

OECD Ministerial Council Meeting Agenda for Growth and Development, 29-30 April 2003. Chair's Summary

The Economic Outlook

The Ministerial Council Meeting took place at a time when the international environment is difficult and uncertain. It was appropriate therefore that the focus of the agenda was on growth and development, and on restoring confidence.

While a few countries' economies are performing strongly, for others the prospect of a solid recovery is still some way off. Expectations overall are of modest growth this year, picking up somewhat next year.

While geopolitical uncertainty over recent years has not been helpful to recovery, pre-existing macroeconomic imbalances and deep-seated structural problems have played a large part in producing the current economic downturn. Short term and long term issues therefore need to be addressed, but they must not be seen as independent - the best short term policies are also good long term policies.

Policies to Maintain Confidence and Enhance Growth

Many Ministers noted with concern the divergence of growth rates in the OECD area over the 1990s, and the fact that under current policies, this divergence looks set to continue. This presents additional policy challenges for the OECD membership as a whole, given the fact that our future prosperity is interdependent. At a minimum, it means lost opportunities, lower world growth, and lower wellbeing than could otherwise be the case. Concerns were expressed that it could also impact on the economic relationships between our economies.

Many Ministers spoke of the need to reinforce multilateral cooperation on economic and trade issues, to bolster confidence and help support growth in the short run, and to help redress this divergence over the longer term. The OECD can play a strong role in leading the debate, and distilling best practice from countries' experiences, especially in terms of what makes for a successful approach to reform.

There was a large measure of agreement on the nature of the challenges we face in maintaining and enhancing growth over the longer run, including the impact of demographic change,

increasing productivity, and achieving appropriate labour market flexibility. Addressing these challenges is not easy and policy solutions can not simply be imposed on communities.

For most countries, efforts to improve participation and employment are a priority. Education and training, removal of barriers to entry into the workforce, and measures to encourage older people to stay in work were all identified as common policy prescriptions. Allowing all to play their full part in society and the economy is important both to generate growth and to improve social cohesion and wellbeing. In considering labour market reform, the right balance must be struck between removing rigidities, protecting vulnerable workers, making work financially worthwhile, and providing an adequate level of social security.

The meeting focused on the economic and fiscal pressures which will flow from the demographic changes expected over the next forty years. Ministers identified a number of policy responses, including increased migration flows, productivity improvements and greater labour market participation. Many Ministers noted that demographic changes were bringing into question the sustainability of existing state pension regimes and highlighted the need for ongoing sound public finances.

There was an emphasis on how to improve productivity to drive growth - notably on the need for an environment which encourages innovation and enterprise, the take-up of new technologies and investment in skills, knowledge and ideas. Many Ministers noted that trade liberalisation would enhance domestic competition and innovation. Particular attention was paid to the service sector which is becoming an increasingly important part of most economies. The proposal tabled by Japan was referred to the OECD Council for further consideration. It was agreed that the OECD should continue work on how economic performance in the service sector can be enhanced.

Confidence and trust in the institutions of governance and the marketplace were identified as being of fundamental importance for growth. In this respect Ministers underscored the need for governments to translate the political will to tackle the issues into concrete action.

The meeting also received a report from the dialogue with BIAC and TUAC which had stressed the importance of confidence for promoting growth and in this context the need for good corporate governance, even if there were alternative views expressed about how this should be achieved. The Chair indicated to the meeting that further consideration should be given to allowing BIAC and TUAC observer status at future Ministerial Council Meetings.

Sharing in the gains: promoting growth and investment in developing countries

For this part of our agenda, we benefited from hearing the perspectives of invited Ministers from developing countries.

It was noted that at Doha, Monterrey and Johannesburg, OECD Members affirmed their commitment to promoting sustainable economic growth, achieving the United Nations Millennium Development Goals, and lifting many millions of people out of poverty.

Ministers agreed there was scope to do more to assist developing countries, particularly in Africa, to gain from globalisation. This will require a focus on capacity building and a coherence of other policies necessary to encourage growth.

Investment - domestic and foreign - is vital for financing economic development. Confidence to invest requires political stability, sound economic policies, absence of corruption, and good governance in both the corporate and public sectors. ODA flows are a complementary and necessary source of funding.

It was noted that the OECD is active in many of these areas. There was wide support for the OECD Council to look at a proposal from Japan for additional work on a strategy to promote investment in developing countries.

Ministers stressed that the access of all countries to markets and technology is an essential ingredient for growth. There was acknowledgement that OECD members' policies are important to this end, particularly in respect of the way in which those policies impact on developing countries' export prospects.

If investment into developing countries is to thrive, these countries need markets to sell their products into. Ministers recognised that a major factor in encouraging further investment in developing countries will be the continued opening of global and regional markets.

Business must also be partners in the development process. The OECD Guidelines for Multinational Enterprises have encouraged businesses to take into account not only economic and financial factors, but also the developmental, social and environmental implications of their undertakings.

International Trade Issues

There was an unambiguous sense of commitment by Ministers to making the WTO negotiations successful, recognising that the WTO Doha Round is a once in a generation opportunity which we cannot afford to miss.

There was frank acknowledgment that important deadlines have been missed. And there remain real divergences of views. But there was a will to tackle those divergences.

There was a sense of needing to shift gears to get from Cancun to the end of the negotiations by the end of 2004.

Ministers were clear on the following three points:

1. A full commitment to the level of ambition for these negotiations set for ourselves at Doha.
2. A full commitment to building momentum to get the job done by January 2005.
3. A balanced outcome for all, with development being central to the negotiations and a commitment to making the decisions needed.

There were really useful signs of detailed engagement. That was particularly the case with non agricultural market access, where there is an important deadline in Geneva in May. There were emerging building blocks for that item brought forward at this meeting. Concepts such as, a formula, getting low duties to zero, meeting special and differential needs and sectoral tariff elimination possibilities. There is a need to be ambitious and building blocks are emerging.

There was also a useful convergence on setting a business-like agenda for the way forward. Ministers were seized of the value of setting an action agenda: the five or six Ministerial decisions where political attention will be needed over the coming months. The need for leadership at this critical time was a central theme of the discussions. There is obvious transatlantic cooperation - despite areas of difference on matters of substance - to move forward to a successful outcome.

The discussion showed there is no great mystery about the sorts of decisions needed now:

- Taking the key decisions on access issues like agriculture, industrial products and services so that substantive negotiations beyond Cancun can commence. The access hurdle is central. This is where tangible gains are potentially huge and our developing country participants made this clear - especially on agriculture.

- Making sure the development dimension is fully reflected in those areas and that the other development issues on the Doha Development Agenda (DDA) are advanced such as on issues of special and differential treatment. The Agreement on Trade Related Aspects of Intellectual Property (TRIPs) and health is particularly important here. A number of participants stressed the need to settle this and developing country participants emphasised its significance to them.
- Taking the decision on the so-called Singapore issues set down in Cancun.
- Getting decisions on a political direction or the precise scope of systemic issues such as dispute settlement, environment, geographical indications and rules.

Finally, the analytical capacity of the OECD to support negotiations was emphasised. There were also a number of ideas on how the value of the OECD can be further maximized. These will be taken up in the Council to work out the "whether" and "how" to deal with them. The OECD's intellectual and practical capacity is needed on such issues.

OECD reform

Finally, Ministers were concerned that the OECD continue to be able to work effectively. In this regard, Ministers were pleased to note the Secretary-General's report on the progress on reforming the organisation, and the road map for further measures recently adopted by the Council. Ministers will look to making decisions on key reform issues at their 2004 meeting.