

**OECD Ministerial Council Meeting****3-4 May 2005****Chair's Summary****Enabling Globalisation**

1. Sweden had the great privilege of chairing the OECD Ministerial Council Meeting 2005. The unifying theme was “Enabling globalisation” – one of the most important challenges of our time. Globalisation is both inevitable and desirable. Our task is to make it inclusive and sustainable, seizing the opportunities of open markets, while addressing the needs of those who risk being left behind. Our deliberations showed willingness to shoulder shared responsibility to enable a globalisation that benefits all.

2. Ministers stressed the need to use all relevant policy instruments in a coherent manner, to foster growth and sustainable development, facilitate investment in energy, push ahead with structural reforms, reduce poverty and ensure a successful outcome of the Doha Development Agenda – all important items for the coming summits the G8, the UN and the WTO. We look to the OECD to strengthen further its role in meeting these challenges.

3. Our discussions with non-OECD economies were enriching. We also benefited from dialogue with the Business and Industry Advisory Committee and the Trade Union Advisory Committee to the OECD, and broader civil society at the OECD Forum.

**The Economic Outlook**

4. Ministers noted that growth was strong overall last year, despite rapidly rising oil prices. Low interest rates helped. So did globalisation, with trade growing vigorously, especially in Asia, and heightened competition helping to contain inflationary pressures. The expansion has somewhat weakened recently as higher energy prices and exchange rate shifts worked their way through. Economic growth should regain momentum later this year, however, and become more balanced across countries.

5. Some tensions and risks persist. A prominent one pertains to oil prices. Enduring external and internal imbalances also overshadow the outlook, in the form of widening current account gaps, large fiscal deficits and possibly stretched valuations in some asset markets. While the imbalances may well unwind smoothly, including via some exchange rate adjustments, some turbulence cannot be ruled out. Persevering with structural reform, however, will help absorb any such disruption.

6. Ministers reiterated the fundamental importance of achieving and maintaining sustainable public finances and recognised that this posed a challenge for most OECD countries, given current budget positions and mounting pressures from ageing populations.

7. Regarding the OECD Economic Surveys, APEC Ministers again called for equal treatment across countries and expressed their disappointment that the surveys still do not address the full range of EU policies.

**Investing in Energy**

8. Ministers noted the International Energy Agency's estimate that \$ 16 trillion in investment will be needed in the energy sector by 2030. In a business-as-usual scenario, the world energy demand and global carbon dioxide emissions will grow by 60 percent until 2030. It is necessary to do more to reduce the impact of increased energy demand on the environment and the climate.

9. Ministers stressed the need to tackle high and unstable energy prices. This requires action by both producers and consumers to affect demand and supply. Deepening dialogue with the oil producing countries and increased transparency are crucial for market stability.

10. Ministers underlined that sufficient supply of clean and affordable energy is crucial for economic and social development. Investment in energy technology and infrastructure must be directed towards sustainable, efficient technology with less negative climate impact. To this end we should promote:

- market-based policies and measures;
- transparent, stable and globally consistent mechanisms and frameworks for investment, transfer and dissemination of technology;
- research and development for a sustainable energy system; and
- collaboration between government and industry.

11. Enhanced energy and resource efficiency will stimulate growth, not impede it. Ministers stressed the need for further liberalisation of energy markets in order to improve competitiveness, efficiency and consumer choice. We should work in both OECD and non-OECD countries to eliminate harmful energy subsidies that needlessly distort the market.

12. Ministers recognised that developing countries must have equal access to the world's energy resources through the market. We will also work together to bring modern energy services to the 1.6 billion people in the developing countries who lack them.

13. In the long run, innovation is key in limiting greenhouse gas emissions and securing an affordable and environmentally sustainable energy supply. Ministers will do their utmost to provide the right framework for developing and deploying new technologies.

### **Globalisation and Structural Adjustment**

14. Ministers welcomed the OECD studies "Growth in Services" and "Trade and Structural Adjustment" and their policy messages. We agreed that globalisation is a positive force, while recognising that policies must be put in place to ensure that it benefits all. Globalisation in the long term is a truly 'positive sum game', provided that adjustment challenges for individuals, regions and countries are handled wisely.

15. We noted that a macroeconomic framework promoting stability and growth, social safety nets, an efficient regulatory framework, open trade and investment policies, human resource development, active labour market policies, life-long learning and innovation policies are crucial elements of structural adjustment. Some emphasised the need to formulate economically, socially and environmentally sustainable policies, as well as the need to change unsustainable production and consumption patterns.

16. The service sector has large untapped potential to increase employment, productivity and innovation. Reforming the service sector is essential to improve the foundations for future performance of OECD economies.

17. Ministers stressed the need to deepen the understanding of the impacts of globalisation in the OECD and non-OECD economies. We also need to study and share experience on best practices, on policy responses

and on how to meet adjustment challenges. We welcomed the proposed follow-up study on globalisation and structural adjustment and urged the Council to proceed with its implementation.

### **Challenges of the Millennium Declaration and Monterrey Consensus**

18. Ministers welcomed the OECD Statement on the follow-up to the UN Millennium Declaration and Monterrey Consensus, which will be transmitted to the United Nations for the Millennium Review Summit in September.

19. The Statement notably commits OECD countries to intensify efforts to meet the Millennium Development Goals on reducing poverty and hunger, achieving education for all and tackling AIDS and other diseases. It reaffirms commitments to increase aid and use it more effectively. Ministers stressed the importance of stable and predictable financial flows, the need for policy coherence, the importance of dialogue and a well-functioning multilateral system, and for the OECD to strengthen its partnership with developing countries and other international organisations.

20. A proposal by Japan to strengthen co-operation with African countries to raise private investment, both domestic and foreign, in their overall efforts to achieve the Millennium Development Goals received support. Such co-operation would be built on the existing OECD Initiative on Investment for Development.

### **Trade Negotiations under the Doha Development Agenda**

21. Ministers called for a heightened sense of urgency to achieve an ambitious result from the Doha Development Agenda by the end of 2006, recognising that a successful conclusion of the negotiations would be a powerful engine for global growth, employment, development and poverty reduction. Time is short and there is much to do. There is a need to empower senior negotiators to bring the negotiations back on course. We commit to expedite the preparations for a successful WTO Ministerial Conference in Hong Kong in December. Results-oriented work is needed to produce a good basis in July for the ministerial meeting. There is no viable substitute for an effective multilateral trading system.

22. Ministers stressed the need for concrete and complementary progress over a range of key issues: agriculture, so-called Non Agricultural Market Access (mainly industrial products), services, trade facilitation and rules. The interest of developing countries had to be secured across the board. There is a particularly urgent need to advance negotiations on all agricultural issues, where tariff conversion problems need to be solved. We hope that progress being made here in Paris will reach fruition. We welcomed signs of convergence on a tariff reduction formula for NAMA, which would ensure substantial market openings while taking into account the capacity of individual WTO members. On services, we stressed the importance of meeting the May deadline to ensure a critical mass of commercially meaningful and improved offers, to supplement this process and devise appropriate benchmarks. We must now move beyond the status quo.

23. Ministers confirmed the need to strive for an ambitious outcome to revive the commitment to development. Developing countries' interests and concerns must be properly reflected in the result from the Doha Development Agenda. Most tangible gains will come from improved market access, including through south-south trade. Enhanced technical assistance and capacity building, including to improve supply-side capacities and institution building, are crucial for developing countries to reap the gains from trade. Here OECD Member countries have a key role.

24. Ministers recognised that sound domestic policies are necessary to reap the full benefits of trade liberalisation. Governments therefore had to take appropriate domestic steps and ensure that structural adjustment was conducted in a socially responsible way. The OECD "Trade and Structural Adjustment

Study” provided valuable analysis in this respect. Continued OECD trade policy dialogue with non-OECD economies was encouraged.

### **OECD Reforms**

25. Ministers discussed the role of the OECD today and in the future. We stressed the need to maintain the renowned quality of OECD work throughout the reform process. We also agreed that momentum must be maintained in order to strengthen the relevance of the OECD as a leader in policy analysis and peer reviews, and as a pathfinder in establishing global norms and standards.

26. Ministers expressed strong support for the steps taken towards a more strategic co-operation with non-OECD economies, such as the new outreach programme with the Middle East and North Africa region. Ministers welcome the progress made on guiding principles for launching a Differentiated Engagement Strategy with key economic actors.

27. Another crucial step was the agreement to address how to improve governance, in particular to take account of the implications of future enlargement. Here Ministers encouraged the Council to establish a mechanism by the end of July 2005. Enlargement should not jeopardise the sound functioning of the OECD, but rather be an opportunity to strengthen the Organisation.

28. Ministers expressed their wish to see progress in the reform process in the next year to be reported by the Secretary-General at the Ministerial Council Meeting in 2006.