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COUNCIL

Meeting of the Council at Ministerial Level, 27-28 May 2010

2010 MINISTERIAL CONCLUSIONS

(Adopted at the Council Meeting at Ministerial Level on 28 May 2010)

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1. On the occasion of the 2010 OECD Ministerial Council Meeting (MCM), we, Ministers*, have assembled under the Chairmanship of the Italian Prime Minister Silvio Berlusconi and the Vice-Chairmanship of Australia and Norway. We welcome the accession of Chile and the recent invitation to Estonia, Israel and Slovenia, which contribute to make the OECD more global and diversified.
2. The MCM deliberations greatly benefited from the participation of the Russian Federation, which is continuing its accession process, and of the five countries in the Enhanced Engagement process (Brazil, India, Indonesia, the People's Republic of China and South Africa).
3. We welcome that our economies are picking up as a result of forceful policy responses taken under unprecedented international coordination. However, the recovery remains fragile, with high levels of unemployment and ongoing adjustment of balance sheets in the financial sector and in households in many countries. We are aware that risks to economic stability remain, as recent events have shown. In particular, the current tensions in the sovereign–debt markets illustrate well the high uncertainty that continues to surround the economic outlook in some countries. We agree that further progress should be made on financial market regulation and supervision. We welcome the forceful measures that have been taken to preserve financial stability in Europe as well as the decision to strengthen economic governance.
4. We will continue our efforts to assist the recovery with appropriate measures until sustainable growth in private demand has taken root. At the same time, it is important to minimize the risks and problems of continuing policy support longer than necessary. We will design and communicate exit strategies taking into account the situation of individual countries, and once recovery is assured, we will implement them while being mindful of international spillovers. Countries that have the capacity should expand domestic sources of growth. This would help cushion a decline in demand from countries that need to boost savings and reduce fiscal deficits.
5. Furthermore, in order to ensure that the recovery takes hold and to achieve a transition to sustainable and balanced growth, new policies and strategies are needed, in particular to implement structural reforms to strengthen competitiveness and to harness new sources of growth. We appreciate the OECD's work to assist us in these efforts, and we encourage the OECD to continue to provide relevant policy analyses and recommendations, including through its peer review work on macroeconomic and structural issues and the interactions between them.
6. In this regard, we welcome the Strategic Orientations paper by the Secretary-General, in which he highlights challenges and achievements of the past year and sets out his strategy for the OECD's increased impact.

Fiscal Consolidation

- 7.1 The fiscal positions of most OECD countries have deteriorated significantly as a result of the crisis and face growing pressure from ageing populations, and they need to be brought to a more sustainable path. Fiscal consolidation is a crucial task.
- 7.2 It is important to develop credible and transparent medium-term fiscal consolidation plans through appropriate institutional mechanisms such as fiscal rules taking into account country-specific conditions, including the pace and sustainability of the recovery and the state of public finances. We will implement them in ways that do not jeopardize growth.
- 7.3 In carrying out fiscal consolidation, we will improve structural fiscal balances, and stabilize and lower the burden of public debt in the medium and long term. We recognize the importance of preserving growth potential by prioritizing public spending and pursuing growth-friendly tax reform.
- 7.4 We look forward to outcomes of OECD work on the role of fiscal consolidation and structural adjustment to achieve sustained growth.

* Ministers and Representatives of Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Russian Federation, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, the United States and the European Union.

Employment

- 8.1 We are working to avoid a “jobless recovery” and “jobless growth.” Our policy measures helped mitigate the worst effects of the crisis, but unemployment rates remain high in most OECD countries. We will develop comprehensive, inclusive, innovative employment and social policies in order to tackle this jobs crisis and promote recovery and growth for all.
- 8.2 As current priorities, we will engage in active labour market policies, supporting job search programmes, enhancing education and training, and ensuring appropriate social protection systems and safety nets in combination with incentives to work, especially focusing on the most vulnerable groups and regions.
- 8.3 In the medium to long term, we will support and encourage growth that creates more and better jobs and improve labour market participation in order to cope with demographic challenges as well as to reduce inequality. For this purpose, we will work to enhance the functioning of the labour market on both the supply and demand sides.
- 8.4 We reiterate the commitment from the meeting of OECD Labour and Employment Ministers in September 2009 to put in place measures to foster skill and competency development and training. This will ensure workers are well-equipped for future jobs, including in particular those emerging from shifts towards a knowledge based and low carbon economy and the expansion of the health and social care sectors. We welcome the emphasis in the Innovation Strategy and the Green Growth Strategy on the human capital and skills dimensions, and expect, in light of the OECD’s cross-cutting expertise, that this will become a good basis for further work by the OECD.
- 8.5 We appreciate the OECD’s valuable work on employment and its continuing unique contribution in cooperation with relevant organisations such as the ILO. We look forward to further OECD work on the pressing issue of youth unemployment, as policies are needed to help youth get a firm foothold in the labour market including by enhancing their skills to promote their career prospects. We also look forward to further OECD work, including policy options, on increasing women’s economic opportunity and gender equity.

Structural Reforms

- 9.1 We renew our commitment to implement structural reforms in order to expand our growth potential, tackle challenges such as fiscal consolidation, unemployment, aging populations, and inequality, and strengthen resilience to cope with future shocks. In this regard, we appreciate the comparative advantage of the OECD’s work on structural policies.
- 9.2 Furthermore, as recovery of the world economy continues, global imbalances could widen. We are convinced that promoting reforms in OECD and non-OECD economies in product, labour and financial markets as well as appropriate macroeconomic policies will eventually help achieve more balanced global growth.

Sources of Growth*Green Growth*

- 10.1 Green growth is gaining support across countries as a paradigm to bring about economic growth and development while responding to environmental challenges, such as climate change, biodiversity loss and unsustainable use of natural resources. We stress the importance of accelerating our shift toward green growth through cost efficient policies, with due attention to structural changes throughout the transition process and ensuring the necessary policy coherence. We are resolved to ensure that measures taken to pursue green growth are consistent with our international trade obligations. It is vital to encourage green innovation and worldwide diffusion of environmental goods and services as well as environmental technologies, including resource- and energy- efficient technologies, in both developed and developing countries.
- 10.2 We welcome the Interim Report on the Green Growth Strategy, and look forward to the delivery of the Synthesis Report at the 2011 MCM, drawing also upon the findings of the Innovation Strategy and providing practical messages and policy toolkits. We encourage the OECD to continue to play a key role in global efforts to promote green growth.
- 10.3 We acknowledge the importance of avoiding, removing or reforming policies that may undermine the transition to a green growth economy, such as environmentally harmful subsidies. We support the initiative taken by the G20 to rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption, and look forward to continued work of the OECD and the IEA as requested by the G20.

10.4 We reaffirm our commitment to reach a positive outcome at COP16 in Cancun building on previous efforts, including the COP15 in Copenhagen.

Innovation

- 11.1 Innovation is a key source of long-term growth, both in traditional and high-growth, high-value added sectors. It can provide crucial contributions to higher productivity and confront global and social challenges. Therefore, we welcome the final report of the Innovation Strategy.
- 11.2 In recognizing that innovation is a broad phenomenon covering a wide range of activities, we will, taking into account country-specific conditions, a) empower people to innovate by education and training; b) adopt framework conditions, such as regulatory and tax policies, that are conducive to innovation; c) foster entrepreneurship and support new firms and Small and Medium-sized Enterprises; and d) enhance public research systems and develop knowledge networks and markets with effective protection of intellectual property rights.
- 11.3 In implementing the Innovation Strategy, we will improve governance in order to ensure policy coherence and further promote international cooperation.
- 11.4 The Innovation Strategy is not an end in itself, but provides direction for further work. We ask the OECD to continue its efforts to support development and improvement of our innovation policies, including by further improving relevant metrics and statistics and developing a framework for the evaluation of innovation policies, while maintaining a strong link with the Green Growth Strategy.

*Trade and Investment***

- 12.1 Despite the crisis, protectionism has not spread as widely as many had feared, not least as a result of our coordinated international efforts. We reaffirm our commitment to remain vigilant and to resist all forms of protectionism. In this regard, we welcome the recommendations from the OECD on trade related policy responses to the crisis. We support continued work on trade and investment, on a collaborative basis, by the OECD, the WTO, UNCTAD.
- 12.2 We remain committed to an early, ambitious, balanced, and comprehensive conclusion of the Doha Round that opens markets, generates economic growth, and builds on the progress already made. We support multilateral, plurilateral, and bilateral efforts to bring the negotiations to a successful conclusion.
- 12.3 In light of our shared interest in fostering sustainable and inclusive growth, we will pursue efforts to facilitate trade and investment in environmental goods and services and to promote effective Aid for Trade. Furthermore, we will continue to encourage all major exporting countries to apply the common international framework and approaches in the field of officially supported export credits. We will reinforce our efforts to further develop a framework for officially supported export credits with respect to low carbon and energy efficient technologies.
- 12.4 We stress the crucial role of open markets in achieving higher levels of economic growth and ultimately the creation of better and higher-paying jobs. We welcome further OECD work on the benefits of trade including on the relationship between trade, growth and employment, and look forward to the results of these efforts over the coming year.
- 12.5 International investment will be critical in the recovery from the crisis and in economic development in general. We also note the importance of investment as a major driver of trade flows and job creation, and call for greater attention to its contribution to expanding economic growth and development. We recognize the central role that OECD has played in promoting best practices with respect to international investment and analytical work on investment rules. This work should continue and be augmented through greater collaboration with other institutions.
- 12.6 We welcome the formal launch of the update of the OECD Guidelines for Multinational Enterprises and note the important role they play in contributing to responsible business conduct and, thus, to broad societal support for open markets.

** Hong Kong, China endorsed the conclusions set out in this section.

Measuring Progress of Society

13. Given the need to promote sustainable and balanced growth, we will benefit from measurement methods that take into account the social and environmental dimensions of economic development. We invite the OECD to develop proposals for further work on this important issue with the goal of better linking the measurement agenda to the needs of policy makers.

Propriety, Integrity and Transparency

14. The depth and breadth of the crisis has demonstrated the need to strengthen our commitment to fundamental principles of propriety, integrity and transparency. Our future growth and stability should be based on a commonly shared set of principles underpinning international economic and financial transactions. It is with this in mind that OECD Members, as well as Brazil, Estonia, Israel, the Russian Federation and Slovenia, endorsed the Declaration on Propriety, Integrity and Transparency in the Conduct of International Business and Finance.

Development

- 15.1 Global economic cooperation is a key element in supporting economic development and social progress in developing countries. We reaffirm our strong commitment to achieve the Millennium Development Goals (MDGs) in 2015, which is a shared responsibility of all partners. In this regard, ODA plays a crucial role, and the OECD will continue to monitor and encourage progress towards meeting international ODA commitments. At the same time, we recognise that ODA alone will not achieve the MDGs, and we will seek to take advantage of innovative financing and promote efficiency and effectiveness. We appreciate the OECD's work to enhance the effectiveness of our aid commitments. We further recognise that progress towards the MDGs also requires effective measures by developing countries to mobilize internal resources and set in place policies and institutions needed to support broad-based growth.
- 15.2 We support a broad and coherent approach to address development that includes development assistance, underscores the importance of good governance and is ultimately made sustainable through promoting a more inclusive process of growth for the world economy. We also welcome efforts to go beyond measuring inputs and agree on the need to focus more on measuring the impact and results of development cooperation. We call for strengthened dialogue between traditional and emerging donors, including triangular cooperation, information sharing and dissemination of best practices and lessons learned.
- 15.3 We acknowledge the urgent need for progress in the field of tax and development. Effective and transparent tax systems improve government accountability to citizens, contribute to stable and predictable pro-growth environments, and help fight corruption. We commend OECD cooperation with developing countries to support the development of more effective tax systems and to help these countries combat offshore tax evasion.
- 15.4 We encourage the OECD to aim at enhancing development results by fostering improved policy coherence for development and promoting dialogue and cooperation amongst all development partners. We support further efforts of the OECD to better mainstream the development dimension across the work of the Organization, including through its ongoing development goals exercise.

Global Economic Cooperation

- 16.1 We share the view that deeper cooperation in the substantive work of the Organization will be valuable to Members, Accession countries and Enhanced Engagement partners. We will work closely together in OECD bodies, and in future Ministerial meetings, as well as in global fora and regional dialogues, toward more inclusive sustainable and balanced global growth. We will aim to further develop best practices and high standards through inclusive, evidence based discussions. We will seek to design and execute specific programs of engagement and to meet regularly to review progress.
- 16.2 We welcome the OECD's contribution to various international fora, such as the G20 and the G8, including the Framework for Strong, Sustainable and Balanced Growth, and encourage the OECD to continue its quality work.

We look forward to meeting again at the next OECD Ministerial Council Meeting, which will coincide with the celebrations of the OECD's 50th Anniversary.