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CHAIR'S SUMMARY

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“Resilient Economies and Inclusive Societies – Empowering People for Jobs and Growth”

1. Ministers from OECD countries, joined by Ministers and representatives from Colombia and Latvia as well as Brazil, the People’s Republic of China, India, Indonesia and South Africa, met under the Chairmanship of Japan and the Vice-Chairmanship of Slovenia and the United Kingdom on 6-7 May 2014 under the title of “Resilient Economies and Inclusive Societies – Empowering People for Jobs and Growth”.

Keynote Address by the MCM Chair

2. The Prime Minister of Japan, Mr. Shinzo Abe, delivered the Keynote Address of the MCM.

Ceremony for the Formal Launch of the OECD Southeast Asia Regional Programme

3. The OECD Southeast Asia Regional Programme was formally launched by the Prime Minister of Japan, Mr. Shinzo Abe, with the presence of Ministers and representatives of the ten Member States of the ASEAN (Association of Southeast Asian Nations).

Economic Outlook

4. Ministers welcomed the improving outlook for a number of OECD countries but acknowledged that, while they expect the global recovery to gather momentum, progress is uneven and risks remain: unemployment remains high in many countries; trade, productivity and investment growth are weak, and the financial system has yet to recover fully. Against this backdrop, they underlined the importance of further efforts to address these challenges through achieving resilient economies and inclusive societies, empowering people, promoting the well-being of citizens and addressing inequality through jobs, growth and productivity. They discussed that robust macro-policy settings were critical to economic resilience and that monetary policy should be gradually normalised as momentum builds in the global recovery, while fiscal sustainability should be achieved without compromising long-term social goals.

New Approaches to Economic Challenges (NAEC)

5. Ministers discussed how the OECD could contribute to a better understanding of the global economy, building on the initiative of the New Approaches to Economic Challenges (NAEC). Ministers welcomed the progress outlined in the NAEC Synthesis Report and noted other emerging recommendations. Ministers underscored the need to pursue more inclusive growth and well-being agendas, highlighting that inequalities are multi-dimensional and that tackling them should be achieved through better access to employment opportunities and to health and education services. They mentioned the need to link pro-growth policies with equity objectives, highlighting policies to boost productivity, ensure fair competition, promote efficient labour and product markets, address tax evasion and avoidance, and stimulate investment, innovation and entrepreneurship. Ministers also noted the Inclusive Growth Framework Report and encouraged further work in this regard. Ministers discussed the importance of analysing the links between financial institutions, the real economy and the global financial system and also highlighted the need for international regulatory co-operation and co-ordination, including in the enforcement of competition law. Ministers agreed that the NAEC results should be mainstreamed across the OECD’s activities and that the Organisation should strengthen its capability to propose policy recommendations by renewing and strengthening its cutting-edge analytical frameworks and tools, including by monitoring the resilience of major economies, as well as enhance its strategic foresight capabilities. In this context, given the increasing interconnectedness of global economies, Ministers

acknowledged the importance of providing policy advice on structural reforms of the emerging market economies, such as Southeast Asian economies. Ministers look forward to the Final Synthesis Report of NAEC to be delivered at the next MCM and the follow-up work. Ministers also welcomed the role of the Secretary-General in proposing new initiatives, including his Strategic Orientations. They encouraged greater horizontality in OECD work, along with timely and targeted policy advice, including through the Leader's Programme and "Better Policy" brochure series.

6. Ministers agreed on the importance of rebuilding public trust in governments as well as in private actors. Ministers welcomed the OECD agenda on trust in government, and urged the Organisation to step up work on integrity and anti-corruption. Ministers also welcomed the progress on the Base Erosion and Profit Shifting (BEPS) Initiative and adopted the Declaration on Automatic Exchange of Information in Tax Matters (AEOI).

Resilient Economies and Inclusive Societies: Empowering People for the Achievement of Sustainable, Balanced and Inclusive Growth

i) Exploring Policy Mixes to Promote Economic Growth and Well-Being

7. The crisis highlighted the importance of strengthening the resilience of economies, societies and institutions, namely the capacity of individuals, communities and systems to resist, adapt and grow in the face of stress and shocks. Ministers discussed how to achieve resilient economies and inclusive societies and how to empower people for jobs and growth by pursuing the best policy mix, taking into account rising inequality, with a view to enabling economies and societies to surpass pre-crisis levels.

8. Ministers shared a common goal of increasing the resilience and inclusiveness of our economies by incorporating multidimensionality into policy design to help identify trade-offs and complementarities and avoid the unintended consequences of policy choices. Building on the NAEC Initiative's early results, Ministers identified inclusive growth as one of the main challenges going forward. They also pointed to sound and appropriate macro-economic management, including responsible fiscal policies, as key elements of resilience. Ministers underscored the importance of further structural reforms of labour and product market regulations, as well as policies that support direct investment and facilitate long-term financing. In creating new sources of growth to boost the economy in an inclusive way, Ministers highlighted the importance of innovation, science and technology and entrepreneurship, as well as the digital economy to enhance the productivity and competitiveness of our economies and industries, and particularly stressed the importance of investment in knowledge-based capital (KBC). Ministers look forward to the updating of the Innovation Strategy. Ministers also discussed positive shifts in employment and production patterns, the future of manufacturing as well as entrepreneurship, including the role of young firms and SMEs, and stressed the need to address the issue of excess capacity in some global industries, such as steel, in relation to supporting measures.

9. In building resilient societies, Ministers emphasised the importance of achieving inclusive growth through better social-protection systems and the empowerment of individuals, combined with labour policies that facilitate the participation in the labour market of under-represented groups, such as women, youth, older people and migrants. Ministers called on the OECD to conduct further work on the effects of the distribution of skills on well-being outcomes and job quality, highlighting that poor skills severely limit people's access to decent jobs. They urged further work to implement the *Giving Youth a Better Start* Action Plan at the national level. Ministers underscored the usefulness of PISA and PIAAC to guide policymakers in unleashing the full potential of human capital.

10. Ministers also welcomed work on how to strengthen social protection and health systems. Recognising that institutions are the nexus between individuals and societies, Ministers discussed how

social programmes could tackle high and growing inequality, including by addressing ageing inequality, and encouraged further OECD work in this area. Ministers underscored the importance of improving trust in institutions to enhance the well-being of individuals, as well as their resilience, and welcomed efforts to support Member countries in strengthening the rule of law and good governance. Ministers also underlined that urban and regional policies can contribute to more inclusive and resilient societies.

ii) Promoting Environmentally Sustainable ('Greener') Growth

11. Ministers recognised the importance of enhancing our resilience to environmental shocks and that such resilience should enhance public safety, sustainable economic growth, well-being and conservation of environmental resources, and acknowledged the OECD as a good platform to discuss these issues in an economic context. Ministers recognised climate change as a major urgent challenge and potentially irreversible threat to the achievement of our goal of "Resilient Economies and Inclusive Societies", requiring a decisive response – one that ensures that both the policies and regulations are fit for the purpose. Ministers commended the work of the OECD on these issues, including its analysis and policy recommendations to support carbon pricing and other market-based instruments, and its comprehensive approach to green growth. Ministers discussed how the OECD can best continue to contribute to the success of climate negotiations as well as efficient and effective adaptation, and various views and national practices were shared during the discussion with a view to doing our part to achieve the 2°C target while simultaneously supporting the economic recovery. Ministers noted the importance of 'win-win' policy solutions that can have beneficial effects on equity and employment, as well as on the environment – in line with the OECD's Green Growth Strategy. In particular, Ministers agreed that they should seize green-growth opportunities now that the global economy is emerging from the crisis, including from renewable energy sources. Ministers agreed to invite the OECD, in co-operation with the IEA, the NEA and the ITF, to continue to support the UNFCCC negotiations, including the upcoming meetings in Lima (2014) and Paris (2015), and the Climate Summit (2014) in New York; to examine how to better align policies across different areas for a successful economic transition of all countries to sustainable low-carbon and climate-resilient economies; to pursue the work on climate finance and investment, and report to the 2015 Ministerial Council Meeting. Ministers also agreed that this work will represent an important contribution to the NAEC Initiative as well as to the OECD work on environment, climate change, water and biodiversity, and that it should be reflected in the OECD's work programme. With these points in mind, Ministers adopted the Ministerial Statement on Climate Change and welcomed the decision of Colombia and Latvia to join this Statement.

12. Ministers also discussed a number of ideas based on national experiences to strengthen resilience through improved governance of critical risks, disaster-financing strategies and post-disaster management, including at the local and city level. Ministers adopted the Recommendation of the Council on the Governance of Critical Risks.

Management Issues

13. Ministers reviewed the accession processes and the progress made in the OECD Governance Review, as well as the ongoing co-operation efforts with Ukraine. Ministers welcomed the progress in the accession processes of Colombia and Latvia. Ministers also noted efforts by the Secretariat to achieve greater efficiency in the Organisation, and look forward to the results of the Value for Money (V4M) project, which aims to ensure the OECD continues delivering high-quality outputs while maximising the outputs achieved from resources provided by Members.

Partnerships for Global Resilience and Development as Empowerment

14. Ministers welcomed the OECD's global relations strategy and supported the strengthening of its partnerships with various countries and regions, in accordance with the Resolution of the Council on Strengthening the OECD's Global Reach, adopted last year. Ministers reiterated the importance of furthering the participation in OECD's activities of Key Partners (Brazil, the People's Republic of China, India, Indonesia and South Africa) and sharing with them OECD standards and best practices. Ministers encouraged the OECD to continue supporting global economic governance including through the G20. They also welcomed the decision to establish Country Programmes with Kazakhstan, Morocco, Peru and Thailand, to support their national reform efforts, as well as the OECD's regional approach, including for MENA, Latin America, Sub-Saharan Africa, Eurasia and South East Europe.

15. Ministers welcomed the formal launch of the Southeast Asia Regional Programme and called on the OECD to take further steps for its implementation. It was noted that the Programme could benefit from regional expertise and support from regional organisations, such as the UN Economic and Social Commission for Asia and the Pacific (UNESCAP), the Asia Development Bank (ADB), and the Economic Research Institute for ASEAN and East Asia (ERIA). They reaffirmed their commitment to work closely with Costa Rica and Lithuania, consistent with the Resolution of the Council on Strengthening the OECD's Global Reach. Ministers discussed the ways in which the OECD can help partner countries to avoid or overcome "middle-income traps" wherever relevant.

16. Ministers expressed their commitment to mainstream development through the full implementation of the OECD Strategy on Development. They took note of the lessons learnt to date and looked forward to effective monitoring of the implementation of the Strategy. Ministers also welcomed the progress made by the OECD with the Multi-dimensional Country Reviews and efforts to promote domestic resource mobilisation. Ministers highlighted the crucial importance of international efforts to design a post-2015 development framework, which will build on the successes and lessons of the Millennium Development Goals. They noted the contribution made to date by the OECD to global preparations for this framework, and the role the Organisation can play in supporting its design and implementation.

17. Ministers welcomed the successful conclusion of the First High-Level Meeting of the Global Partnership for Effective Development Cooperation in Mexico in April this year, which highlighted the value of an inclusive, multi-stakeholder political partnership to support the implementation of current and future development goals. Ministers pointed out the catalytic role of the ODA and emphasised the importance of enhancing co-operation with partners to help them make full use of a wide range of resources for development, including private finance. The importance of people-centred investment was cited in promoting sustainable private resource flows.

Strengthening the Multilateral Trade System- Global Value Chains

18. Ministers underlined that free trade and investment are key drivers for growth and job creation. As Ministers shared concerns over the proliferation of protectionist measures, they reaffirmed their standstill and rollback commitments to resist all forms of protectionism and recognised that further efforts by governments around the world are needed to remove barriers both at and behind the border in order to revitalise cross-border trade and investment flows. Ministers expressed their willingness to build on the success of the 9th WTO Ministerial Conference in Bali in December 2013 and confirmed their commitment to the early adoption of the Trade Facilitation Agreement and the development of a post-Bali work programme by the end of this year.

19. Ministers reiterated their strong support for the OECD's work on Global Value Chains (GVCs) and Trade in Value-Added (TiVA) and emphasised the need for the OECD to continue working with the

G20 on GVCs and related topics. Ministers agreed that domestic regulatory reforms as well as policies to liberalise services sectors are vital in order to receive greater benefits from GVCs. Ministers highly valued the OECD's analysis and database in the trade sector, especially its newly introduced Services Trade Restrictiveness Index (STRI), and they encourage further work in this regard. The importance of food value chains was also discussed. Ministers underscored the contribution which regional trade agreements and plurilateral initiatives – such as the Information Technology Agreement expansion, the Trade in Services Agreement (TiSA) and ongoing environmental goods negotiations – can make towards the strengthening of the multilateral trade system, and urged OECD to continue supporting these efforts. Ministers recommended that these analyses could help advance a meaningful international trade agenda.

20. Ministers underlined the importance of investment-related work in the OECD, including the updating of the Policy Framework on Investment (PFI). Ministers called on the OECD to improve our understanding of the economics of cross-border investment, including investment agreements, shedding light on investor-state dispute settlement systems, statistics for identifying FDI flows and analysing the constraints for long-term investment. Ministers also supported efforts to promote a level playing field for business, particularly in relation to state-owned enterprises (SOEs), and also urged the promotion of Responsible Business Conduct and the effective implementation of the Guidelines for Multinational Enterprises. They also welcomed greater international regulatory co-operation to reduce costs and foster a global level playing field.

Closing Session and Outcomes

21. At the end of the closing session, Ministers adopted the 2014 Ministerial Council Statement and welcomed the decision of Colombia and Latvia to join this Statement. Ministers took note of the willingness of Costa Rica and Lithuania to associate themselves with the 2014 OECD Ministerial Council Statement and the 2014 OECD Ministerial Statement on Climate Change.