The approach here will also include local initiatives and enterprise creation, as well as attention to coherence in policy design and implementation between various levels of government and between different programmes and institutions. Policies and programmes will be co-ordinated and developed in partnership with business, trade unions and community-based organisations.

b. Social policy

33. Social policy will have to respond to concerns about a series of issues which affect the cohesion of the fabric of OECD societies. There are moves towards new orientations for a range of social policies based on partnerships involving individual initiative, public intervention, actions by voluntary and community associations and private-sector enterprises. The aim is to improve the responsiveness of social programmes to individual needs; to encourage individuals to become active members of society; and to enhance efficiency in the provision of social services, which should contribute to countering persistent dependency on income transfers and to tackling the rising costs of health and pensions systems. Public policy will contribute to developments in these areas by improving integration and co-ordination amongst policy instruments. Ministers invite the Organisation to undertake work which throws more light on these issues and on the most appropriate responses of social policy.

•
c. Migration

34. While recognising that immigration has made and can, under appropriate circumstances, continue to make a valuable contribution to the economic and social development of OECD countries, Ministers note the widespread concern that pressures for migration are building up world wide due to a variety of political, social and economic factors which demand further study. Ministers request the Organisation, in the light of the outcomes of the International Conference on Migration (Rome, 13-15 March) and in co-operation, as appropriate, with interested governments and other international bodies, to intensify its work on assessing and comparing migratory flows and their trends; on assessing the economic and social causes and consequences of migration both for the receiving and for the sending countries, where the lack of development opportunities contributes to migratory pressures; on evaluating possible policy responses to emigration countries; and on the exchange of information on national policies and practices. OECD work on this subject will take into account the importance of humanitarian factors and applicable international agreements.

d. Urban affairs

35. Problems in urban areas, such as imbalance between demand and supply of urban infrastructure, traffic congestion, scarcity of adequate housing, deterioration of the urban living environment, and poverty are becoming more serious. Ministers invite the OECD to identify solutions in the light of the importance of these urban problems, while taking into account such factors as each country's economic and budgetary situation....

THE ENVIRONMENTAL FIELD.....

36. Ministers welcome the results of the Meeting of the OECD Environment Ministers in January 1991, which constitute an important contribution to the evolution of environmental policy-making. Faced with the magnitude of national and regional environment issues and the unprecedented challenge of global environment issues, Ministers agree that OECD countries should pursue an environment strategy for the 1990s based on integrating economic and environmental decision-making, improving their environmental performance, and strengthening international co-operation. Ministers agree the need for the Organisation to review more systematically the performance of individual OECD countries in meeting domestic environment objectives and international commitments and they welcome the Environment Ministers' initiative to launch reviews of Member countries' environmental policies. As well, Ministers recognise that OECD countries, given their level of development, have a special responsibility to work co-operatively with other countries in other regions to achieve sustainable development.

37. Ministers welcome the direction and impetus given by the Environment Ministers to strengthening the integration of economic and environment policies as a key to sustainable development. They agree with the principles proposed for working towards this objective: economic and environmental policies cannot be made and implemented in isolation; environmental considerations must be brought to bear systematically on economic policy-making; sound economic analysis of costs and benefits, coupled with scientific assessment of relative

risks including that of inaction, is the optimal basis for setting priorities among environmental goals, and compatibility between environmental and sectoral economic policies should be a central objective of policy-makers. Ministers call for improved integration of environment considerations into all economic sectors and for the OECD to continue its work on analysing the policy interconnections. They agree that effective policy integration will require a greater degree of dialogue with and participation from all sectors of society and the economy if environmental goals are to be met effectively and efficiently and to prevent policy conflicts from arising in such areas as agriculture, coastal zone management, energy, and transport and more generally on trade and investment. Ministers also support additional work on "OECD guidelines" to assist Member countries to make more effective and widespread use of economic instruments.

38. International co-operation is critical to coping successfully with global environmental issues and risks in the 1990s. Many environmental issues, for example climate change, conservation of living marine and land resources, ozone depletion, deforestation, desertification and loss of biodiversity, highlight the extent of global interdependence not only in terms of the causes of environmental degradation but also in terms of the consequential effects of implementing certain economic or environmental policies. This interdependence, however, also offers the opportunity for new forms of international co-operation amongst OECD countries on the one hand and with non-Member countries on the other. One of the most important elements in this international co-operation is to promote development and transfer of environment-related technologies. In this context, Ministers welcome the establishment of the Global Environment Facility (GEF) and are looking to this programme, as well as to relevant activities of other existing institutions, to contribute to the improvement of the global environment. Ministers also believe the OECD can play an important role in fostering international co-operation and contributing to the solutions. They welcome the OECD/IEA work on emission inventories, policy instruments and economic analysis of policy options as positive contributions to the global climate change negotiations.

39. The 1992 United Nations Conference on Environment and Development provides a timely opportunity to strengthen international co-operation. This event should be used to renew international commitment to sound environmental management, and to seek a consensus on goals and priorities for the 1990s and beyond, as a basis for agreed commitments for concrete action. Ministers give full support to the contribution envisaged by the OECD, including the convening of a meeting of OECD Ministers of Development and Environment in 1991 to consider measures to ensure that development and environmental policies are compatible and reinforcing. Ministers agree that OECD governments must confront, with new commitments and adequate resources, the pressing issues of resource availability and technology transfer for environmental improvement in developing countries. Ministers underline the role that the GEF could play as the mechanism to provide additional assistance to developing countries in the framework of the ongoing negotiations on the global environment.

40. Trade and the environment. Ministers welcome the joint report on trade and environment issues prepared by the Trade and Environment Committees. The report identifies the key interconnections between these important policy areas and makes suggestions on areas in which the analysis should be deepened. Ministers endorse the preliminary views developed by the two Committees on a

•
work programme that will underpin further analyses and could lead, in a subsequent stage, to the drawing up of guidelines on ways to protect the environment and preserve the open multilateral system. They invite the Organisation to pursue this work and call for a report on the progress achieved, on all those elements that have been highlighted, to be made to the 1992 meeting of the Council at Ministerial level, giving also regard to possible contributions to the United Nations Conference on Environment and Development (UNCED) in June 1992.

PUBLIC SECTOR MANAGEMENT

41. In the face of rising pressures on public expenditure and concern about the effectiveness with which the public sector operates to meet its objectives, OECD governments are reviewing its organisation and management, with the particular objectives of increasing the efficiency of the economy, improving the management of human resources, increasing the accountability of public officials and improving the quality of services to the public. They are considering more cost-effective ways of financing and delivering public goods and services. This may provide a different division of responsibilities between the public and private sectors, a wider appeal to market mechanisms, or, for instance in education or social policy, a combination of public and private-sector responsibility, and individual initiative. In other cases, it would appear necessary to reappraise the methods of operation of the public authorities, while preserving the specificity of their mission. Ministers also recognise that the increasingly interdisciplinary nature of the issues dealt with by the OECD points to the need for new approaches to public-sector management and to co-ordination among public-sector authorities in Member countries.

ENERGY

42. The Gulf crisis and the likelihood of increased dependence of the OECD region on oil imports from the Middle East over the coming years underscore the importance of continued efforts by governments to reduce their vulnerability to oil supply disruptions. As agreed by Energy Ministers, energy security will be further enhanced by a range of measures and policies, which include: improving and timely testing of emergency response mechanisms; maintaining diversified energy supplies, both in terms of fuel and sources; exploiting all economic and environmentally appropriate opportunities to promote energy production world-wide; promoting energy efficiency and conservation; supporting research and development, introduction of new technologies, and further development of competitive markets and liberalised trade. Global environmental issues heighten the importance of pursuing integrated policies which further the objectives of energy security, environmental protection, and economic growth. Action must be taken to address conventional pollutants and greenhouse gas emissions at both the national and international level. In relation to the global climate change issue, detailed study is needed of the technical potential for reducing greenhouse gas emissions as well as the costs and benefits of various measures to mitigate emissions, including economic instruments. As governments develop policies to address environmental issues, in particular global climate change, approaches must be integrated in a manner consistent with the need for diversified energy supplies and unfettered

•
international trade in energy. The successful implementation of energy policies to achieve environmental goals will require industry participation and heightened consumer awareness. The growing convergence of the energy interests of OECD and non-OECD countries is a major facet of the increasing interdependence and globalisation of economic activity. All non-OECD countries can benefit from the energy policy experience of OECD countries. This is particularly true for the Asia-Pacific region and Latin America where energy demand is growing rapidly, and for central and eastern European countries as they move towards market economies. These latter countries and the Soviet Union will benefit from the development of new energy links with the OECD countries, including free and undistorted energy trade. The problems facing the Soviet oil and gas sectors warrant special attention given this country's position as the world's largest oil and gas producer. Contacts among all market participants should be further developed to promote communication and understanding. Such contacts could enhance the efficiency of the market, which is the best allocator of resources and determinant of oil production volumes and prices. Ministers encourage NEA analysis/assessment of nuclear energy in Eastern Europe, in particular as it relates to safety issues, in consultation when appropriate with other specialised agencies such as the IAEA.

CO-OPERATION WITH NON-MEMBER COUNTRIES

43. Ministers welcome the OECD's steadily strengthening relations with non-Member countries, along with the world-wide move towards the common values of OECD countries: pluralist democracy, respect for human rights, and a competitive market economy. These values have proved to be the best possible basis for long-term economic and social development. They wish to see this strengthening continue, while taking due account of the diversity of non-Member countries' situations, circumstances and policies. Co-operation with non-Member countries in all regions and at all levels of development may take a wide variety of forms, the choice of which will be guided by a pragmatic approach. In some cases this could ultimately lead to membership in the Organisation for countries which share common OECD values and characteristics, express interest, and are prepared to accept OECD rules and disciplines. At the same time, Ministers reaffirm their determination to give high priority to co-operating with developing countries.

44. The Developing Countries. The economic, political and social situations of the developing countries have tended to diverge, with some promising developments, but conditions in many developing countries remain a matter of concern. Difficult structural adjustment and policy reforms have been set in train by a number of developing countries in Asia, Latin America and Africa, and are beginning to bear fruit. But in many other developing countries economic and social conditions have been consistently deteriorating. While effective development depends primarily upon the developing countries themselves implementing appropriate policies, OECD countries have nevertheless to enhance, along the lines described in the 1990 Ministerial Communiqué, their support to these countries, and in particular, to the least developed among them, and to those which are adopting effective policies to meet the challenges they face. This support must aim to assist developing regions to surmount the difficulties they encounter in the adjustment of their economies, but equally to support actively the process of democratisation, respect for human rights and the transition towards competitive market economies which is proceeding in

•
a growing number of developing countries. This co-operative effort with developing countries will focus on policies which integrate the shared objectives of:

- promoting sustainable economic growth and integration in the world economy, particularly of those developing countries which face the prospect of declining participation in it;
- reducing excessive military expenditures;
- enabling broader participation both by men and by women in productive economic activities and enabling markets and private initiative to play their full role, and encouraging a more equitable sharing of the benefits;
- promoting human rights, democratisation, open and accountable government institutions and the rule of law;
- ensuring environmental sustainability, and slowing population growth where it is too high for sustainable development;
- combating the illicit production, trafficking and consumption of narcotics.

45. In addition, OECD countries' policies can do much to improve the prospects for developing countries. To this end, Ministers recognise the need for a more coherent policy approach to their co-operation with developing countries to help them overcome their difficulties. Sound macroeconomic policies which lead to sustainable non-inflationary growth can contribute importantly to a healthy global economic environment. Open markets provide the developing countries with the maximum opportunity to prosper; hence, in particular, the importance of a successful conclusion of the Uruguay Round. Market transparency is important; exchanges of views and information between producers and consumers of commodities can facilitate it. Co-operative approaches to relieving debt burdens and securing new resources flows in the context of structural adjustment efforts can help significantly, especially in the case of poorer developing countries. Ministers stress the need for continuing action to tackle the debt problems affecting many developing countries, and reaffirm their support for the strengthened debt strategy. They note that the debt problems of the low income countries remain particularly severe, and look forward to an early and appropriate conclusion of the Paris Club's discussions of additional debt-relief measures for the poorest most heavily-indebted countries. They consider also that efforts under way to relieve the debt burden of heavily-indebted lower middle-income developing countries should be pursued in line with the restructuring actions taken in the multilateral framework of the Paris Club. The debt problems of many of these countries should be closely monitored.

46. Ministers recognise that in view of the huge development tasks ahead, particularly given the strong efforts towards democratisation and economic policy reform throughout the developing world, substantial additional aid efforts will be required both quantitatively and qualitatively. They take note of the target already established by international organisations for the future level of development assistance (0.7 per cent of GNP). They recall that at the

•
recent Conference on Least Developed Countries there was agreement that "a significant and substantial increase in the aggregate level of external support should be made available" and that options for implementation were recommended for various categories of donor countries. The important role that foreign direct investment could play in this field should also be noted. Ministers reaffirm that their determination to give high priority to their co-operation with developing countries will not be diminished because of their support for central and eastern Europe, nor by the developments in the Gulf region.

47. Ministers emphasize the need for participatory development, including broad-based economic growth and equity, protection of human rights and improvement of governmental effectiveness. An optimal public resources allocation can only be achieved through good governance.

48. Given the dramatic changes in some parts of the world towards pluralistic democracy, respect for human rights and a competitive market economy, opportunities exist for new approaches to relations between developed and developing countries. Members will continue their work in the relevant OECD bodies to develop these new approaches. Ministers welcome the results of the second United Nations Conference on the Least Developed Countries. The forthcoming Eighth Session of the United Nations Conference on Trade and Development will provide a test of the determination to take further the new consensus on the requirements for effective development progress and a sustainable global economy, based on an effective partnership between developed and developing countries.

49. Central and Eastern Europe. The changes in central and eastern Europe towards pluralistic democracy are of great historical importance. The complex and difficult process of transition from a centrally-planned economy to a market-based one, which has begun in central and eastern Europe, is a necessary follow-up to these changes. Ministers welcome this economic reform and encourage the countries concerned to persevere because its success is critical to economic renewal and sustainable growth. It will entail substantial structural adjustments and require deep changes in policies and established patterns of thinking. In the light of this challenge, the OECD countries, and the Organisation as such, should support this process to the fullest extent possible, and promote links with these countries.

50. International assistance, by actively supporting the reform effort, will also help sustain the political will to reform. Such assistance must involve the co-ordinated efforts of governments and the major multilateral institutions, including the OECD, the recently-established EBRD, the IMF, the IBRD, the G-24 process chaired by the EC Commission, the CSCE, the ECE, and the ILO, and be designed to foster market disciplines. Ministers agree on the importance of supporting the transition in these countries toward democratic institutions and market-oriented economies in the most efficient, effective and transparent manner possible. In this respect they endorse a conclusion of the participants in the Arrangement on Guidelines for Officially Supported Export Credits that they would try to avoid tied aid credits other than outright grants, food aid and humanitarian aid, into central and eastern Europe. They agree that the Organisation should keep this matter under active monitoring, with a view towards discussion and resolution of policy issues which may arise.

51. In view of the breadth and complexity of the problems that have to be

•
addressed, and of the inherently limited and temporary nature of the balance-of-payments assistance made available by the G-24 countries, there is a role for a variety of forms of assistance only some of which involve direct financial support. In particular, access to markets in OECD countries and sustained economic growth in the OECD area can contribute significantly to the success of the reform process. The OECD will keep under active review trade between central and eastern European countries and OECD Member countries, with a view towards identifying trade restrictions, thereby facilitating their removal, and towards promoting trade transparency. Ministers look forward to reports on these issues at their 1992 meeting. Private investment has an essential role to play and should be actively encouraged. Ministers reaffirm the shared willingness of their countries to play their fair part in the global international assistance effort. But whatever the size and modalities of this effort, the reforming countries retain the essential role and responsibility in determining the most efficient way for delivering comprehensive reform based on free-market principles.

52. Ministers endorse fully the role of the OECD in providing technical assistance for policy formulation across a wide range of activities, directed primarily at building up public and private institutions and at developing the human resources needed for a successful transition. This role could still be strengthened. They emphasize the role of the Centre for Co-operation with European Economies in Transition in organising a coherent and comprehensive assistance programme. They particularly stress the importance of the establishing of the Centre's "Partners in Transition" programmes, designed to provide special assistance and services by the OECD to countries that have demonstrated a resolute commitment to a rapid transition to a market economy and to a pluralistic democracy, and have expressed the wish to entertain special links with the OECD.

53. Ministers express concern over economic developments in the Soviet Union and their negative implications for world trade, in particular for trade between central and eastern European countries. They recall the message of {The } {Economy of the USSR} prepared by the IMF, the IBRD, the OECD and the EBRD on the mandate given by the Houston Economic Summit, that fundamental reform was the only answer to underlying structural problems in the Soviet economy. That message remains valid. They hope that the USSR and the Republics would move quickly to introduce the broad range of macro and microeconomic reforms necessary to move to a market economy, as recommended in the Study. They note that policy dialogue, technical assistance, and humanitarian aid can support reform, and consider that, whenever appropriate, existing multilateral institutions should be used to channel assistance. They recognise the special expertise of the OECD and welcome its technical assistance to the Soviet Union, and where appropriate the individual Republics. They call on the Organisation to continue its monitoring of economic policies and reforms in the Soviet Union in the light of the recommendations of the Study and subsequent and ongoing developments. They also welcome the establishment of a regular exchange of information within the Organisation on economic policies toward and relations with the Soviet Union. They encourage the Organisation to continue to pursue appropriate technical contacts with the Soviet Union, drawing on the experience acquired.

54. Dynamic Asian Economies. The dynamic Asian economies have confirmed their impressive economic performance, albeit at a slightly slower pace than in

•
previous years. Their significant contribution to world economic growth and international trade underlines the need for deepening further the informal dialogue started three years ago. This has led to a better understanding of the OECD/DAE economic relationship; a convergence of views on policy co-operation which in turn will help to foster economic relations between them; and a shared resolve to strengthen the multilateral trading and investment system. In this latter respect, Ministers welcome in particular the ongoing trade policy discussions between the Dynamic Asian Economies and OECD Member countries.

55. Ministers call on the OECD, while taking account of the diversity of DAE aspirations and circumstances, and in close consultation with them, to develop the dialogue further. Ministers hope that it may soon lead to the establishment of closer and more structured links between the Organisation and the DAEs where mutually desired.

56. Latin America, and in particular Mexico. Those Latin American countries that have engaged in major market-oriented policy reforms have improved their economic situation and are better placed to play a more active role in the global economy. This holds out the hope that the people of this region will be in a better position to take advantage of its vast economic potential. Mexico, in particular, is carrying out resolute market-oriented policy reforms. Ministers welcome the wish recently expressed by Mexico to broaden its links and co-operate more closely with the OECD. They invite the Secretary-General actively to follow up on this, and to report progress at their meeting in 1992.

* * *

Yugoslavia

Ministers recall the long association of Yugoslavia with the work of the Organisation. They express their hope that the conditions necessary for Yugoslavia to continue with its reforms towards a market economy will be improved, so that continued and sustainable economic progress can take place and links with the Organisation be further expanded.

ANNEX

POLICY STATEMENT
ON TECHNOLOGY AND THE ECONOMY

Overall Policy Framework

1. Ministers reaffirm strongly OECD governments' belief in the crucial and central role of the firm for technological development. Ministers also reaffirm the responsibility of governments for establishing an appropriate environment for such technological development through a framework of market-oriented macro- and micro-economic policies, the provision of efficient infrastructures, and the co-ordination of policies over the whole range of issues affecting technology innovation and diffusion.

Strengthening Innovation Capabilities•

{Supporting Basic} {Research}

2. Ministers renew their commitment to supporting basic research. This may entail, in some countries, raising public funding to basic research and facilitating and improving links between R&D activities of the public sector and the market.

{Technology Diffusion within the Economy and Society}

3. Ministers reaffirm the importance of fostering diffusion and a wide acceptance of technology within their economies and societies. Governments should consider developing policy measures to facilitate technology diffusion, such as technology extension services, particularly as regards small and medium size enterprises, and removing market impediments, such as excessive regulatory burdens. They should also encourage a broad range of information on and public discussion of technology issues, support technology assessment at national, regional, and international levels, and promote in their societies a climate which is receptive to technological change.

{Human Resources Development}

4. Ministers underscore the critical importance of human resource development and mobility for the competitiveness of firms and countries. As a consequence, Ministers stress the need for education, training and labour-market policies to be mutually supportive and coordinated. Ministers also underline the particular importance of government and industry support for life-long skill development through an improved educational system and arrangements for further education and retraining of the adult labour force in association with firms, unions and local authorities.

Globalisation of Science and Technology

{Private} {R&D Support and International Access to Science and Technology}

5. Ministers acknowledge that government support to corporate research and to "strategic technologies" may create friction at the international level and

•
may affect international access to science and technology. In this regard, Ministers call on the OECD to deepen its analysis of government support to private sector R&D and to "strategic technologies" in order better to understand the policy implications and possible trade and investment distortions. This should involve the prior elaboration of a taxonomy - with more precise definitions of key terminology - of the various phases of the research process and the differences in science and technology practices among the OECD Countries. On the basis of this analysis, the possible need for guidelines on government support to research and development will be examined. Ministers also request the OECD to analyse further the issue of equal access for domestic and foreign-controlled firms to publicly funded research, including the desirability of granting access to government-sponsored consortia and programmes.

{National Practices and International Convergence}

6. Ministers recognize the potential for increased international friction arising from some differences in national policies and state their determination to address these issues at a multilateral level. In this regard, Ministers call on the OECD, taking into account the on-going negotiations in GATT and in other international fora, to deepen its analysis of policies related to countries' competitive positions, inter alia in the fields of innovation, public procurement, public ownership of companies, taxation, and competition, as well as of financial and foreign direct investment and the interconnections between these policies, with a view to limiting the scope for international friction through greater transparency. In particular, this analysis should allow a better understanding of the role of cultural and institutional factors and their impact on industrial and trade performance. On the basis of this analysis, and with a view to reducing divergences which cause frictions in these policy areas, Ministers ask the OECD, where appropriate, to explore the need for improving existing multilateral instruments and whether there is a need to develop additional "rules of the game".

{Improving International Co-operation in Major Science and }
{Technology Areas }

7. Ministers call on the OECD to examine whether and how international mutually-beneficial co-operation in major scientific research areas could be further improved among governments and research communities on the basis of adequately shared responsibilities. This issue will be further considered at the meeting of OECD Science and Technology Ministers to be held in March 1992.

{Science and Technology's Challenges and Opportunities for }
{Developing Countries}

8. In light of the difficult circumstances facing developing countries, Ministers renew not only their commitment to facilitating developing countries' access to new technologies, but also to reinforcing the efforts of these countries to build their national capacities to absorb, manage and benefit from technological change.