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Fifty more years? Reform and Modernisation of the OECD

The Organisation for Economic Cooperation and Development is a vital, if frequently unnoticed, cog in the machine of global governance. On the occasion of the organisation's fiftieth anniversary, **Richard Woodward** assesses whether the OECD's reform programme can secure its future in a changing world.

On 30 September 2011, the Organisation for Economic Cooperation and Development (OECD) celebrates its fiftieth birthday. In keeping with the organisation's low profile, this occasion will barely register beyond the organisation's Chateau de la Muette headquarters in Paris. As a recent spate of scholarly literature reveals, however, the OECD's imperceptibility does not equate to impotence (Mahon and McBride 2008; Woodward 2009; Martens and Jakobi 2010; Carroll and Kellow 2011).

The OECD is an international organisation where 34 states, all of whom are committed to the principles of democracy and market economics, meet to devise common approaches to world economic problems. Through its groundbreaking research and labyrinth of committees, where experts and national officials meet to examine and exchange knowledge, pinpoint best practices and disseminate advice, the OECD has incubated a succession of ideas, norms and principles that pervade almost every pore of global economic governance. The notion of trade in services, the Millennium Development Goals, carbon trading frameworks, and rules to promote the liberalisation of capital controls and fight international bribery are just some examples of its pioneering work.

The OECD's evidence based policy analyses also lubricate the wider wheels of global governance by advancing domestic and international reform agendas. A prime example is the Programme for International Student Assessment (PISA), a triennial survey which provides internationally comparable measures of the educational attainments of 15 year olds and showcases the policies of star performers. Poor performance in the PISA survey has stirred controversy and motivated reforms in many countries who seek to emulate schemes that have proven beneficial elsewhere. Internationally, OECD analyses clarify, reshape and promote convergence amongst state interests paving the way for the resolution of seemingly intractable issues. Notably, by developing internationally accepted methods to quantify agricultural subsidies, the OECD made an indispensable contribution to the completion of the Uruguay Round trade negotiations.

Despite these many achievements, by the turn of the century, shifting geo-political realities, competitor institutions, and the antipathy of some civil society organisations had sapped the OECD's authority. To secure its place in the anatomy of global governance, the OECD embarked on a thoroughgoing reform programme. The reform package is beginning yield some impressive results, but does contain tensions that might aggravate the problems they were intended to solve.

OECD Reform

The OECD's reputation as a suitable venue in which to seek shared approaches to global economic problems rests on the participation of all relevant stakeholders. Only then can the OECD build a complete picture of a policy conundrum as a basis for enumerating workable prescriptions and standards. Unfortunately this was increasingly not the case. Comprehending global financial imbalances or addressing environmental degradation was impossible without acknowledging the salience of emerging economic powers, such as China and India, lying outside the OECD. Similarly, several market democracies were not OECD members. Many non-governmental organisations too felt frustrated by their exclusion from OECD deliberations, a factor contributing to the demise of the organisation's proposed Multilateral Agreement on Investment in 1998.

Building on a mandate from the member states, Donald Johnston, the OECD Secretary-General from 1996-2006, spearheaded a strategy of enlargement and outreach intended to make the organisation more transparent, inclusive and influential. Angel Gurria, Johnston's energetic and entrepreneurial successor, has refined and accelerated this process.

Traditionally, OECD membership has grown in a leisurely and unstructured manner (see Table 1). Between 1994 and 2000, the organisation welcomed an unprecedented six new members.

Nevertheless, their diversity lent credence to the view of a former UK Ambassador to the OECD that the organisation's membership owed 'more to history than to logic'. Now the OECD is taking a more proactive and meticulous approach stating that members must, amongst other things, be 'likeminded' and 'significant players' in the global economy. In 2007, Chile, Estonia, Israel, Slovenia and the Russian Federation were invited to commence the OECD accession process. With the exception of Russia, which looks likely to complete the accession process later this year, these countries joined the OECD in 2010.

Table 1: Membership of OECD (year of accession)

Canada (1961)	Belgium (1961)	Australia (1971)
United States (1961)	Greece (1961)	New Zealand (1973)
United Kingdom (1961)	Germany (1961)	Mexico (1994)
Denmark (1961)	Switzerland (1961)	Czech Republic (1995)
Iceland (1961)	Sweden (1961)	Hungary (1996)
Norway (1961)	Austria (1961)	Poland (1996)
Turkey (1961)	Netherlands (1961)	South Korea (1996)
Spain (1961)	Luxembourg (1961)	Slovak Republic (2000)
Portugal (1961)	Italy (1962)	Chile (2010)
France (1961)	Japan (1964)	Slovenia (2010)
Republic of Ireland (1961)	Finland (1969)	Israel (2010)
		Estonia (2010)

To complement enlargement, the OECD extended a hand to non-members. A Centre for Co-operation with Non-Members (CCNM) streamlined the OECD's previously disparate liaisons with non-member states, civil society and international organisations. Of the schemes offered to non-member states, the most prominent is the "enhanced engagement" programme encompassing Brazil, China, India, Indonesia and South Africa. Launched in 2007, this programme subsumes participating states in a regimen of OECD committees, legal instruments, peer review processes and statistical reporting systems "with a view to possible membership".

From the outset, the OECD provided systematised conduits for civil society participation, principally through the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC). Since the onset of the reform programme however, the OECD more frequently interacts with a more assorted bunch of civil society organisations across a bigger range of issue areas. Directorates differ in the extent to which they incorporate civil society organisations, but are now much more likely to solicit their input into committee deliberations, undertake joint analytical work, and, as is the case with TUAC, the International Chamber of Commerce and Transparency International's involvement with the organisation's efforts to combat bribery, invite them to help monitor compliance with OECD instruments.

Finally, the OECD is re-examining its place amongst the other institutions of global governance. Of particular relevance here is the OECD's relationship with the G7/8 and G20 system. After an uneasy start, the OECD's rapport with the G7/8 has blossomed to the point that it is sometimes characterised as the de facto G7/8 Secretariat. Indeed, because it lacks a permanent staff of its own, the accomplishments of the G7/8 system can often be traced to prior or parallel activity in or by the OECD. Research undertaken by the OECD tapers disagreements amongst G7/8 states to a point capable of being bridged by face-to-face discussions amongst political leaders at Summit meetings. The OECD maintains momentum between sporadic G7/8 meetings. In addition to providing a forum in which G7/8 representatives can meet, the OECD also undertakes surveillance in connection with the implementation or impact of G7/8 agreements. Closer relations with the G7/8 culminated in 2007 with the decision to house the Heiligendamm L'Aquila Process, the G8's formal dialogue process with the major emerging economies, at the OECD.

At their meeting in Pittsburgh in 2009, the G20 leaders announced that it would supersede the G8 as the focal point for international economic cooperation. Assisted by a new G8/20 Co-ordination Unit, run by a Chief of Staff who doubles as the OECD's Sherpa to the G20, the OECD is well integrated into the G20 circus. The OECD has already delivered reports to support the G20's ambitions with regard to taxation, sustainable growth, fossil fuel subsidies, trade and investment, and is presently investigating banking secrecy, business ethics, development, poverty alleviation and employment on its behalf. In the calendar year from April 2010, OECD officials participated in 17 high level meetings of the G20, most notably the Secretary-General who attends the G20 Leaders Summits and the meetings of G20 Finance Ministers.

Outreach or overreach?

These reforms are slowly having their desired effect. New members have been greeted, non-members are onboard a wider diversity of OECD committees and betrothed to its instruments and, thanks to the frenzied schedule of appearances by Angel Gurria, the OECD is acquiring a stronger presence in national capitals. Nevertheless, there are tensions bubbling beneath the surface that must be managed.

First, a more inclusive OECD is to be welcomed but brings the danger of impasse. A wider range of participants trawls in innovative ideas that enliven policy debates and enrich the knowledge upon which the OECD trades. Furthermore, this should give greater weight and legitimacy to OECD pronouncements and rejuvenate the organisation as a place where the major players seek an informal consensus before taking issues into formal negotiating settings. The downside is that the OECD operates by consensus, something more difficult to broker in a larger, more diversified organisation. A protracted search for consensus will undermine the timeliness, and hence the efficacy and impact, of OECD advice.

So far, this predicament has been contained by admitting only those states and civil society organisations that are broadly sympathetic to the organisation's principles of capitalism and democracy, or 'likeminded' actors in OECD parlance. Potentially, the OECD's desire for likemindedness clashes with promoting ideas and policies with broad international legitimacy. Depictions of the OECD as the 'rich country's club' are increasingly inaccurate. Nevertheless, it is a soubriquet that resonates with many non-members, who remain suspicious that the OECD represents a narrow range of state and business interests peddling prescriptions that are, because the majority of the world's states are denied a voice in their formulation, inapplicable and illegitimate. To some extent the enlargement and outreach strategy reinforces these sentiments. Chile, Estonia, Israel and Slovenia are likeminded, but they hardly the 'significant players' envisaged by the OECD. Meanwhile the significant players, mainly those in the enhanced engagement programme, are insufficiently likeminded to permit OECD membership and so remain on the periphery of the organisation's deliberations.

Furthermore, even if the OECD was to surmount this by relaxing its membership criterion, enhanced engagement countries are lukewarm about membership. They fear being inveigled into a system of rules that might inhibit their ability to employ their burgeoning power. Joining the rich countries club also risks rupturing cherished relations with other developing countries and the loss of preferential treatment, such as dispensations in the World Trade Organisation, that is sometimes attached to being classified a developing state. Elsewhere the emerging powers have already gatecrashed the top table of global governance through such things as membership of the G20 and the expanded Basle Committee on Banking Supervision. Jumping through the OECD's membership hoops is not an enticing prospect.

For all the OECD's protestations about the common interests it shares with the emerging powers in global governance, their views diverge from those of the OECD in substantive ways. China's authoritarianism is the most obvious contrast but these countries' embrace of free markets is far from wholehearted. For instance, China and India seem unlikely for the moment to stomach the liberalisation of their capital accounts that OECD membership would entail. It is hoped that repeated interactions within the OECD might socialise these countries into the 'OECD world'. This optimism seems predicated on the experience of recent accession states which have undertaken substantive policy modifications to attain entry. The difference is that these countries coveted membership, giving the OECD the leverage to extract its desired reforms.

Finally, although a formalisation of the OECD-G8-G20 nexus is farfetched, cosying up to these institutions brings attendant dangers. Such entanglements bring certainty to the OECD's position in global governance but might constrain its autonomy. The smaller states of the OECD already fret about their marginalisation in the organisation and the G7 caucus's dominance of the OECD agenda. An influx of powerful actors and demands from the G20 may further weaken their position. The OECD must also consider whether it wishes to be associated with groupings that are regularly excoriated as the malign epicentre of global governance, endorsing policies that preserve the affluence of the few at the expense of the many.

Conclusion

The absence of a precise mandate means the OECD faces a perennial struggle to define and defend its position in the architecture of global governance. The current round of reform marks the latest episode in this saga. The initial results and immediate future look promising. As the G20's gopher the OECD is at the forefront of a host of topical issues from clamping down on tax havens, to pensions, migration and reducing youth unemployment. The OECD community has four new recruits and a queue of prospective members (Bulgaria, Cyprus, Romania and Columbia amongst them) eager to join. Large non-member economies are participating in, and adhering to, record numbers of OECD committees and instruments, such as Brazil's acceptance of the Declaration on International Investment and Multinational Enterprises. Much of the credit for this goes to the authors of the reform process and, in particular, the present Secretary-General. Angel Gurria's vigorous prosecution of the reform agenda and enthusiastic championing of the OECD's value to states, international institutions and civil society has done much to bolster its image. His re-appointment for a second five year term of office in October 2010 reflects the confidence of the members in his ability to manage the tensions inherent to the strategy.

Given the enormous challenges facing humanity, the idea of an international organisation in which the world's leading players can meet to discuss, and try to resolve, these challenges on an informal and ongoing basis is appealing. Far from being condemned the wilderness the OECD is poised to play a vital role in the unfolding drama of global economic governance. Fifty more years? Probably. Just don't expect to hear about it.

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