

**OUTCOME OF THE MEETING
OF THE OECD COUNCIL AT MINISTERIAL LEVEL
Paris, 13-14 May 2004**

**EVALUATION
By the TUAC Secretariat**

Overview

1. The 2004 OECD Ministerial Council, following recent practice, did not issue a communiqué. The Chair, Mexican Foreign Minister, Luis Ernesto Debrez, instead issued a “Chair’s Summary” of the discussion. The Ministers discussed the economic situation and the need to strengthen growth against the background of demographic change. However in comparison with 2003, the conclusions are excessively bland – giving little indication of the substantive policy line that the OECD will be taking on key issues.
2. The Ministerial Council certainly took place against a background of improving economic forecasts. The latest OECD Economic Outlook published on the eve of the Ministerial meeting raised growth forecasts for this year to 3.4 %. However this was based on the assumption of a cut of ECB interest rates by half a percentage point and oil price of 27 dollars a barrel. At the time of the Ministerial itself the oil price had risen to 40 dollars a barrel and the ECB has yet to cut rates. Forecast therefore remain fragile and in the medium term seriously questioned by the unsustainable nature of the US budget deficit.
3. Meanwhile there remain major uncertainties on jobs and the impacts of globalisation. On outsourcing of jobs - one of the issues discussed at the TUAC and BIAC consultations - the Ministers did note that “OECD countries need policies that help the adjustment of people who are dislocated because of outsourcing or other developments”. However there was no reference to the conclusions of the ILO World Commission on the Social Dimension of Globalisation or to the potential role of the OECD Guidelines for Multinational Enterprises in handling the process of industrial change.
4. With regard to the impacts of demographic change on growth the meeting raised one potentially new area of work – they called for examination of proposal for “a programme of work aimed at understanding of the role of intellectual assets and their importance to economic performance.”

The Multilateral Trading System

5. Not surprisingly OECD Ministers’ discussions on other issues were over shadowed by those on trade, in the light of the joint 10 May letter by EU Trade and Agriculture Commissioners Lamy and Fischler which had been presented as an effort to unblock the deadlock on the WTO Doha trade round. As in previous years the OECD Trade Ministers discussions also included their counterparts from key developing countries (Argentina,

Bangladesh, Botswana, Brazil, Chile, China, Guyana, Hong Kong China, India, Indonesia, Kenya, Russia, Singapore and South Africa), the WTO Director General, and the EU Trade Commissioner. In addition, an informal mini WTO Ministerial meeting was held at the end of the OECD meeting.

6. A more public airing for trade discussions was facilitated by the holding at the OECD Forum of two panel discussions, and the TUAC-BIAC Ministerial consultations. The first Forum debate, at which John Sweeney, AFL-CIO and TUAC President spoke, focused mostly on issues around outsourcing/off-shoring. The Moroccan Trade Minister, perhaps mindful of the implications of China's entry into the WTO spoke of the need for developing countries to implement and enforce core labour standards, as being in their own self interest. However, in answer to a question from the floor he was more circumspect on the role of the WTO in this although he called for new UN "architecture" to be developed.. The second Forum panel heard from an array of Trade Ministers and key policy makers from the following countries and institutions (Argentina, Chile, Egypt, Guyana, Mexico, New Zealand, Russia, South Africa, Sweden, and the European Commission). The majority of speakers saw the latest moves by the EU as being a significant event in terms of paving the way for an agreement (perhaps as early as July) around the modalities to guide the resumption of WTO negotiations, primarily on agriculture. The only note of dissent was expressed by the Egyptian Trade Minister who cautioned against over-optimism by stating that Cancun had failed not just because of agriculture and the Singapore issues, but because developed countries had shown a lack of respect for developing countries on the substance of all negotiations, and crucially over the process; in essence that the Quad falsely believed that agreement among themselves could then be pushed through the whole of the WTO membership. By contrast the Trade Minister of Guyana, who was introduced as the unofficial spokesperson of the LDCs demurred from that position, and spoke with guarded optimism.

7. The TUAC participants at the Ministerial consultations gave a much more guarded view on trade developments and warned that the outsourcing/off-shoring debate could not be dismissed as just another variant of structural adjustment that could be ignored from a policy perspective, and called for a measured policy response, including a renewed emphasis on the role of the OECD Guidelines for Multinational Enterprises. The BIAC delegation meanwhile proposed free trade and labour market deregulation

8. The Chair's summary was predictably optimistic on the outcome of the trade discussions and said that OECD ministers were determined to reach basic agreements on negotiating frameworks on key issues of the Doha Development Agenda by July 2004, noting that momentum has been building. Outside of the developments around agriculture, the Chair "sensed" that trade facilitation "warrants multilateral negotiations under the (DDA) single undertaking", while a consensus was emerging that the other Singapore issues should be maintained in the existing study groups. Other key issues where the negotiations could crumble, such as non-agricultural market access, services, rules and development issues were treated in a perfunctory manner, with the Chair's summary simply stating that movement on agriculture would help generate progress on these matters. No reference was made to key issues such as cotton, or the implications of the phasing out of the textile agreement. It may be the case that once discussions move from the rarefied atmosphere of this particular setting and back to Geneva, then the words of the Egyptian Trade Minister may cause pause for thought in the minds of the trade negotiators.

Other issues

9. The need for more effective international rule-setting for corporate governance was one of the central issues that have driven TUAC's input to the Review of the OECD's Corporate Governance Principles. The Revised Principles were formally endorsed by the Ministerial Council. A separate TUAC statement on this has been posted on the TUAC website.

10. On OECD reform, the Ministers welcomed the work underway by the Council on future membership, work with non-members (including the Middle East and North Africa) as well as shifting to qualified majority voting on "special cases". A progress report will be given to the 2005 Ministerial meeting.