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Meeting of the Council at Ministerial Level, 7-8 June 2017

2017 MINISTERIAL COUNCIL STATEMENT

"Making Globalisation Work: Better Lives for All"

(Adopted at the Meeting of the Council at Ministerial Level on 8 June 2017)

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## MAKING GLOBALISATION WORK: BETTER LIVES FOR ALL

1. On the occasion of the 2017 OECD Ministerial Council Meeting (MCM), we\* have assembled under the Chairmanship of Denmark and the Vice-Chairmanship of Australia and the United Kingdom, on 7-8 June, to discuss policies for “Making Globalisation Work: Better Lives for All”.

2. The 2017 MCM is taking place at a critical juncture, with a slow global economic recovery and rising inequalities. We recognise that we need to work together to address concerns about globalisation and to ensure that the benefits of globalisation are more widely shared. We acknowledge the OECD’s important role in helping governments address these challenges.

### **Global net gains but rising inequality**

3. Globalisation has involved increased flows of goods, services and capital as well as interconnectedness, movements of people and exchange of ideas. We recognise that globalisation has advanced at a rapid pace in recent decades with some high growth emerging economies becoming major economic players. We recognise that we must improve our understanding of the impact of globalisation, but also note that, in recent decades, we have seen hundreds of millions of people lifted out of poverty and that many others have benefited from higher productivity, global economic growth and an increase in the range and affordability of goods and services.

4. We affirm that increased productivity and continued economic growth provide the best opportunity to raise prosperity and well-being for our citizens. This growth should be strong, sustainable, balanced and inclusive. We acknowledge that further structural reforms and supportive macroeconomic policies are necessary to achieve this. We confirm that open markets and increased trade are key engines for growth and job creation and that strong enforcement of trade rules is essential to ensuring global markets work properly.

5. We recognise that globalisation has not benefited everyone. In a significant number of OECD countries the income, wealth, employment opportunities and social mobility of many people have stagnated, and some have even been made worse off, whilst the situation for those at the top of the income distribution have continued to improve. We recognise that rising inequalities are not solely the result of globalisation but also of market distortions as well as technological change and other factors. We realise that past policies have not sufficiently addressed these challenges.

6. We recognise the considerable potential of science, technology and innovation to enhance economic growth, sustainability and well-being. We also recognise that digitalisation, automation, artificial intelligence and other technological advances will lead to further profound change, altering fundamentally the nature of work and the functioning of labour markets.

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

## Calling for Action

7. We recognise the need to meet the existing and future challenges presented by globalisation and technological change and to address people's concerns. We need policies that support skills, innovation, long term investment and inclusive growth. It is crucial that the financial system can help to address these challenges and contribute to support sustainable growth and development. We need to develop strategies that will lead to more and better quality jobs across all regions and will enable all firms and individuals to harness the new technologies to drive up productivity levels and generate inclusive and sustainable growth.

8. Further research, analysis and sharing of information, data, and experiences can help us to understand better how globalisation and technological change impact upon growth and inequalities and to design more effective policies. In this regard we look to the OECD, with its technical expertise and strong analytical capability, to provide evidence-based policy recommendations to support our efforts.

9. Enhanced international cooperation and better implementation of international agreements by all countries will also help to ensure that globalisation works for everyone. In this regard, we highly value the OECD's continued contribution.

### *Integrated policies to ensure globalisation works for everyone*

10. We recognise the need for more integrated whole-of-government policy responses that reflect the circumstances of individual countries. We call on the OECD to support governments in this endeavour, including through the Inclusive Growth Initiative, the ongoing work on the Productivity-Inclusiveness Nexus and the horizontal projects on Going Digital - Making the Transformation Work for Growth and Well-being, and Ensuring the Effective Integration of Vulnerable Migrant Groups. We ask the OECD to work through its committees and relevant bodies on the development of a Framework for Policy Action on Inclusive Growth for the 2018 Ministerial Council Meeting. We also call on the OECD to analyse the impact of globalisation and technological change on inequality, market and wealth concentration, labour market functioning, regional disparities and productivity and wage divergence across firms. We appreciate the contribution of the OECD reports on Going Digital: Making the Transformation Work for Growth and Well-Being, on the Next Production Revolution as well as its progress Report on Inclusive Growth.

11. We recognise the importance of new and inclusive approaches to structural policies and the need for a renewed and strengthened social contract in our societies. In this context, we will work to reinforce social dialogue, promote greater access to quality education and training (on a life-long basis), including vocational training, enhance job quality, help the unemployed find work, integrate migrants and foster gender equality. We call on the OECD to help governments improve their policies in these areas, including through its ongoing work on youth, gender, children, the elderly, the integration of migrants, housing, skills, jobs, active labour market policies and the measurement of well-being. We look forward to the Ministerial Conference on Social Policy in Canada in 2018 to advance the design and implementation of social policies that address these issues. We endorse the OECD Action Plan on Ageing Unequally.

12. We recognise that gender equality is a strong driver of economic development, and also promotes inclusivity and socio-economic participation. We call on the OECD to continue its work in this regard. We welcome the OECD Report on the Implementation of the Gender Recommendations. We recognise that progress in closing gender gaps has been very slow, and that gender gaps have even widened in some countries. We therefore undertake to reinforce our efforts, including by adopting comprehensive plans and measures to mainstream and improve gender equality in line with the OECD Gender Recommendations.

13. We recognise that sound fiscal policy, the quality of public finances and resilient financial sectors have an important role in promoting stronger and more inclusive growth whilst ensuring that public debt

remains at sustainable levels. We will prioritise productive public investment in infrastructure and R&D to improve the capital stock, boost innovation and catalyse private investment. We confirm the importance of promoting quality infrastructure with open and fair access and encourage the OECD to elaborate guidelines and good practices in this area, giving appropriate consideration to the principles for quality infrastructure and related issues agreed by international fora. We support sustainable investment in health and will foster quality public investment in education and skills to the benefit of those on low incomes, and improve our tax and benefits systems to boost sustainable and inclusive growth as well as employment. Reducing the tax wedge on labour, in particular for low-skilled workers, could enhance participation in the labour market and raise disposable incomes.

14. We recognise the important contribution of SMEs to economic growth and well-being, and in particular the contribution of start-ups and young firms to job creation and innovation. We also recognise the specific opportunities and challenges of globalisation and digitalisation for the development of these firms. We encourage the OECD to strengthen its work in this regard and look forward to the Ministerial Conference on SMEs in Mexico in early 2018, which will consider the case for cross-cutting policy approaches.

15. We note the existence of significant regional imbalances within countries and acknowledge the need to prepare our cities and communities for further change. We will develop policies that are tailored to the challenges and potential of individual cities and regions as well as rural areas. We call on the OECD to gather more data, strengthen its analytical work and deepen its stakeholder engagement at the regional and local level.

#### *International Action to Foster More Inclusive Growth*

##### International trade and investment

16. A separate Statement on international trade, investment and climate change will be issued by the Chair of MCM 2017.

##### Other norms and standards

17. To promote inclusive and sustainable trade and investment we will need to strengthen international policy cooperation to help level the international playing field. We consider the following five areas to be particularly important in this regard:

1. Competition, market failures and corporate governance: We recognise the need to address market failures and prevent government policies and business practices that distort competition, including state aids and subsidies. We welcome further OECD analysis and reflection in this area and call on the OECD to continue supporting dialogue with a view to enhancing cooperation among competition authorities. We recognise that credible corporate governance arrangements are necessary for long-term investment and more inclusive growth. We support OECD work on corporate governance, including on the G20/OECD Principles of Corporate Governance and the Methodology for Assessing the Implementation of the Principles. We also reaffirm the principles and recommendations underlying the OECD Guidelines on Corporate Governance of State-Owned Enterprises, and call on the OECD to enhance its work in this area, in particular on the role competitive neutrality can play in addressing excess capacity in some sectors. We call on the OECD to examine the possibility to develop a voluntary global reporting standard for internationally active SOEs.

2. Tax: We remain committed to tackling international tax avoidance and evasion, notably by ensuring the timely, consistent and widespread implementation of the minimum standards of the

OECD Base Erosion and Profit Shifting (BEPS) project and making progress to meet our commitments to the automatic exchange of financial account information. We welcome the participation of more than 70 countries and jurisdictions in the signing ceremony of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS on June 7 at the OECD. We acknowledge that barriers arising from both tax policy and administration can negatively impact trade and investment. We encourage further work to improve tax certainty, including the prevention and efficient resolution of cross-border tax disputes. We continue to support and target assistance to developing countries in building their tax capacity. We look forward to an interim report on the tax challenges of the digital economy by the next MCM.

3. Responsible Business Conduct: We recognise that we must partner with business to improve the outcomes of globalisation, and recognise the potential of Responsible Business Conduct (RBC) in this regard. Despite progress on the promotion and uptake of the RBC Guidelines in recent years, gaps in approaches and coverage across countries and sectors persist, affecting workers, stakeholders and local communities and creating competitive disadvantages for some companies. We recognise OECD's leading role in this area through its Guidelines for Multinational Enterprises (MNEs), as well as its due diligence guidance for RBC in specific sectors, including minerals and extractive industries; agriculture; garment and footwear; and finance. We encourage the OECD to develop a set of general due diligence guidelines that can be applied to any sector. We affirm our strong support for the MNE Guidelines as the main global standard on RBC. We call on the OECD to make further efforts to widen the adherence to the OECD Declaration on International Investment and Multinational Enterprises. We commit to having fully functioning and adequately resourced National Contact Points, and to undertake a peer learning, capacity building exercise or a peer review by 2021, with the aim of having all countries peer reviewed by 2023. We call for a report on progress made to the MCM in 2019.

4. Digitalisation: We recognise the need to promote and protect the global free flow of information and the importance of global, market-relevant technical standards developed through open, transparent and consensus-based processes, to advance the digital economy. We also recognise the need to enhance the international dialogue on privacy and digital security, intellectual property rights and consumer protection, as well as high-speed broadband connectivity and note the OECD's important role in promoting this dialogue. While protecting the free flow of information, we urge the OECD to discuss issues associated with big data flows in order to harness the benefits of data analytics while ensuring privacy and data protection across jurisdictions, as well as strengthen digital security risk management. We call on the OECD to improve the measurement and further analysis of the digital transformation in all sectors and its impacts, including digital trade, and to undertake further work to harness science, technology and innovation, in particular the role of big data and Artificial Intelligence, for inclusive growth and well-being.

5. Illicit trade and corruption: Globalisation has opened up increased opportunities for criminal networks to profit at the expense of others. In this regard we recognise the need for international cooperation and partnerships to fight international corruption and illicit trade, including by strengthening the implementation of existing standards. We also recognise the need to foster collaboration among customs departments and other law-enforcement agencies, international organisations and affected business sectors to combat illicit trade, notably trafficking in human beings, counterfeit goods, and the illegal trade in wildlife. We welcome further OECD work on illicit trade including through the Task Force on Countering Illicit Trade. We also call on the OECD to support countries' efforts to implement existing standards on international corruption and integrity risks, in particular the Anti-Bribery Convention and enforce them through their related laws.

18. We welcome the ongoing OECD-wide “Standard-Setting: Review of OECD Legal Instruments”. We welcome initiatives to increase the visibility and global implementation of OECD norms. We look forward to the proposal for relevant possible new standards by OECD committees and a report by the Secretary-General at the MCM 2018 on the second phase of the standard-setting review.

*The OECD’s role in the current international context*

19. We recognise the importance of strong government-business-unions-civil society dialogue to help tackle the challenges of globalisation and digitalisation, and spread the benefits more widely to foster inclusive growth. We note the recommendations made by BIAC and TUAC in their statements for this MCM. We call on the OECD to support governments in their communication efforts and to reinforce its engagement with civil society on the global economy, trade and investment and interconnectedness.

20. Given the challenges raised by globalisation, we encourage the OECD to continue strengthening and disseminating its standards and developing advice on better policies and best practices that benefit economies beyond its membership. We welcome the report of the Working Group on the Future Size and Membership of the Organisation, and the adoption of the evidence-based Framework that provides an objective benchmark to assess each prospective member on its respective merits and on a case-by-case basis. We look forward to the discussions about membership and possible decision in July. We reaffirm our commitment for the OECD to remain open and inclusive, recognising that it is not size but the quality of the Organisation’s work that will determine its impact and effectiveness.

21. We welcome the OECD’s efforts, particularly to spread its standards through G20, G7, APEC, ASEAN, the Pacific Alliance, and other global and regional fora and to advance in these fora discussions on issues of global relevance, including taxation, excess capacity, trade and investment, structural reforms, jobs and gender.

22. We welcome progress made by Colombia, Costa Rica, and Lithuania in their accession processes.

23. We also welcome the further progress achieved with the Key Partners (Brazil, China, Indonesia, India and South Africa), in particular the renewed work programme with Indonesia, the deepened cooperation with and implementation of the joint work programme with Brazil and look forward to the finalisation of the new joint work programme with China. We welcome the launch of the country programme with Thailand, the extension of the country programme with Kazakhstan and the progress made by Morocco and Peru in advancing and completing their respective country programmes. We encourage active engagement of Non-Members in OECD bodies and their adherence to OECD instruments, in accordance with the Committees’ global relations strategies.

24. We welcome the progress made by the OECD’s Regional Programmes and initiatives (Eurasia Competitiveness Programme, Latin American and the Caribbean, Middle-East and North Africa, Southeast Asia, and Southeast Europe) and support their efforts to disseminate OECD standards and good practices. We also support the renewed Memorandum of Understanding and cooperation with Ukraine. We acknowledge the achievements and encourage further progress in the OECD’s engagement with Sub-Saharan Africa and look forward to a report on progress made at the MCM 2018.

25. We underscore the importance of continued efforts to implement the 2030 Agenda for Sustainable Development. We welcome the OECD’s support for these efforts through the effective implementation of its Action Plan on the Sustainable Development Goals.

26. We note the increase in Official Development Assistance (ODA) to a new record level in 2016, but recognise the need to strengthen our collective effort to reverse the decline in ODA to those countries most in need, while further enhancing ODA’s role in mobilising other financial resources required for

achieving the SDGs. We welcome the continued efforts of the OECD to support implementation of the Addis Ababa Agenda for Action on Financing for Development, including ongoing efforts to modernise our measurement tools to better reflect today's development finance landscape. We recognise that middle-income countries continue to face particular development challenges in specific areas.

27. We welcome continued efforts to promote synergies between the work of the OECD and the United Nations system. We welcome further discussion on plans to establish a representative office of the OECD to the United Nations.

*Management and leadership*

28. We welcome the Secretary-General's efforts to manage the Organisation most effectively, including by increasing staff diversity and gender balance, and the recent advancements on evaluation, value-for-money, audit and horizontal projects. We encourage the Secretary-General to maintain the drive towards continuous improvements in the transparency, management and operations of the Organisation so that the OECD is recognised as being at the leading edge in these fields.

29. We acknowledge the role of the Secretary-General in proposing new initiatives, including in his Strategic Orientations, for further consideration by the Council. We commend the Secretary-General on his efforts to enhance the relevance and impact of the OECD, and look forward to continuing our work together on delivering "Better Policies for Better Lives".