



## PARLIAMENTARY NETWORK ON THE WORLD BANK

### **OECD Annual Meeting with the Economics and Security Committee of the NATO Parliamentary Assembly**

23 February 2011

The Organization for Economic Cooperation and Development (OECD) on 23 February 2011 held its annual meeting with the Economics and Security Committee of the NATO Parliamentary Assembly (NATO PA). Mr. Aart de Geus, OECD Deputy Secretary-General and Mr. John Sewel, Rapporteur of the Sub-Committee on East-West Economic Cooperation and Convergence hosted this year's meeting. The debate focused on the subjects discussed in this briefing.

#### **Overview of the World Economy**

During the first session of the meeting, Mr. Pier Carlo Padoan, OECD Deputy Secretary-General and Chief Economist highlighted the latest trends in the world economy. He pointed to the uneven recovery across regions. The global imbalances in recovery highlight a role of structural reform and the need for strong cooperation among countries, according to Mr. Padoan. He sees four main challenges for advanced economies: the high level of unemployment, the need for fiscal consolidation, the Euro area weakness, and the risk of inflation. The appropriate policy responses to these challenges are linked pursuing budget consolidation to scaling back monetary policy by 2012 at the latest. Advanced economies also need to implement structural policies to boost growth, such as implementing safety nets. For emerging economies, the problems could come from inflation, currency appreciation and excessive capital inflows. Therefore, they need to tighten their monetary policies and consolidate their budgets depending on the level of government indebtedness and outlook for growth.

#### **Business Ethics**

Carolyn Ervin, Director, Directorate for Financial and Enterprise Affairs (DAF) explained the OECD's instruments dealing with various aspects of business ethics. One multilateral instrument is the OECD Principles of Corporate Governance. Even if their main focus is on the structure and quality of the regulatory system, they also highlight the importance of high ethical standards when conducting business and in interactions with stakeholders. These principles underline the key role of the Board of Directors in establishing the ethical standards of a company and specifically link ethical standards to corporate performance. While the guidelines are voluntary, they do have a follow-up mechanism.

Another OECD instrument, which also covers tax havens, is the OECD Convention on Combating Bribery. The convention has been a strong contributor to improve business ethics globally. The Convention makes it a crime to bribe a foreign public official in exchange for obtaining, or retaining, international business. Since the Convention entered into force, it has resulted in more than 150 investigations and over 60 individuals and Companies have been sanctioned for committing foreign bribery and related offenses.

#### **World Energy Outlook 2010**

Marco Baroni, Office of the Chief Economist, International Development Agency (IEG) presented the key messages and findings of the World Energy Outlook 2010. There is a great amount of uncertainty in the world energy markets following the global economic crisis. Demand for renewable will likely increase in developed countries but not much in emerging economies. There is likely to be an

increase in oil production in OECD countries. Looking to the future, the world primary energy demand will increase by 36% between 2008 and 2035. Non-OECD countries will account for over 90% of the projected increase in global energy demand, led by China, where demand is likely to rise by 75% between 2008 and 2035 the United States will remain the world's second largest energy consumer behind China. Fossil-fuel consumption subsidies worldwide amounted to \$312 billion in 2009. In 2008, when international energy prices spiked, subsidies amounted to \$558 billion. Oil production will continue to increase but there will be fewer producers, mainly from OPEC countries, with the largest increases in Saudi Arabia and Iraq. The report points out that to achieve the '450 Scenario', which limits the concentration of greenhouse gases in the atmosphere to around 450 parts per million of CO2 equivalent consistent with an increase in global temperature of 2°C, the Copenhagen Accord needs to be vigorously implemented. Otherwise, the report estimates the cost increase of achieving the 2°C goal of \$1 trillion in 2010-2030.

### **Conflict and Fragility**

The presentation was given by Jon Lomoy, Director, Development Co-operation Directorate. Mr. Lomoy started out by listing some of the lessons learned in Afghanistan. There, development specialists learned that you need an integrated approach to state building with a variety of instruments to achieve stability. Considerations have to be made for the long-term, while acknowledging the difficulty of the issues and outlining clear priorities. This involves a complex interplay of interests relating to security, political concerns, and economic and social development. Therefore, international actors need to adopt a 'whole-of-government' approach. In most cases, fragility is a long-term condition. It brings with itself a variety of undesirable consequences such as an underground economy, which further aggravate the hardships faced by the people living in those countries. However, international organizations acting from the outside do not always have all the elements at hand in order to be efficient. This means that a comprehensive strategy for bringing about stability in a fragile state has to involve regional organizations.

### **About NATO PA's Committee on Economics and Security**

The Committee on Economics and Security of NATO's PA deals with transatlantic economic relations, including trade, monetary and exchange rate issues, and investment matters. It is also the Committee which deals with economic development and, therefore, co-operates with institutions such as the OECD and the World Bank. The Committee regularly participates in the World Bank and IMF Spring and Annual Meetings, where its members meet with representatives from these organizations and provide input to their working strategies.

#### **PNoWB International Secretariat**

66, Avenue d'Iéna 75116 Paris, France

T +33 (0)1 40 69 30 55 / F +33 (0)1 40 69 31 64

E-mail : [secretariat@pnorb.org](mailto:secretariat@pnorb.org)

Check our website at <http://www.pnorb.org>

