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Global Governance and the Organization for Economic Cooperation and Development

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Introduction

The Organization for Economic Cooperation and Development (OECD) is the least written about and least well understood of the global multilateral economic institutions. Paradoxically leading commentators ceaselessly refer to the centrality of the OECD to contemporary global governance, yet rarely is the organization's role subjected to any systematic or sustained analysis. For instance Joseph Nye (2002: 144) recently argued that the OECD, in collaboration with the International Monetary Fund (IMF) and the World Trade Organization (WTO), provides 'a framework of rules for the global economy'. Similarly, Held *et al*. (1999: 84) cite the OECD among the 'key multilateral economic fora' common to all the 'states in advanced capitalist societies'. Nevertheless, having identified the importance of the OECD, these and many other observers proceed to marginalize the role of the organization preferring instead to focus on the IMF, the World Bank, and the WTO. Equally, as the other contributions to this volume testify, book-length accounts of the activities of the WTO, the IMF, the World Bank and other leading institutions such as the Group of 7/8, which now has an entire book series devoted to it, are commonplace. In contrast, apart from a smattering of texts authored by the OECD's own staff (OECD 1971; Sullivan 1997) and a small literature examining the organization's role in the global trading system (Blair 1993; Cohn 2002), the last single-authored book written in English by an outsider and focussing exclusively on the OECD's role in global affairs was published nearly 40 years ago (Aubrey 1967; Woodward, forthcoming 2006a). More specialized work detailing the history and evolution of transatlantic governance is largely devoid of references to the OECD. One contributor to Gardner and Stefanova's collection *The New Transatlantic Agenda* (2001) asserts that 'the "OECD world" is, first of all, a transatlantic world' (May 2001: 185) but there is only one further reference to the organization in the volume. Pollack and Shaffer's (2001) *Transatlantic Governance in the Global Economy* and Richard Cooper's (1968) classic study of economic management amongst the Atlantic community, *The Economics of Interdependence*, provide greater coverage of the OECD and its predecessor the Organization for European Economic Cooperation (OEEC) but again these references are sporadic and fragmented. A cursory survey of articles published in the last decade by what, according to the ISI Social Sciences Citation Index, are the 20 highest impact international relations journals reveals a comparable pattern (See Table 3.1). In purely quantitative terms the OECD does not fair too badly. The WTO is clearly the frontrunner, being the subject of 211 articles during the period, but the OECD with thirty-four articles is only slightly behind the IMF (48) and is ahead of the World Bank (26) and the G7/G8 (5). However, only fifteen of these thirty-four articles contain substantive material about the organization, its work or its broader contribution to global governance. The remaining articles were using OECD countries as a basis for comparison. Finally, the OECD lacks the public profile associated with other international organizations. Anti-globalization protests have marred OECD gatherings in Paris (February 1998), Bologna (June 2000) and Naples (March 2001) but typically OECD meetings are low-key affairs passing off without media comment, sabre rattling and general razzmatazz that accompany the IMF, WTO and the G8.

In short, the OECD is the forgotten institution of global governance. Given this minimal literature the next section sketches a framework for understanding the OECD's contribution to global governance before going on to suggest that despite its achievements and longevity changing circumstances are raising formidable obstacles to the OECD's

Table 3.1. Articles about key global multilateral institutions in leading international relations journals, 1995-2004

	WTO	**IMF**	**World Bank**	**G7/G8**	**OECD**
International Organization	2	3	1	0	6
International Security	0	0	0	0	0
World Politics	0	1	0	0	1
International Studies Quarterly	0	3	1	0	3
American Journal of International Law	14	1	1	1	0
Journal of Conflict Resolution	0	0	1	1	0
Foreign Affairs	3	9	4	0	0
Journal of Peace Research	0	0	2	0	2
European Journal of International Relations	0	0	1	0	0
Journal of Common Market Studies	3	0	0	0	2
Columbia Journal of Transnational Law	2	4	2	0	0
Survival	0	1	0	0	0
Security Studies	0	0	0	0	0
Journal of World Trade	131	3	3	0	9
World Economy	48	16	7	0	7
Foreign Policy	2	5	1	0	1
Common Market Law Review	2	0	0	0	0
Post Soviet Affairs	0	0	0	0	1
Stanford Journal of International Law	0	0	0	0	0
International Affairs	4	2	2	3	2
Totals	**211**	**48**	**26**	**5**	**34**

Source: ISI/BIDS
Census Date: 7 June 2004.
Search Criteria: For all available alternatives in the full abstract (e.g. IMF, International Monetary Fund etc.), for articles 1995-2004

operations. Next the chapter outlines the OECD's response to these changes and assesses whether revamping relations with civil society and enlarging the membership are likely to prove the organization's salvation. The chapter concludes that the organization's reaction, though intuitively sensible, is likely to be self-defeating and that a more radical overhaul may be needed to convince member governments that the OECD is worth retaining.

Global governance and the OECD

In theory, the role and purpose of the OECD is straightforward. Article 1 of the OECD Convention states:

the aims of the Organization…shall be to promote policies designed:

a) To achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
b) To contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
c) To contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

In support of these aims Members agree under Article 3 to:

(a) keep each other informed and furnish the Organization with the information necessary for the accomplishment of its tasks;
(b) consult together on a continuing basis, carry out studies and participate in agreed projects; and
(c) co-operate closely and where appropriate take co-ordinated action

Thus, in theory, the OECD possesses a clear set of ends (promoting sustainable economic growth and development, raising standards of living and supporting the multilateral trading order) and a clear set of means (co-operative ventures between and among member countries). However, in practice things are much more complicated. First, the significance of the founding Convention lies not just in what it says but what it does not. Unlike other international organizations covered by this volume, the OECD is not accorded an exclusive or leading role in any policy domain. The OECD is normally one of many institutions active in a given area but it is unusual for the OECD to take the leading role. To borrow a musical analogy, the OECD is often a valuable member of the orchestra but rarely will it act as conductor. Second, the OECD has no formal powers or regulatory function. The question therefore arises as to how the OECD governs. There is an assumption that cooperation is a necessary and sufficient condition for achieving desired outcomes, but cooperation in international affairs is a variable and no clues are offered as to how the OECD promotes cooperative behaviour. The answer, in the majority of cases, is that cooperative activity is pursued through a labyrinth of committees composed of members of the OECD Secretariat and officials from national capitals. These committees perform many functions but arguably their most important is to afford senior bureaucrats an opportunity to network, exchange ideas and experiences and to better understand the policy challenges confronting states both individually and collectively.

The absence of formally transcribed powers and a precise functional domain combined with opaque internal processes have contributed to the OECD's reputation as a vague and disparate body with 'no widely agreed raison d'etre, no clear purpose, few very precise commitments which governments were pledged to carry out, and no simple goals which commanded public understanding' (Camps 1975: 10 quoted in Woodward 2004: 114). Instead the majority of authors satisfy themselves by applying imprecise, and often unflattering, soubriquets to the OECD describing it as a 'consultative forum' (Aubrey 1967: 102), a 'think tank' (*Financial Times* 2002), a 'rich man's' or 'rich country club' (Camps 1975: 10; Gilpin 2000: 184), 'a pool of statistical and economic expertise' (Sullivan 1997: 6), and a 'club of government economic analysts and forecasters' (Hutton 2002: 218). Each of these appellations touches upon aspects of the OECD's work but none of them provides a synoptic or comprehensive account of the organization's activities, particularly in respect of its role in global governance.

Exceptionally, Marcussen (2004) has suggested that the OECD's roles and responsibilities boil down to three interrelated modes of governance - the cognitive, legal and normative. This chapter suggests that, in addition, the OECD's has a fourth mode, 'palliative governance'.

According to Marcussen (2004) the cognitive dimension of OECD governance refers to its ability to construct, sustain and propagate a common set of principles, viewpoints and discourses about global governance. Any state which is committed to maintaining a market economy and a pluralistic democracy is eligible to join the OECD. From the beginning the OECD 'symbolized a consensus about the superiority of capitalism and democracy as the organising principles for global governance' (Woodward 2006b). At the time of the OECD's creation central planning and authoritarian rule loomed large as competing and seemingly viable alternatives to capitalist and democratic modes of governance. The intensification of the Cold War made it imperative that there was a strong Atlantic economic community to underscore political and military alliances. Indeed the OECD is sometimes viewed as the 'economic counterpart to NATO' (OECD 2004b), a beacon of free markets and democracy to counteract the communist bloc. Moreover, whereas the OEEC had primarily been an inward looking organization concerned with the reconstruction of Europe, the OECD explicitly recognized the obligations of the industrialized countries of the North to the developing countries of the South. This sudden concern for developing nations may have been prompted by altruistic motives but it also reflected the realization that decolonization was creating new suitors for the rival superpowers. Though some European nations were initially ambivalent or even hostile to the decolonization process the US in particular recognized that if development assistance was not forthcoming from the industrialized democracies of North America and Western Europe the void would be filled by the Soviet Union. Though the OECD does not disburse development assistance it does have the Development Assistance Committee (DAC), a forum where the world's major bilateral aid donors could meet to review and coordinate aid policy with the objective of expanding the volume and effectiveness of official resource transfers to developing nations.

Though OECD members shared a vision about the fundamental principles which should underpin the architecture of global governance they also recognized that the survival of the liberal democratic order demanded a robust framework of rules. '*Legal* governance', devising and disseminating international rules and standards, is the task for which the OECD is most renowned. Rules formulated at the OECD pervade almost every facet of global economic activity. The majority of OECD rules are concerned with esoteric matters. Most citizens in industrialised countries are unaware that the symbols on the sides of tankers carrying volatile chemical substances will be conforming to the OECD's *Globally Harmonized System for the Classification and Labelling of Hazardous Chemicals* (GHS), that the trade in agricultural seeds is governed by the *OECD Scheme for Seed Certification*, or that the companies in which they hold shares should conform to *The Principles of Corporate Governance*. Though they do not command broad public understanding, OECD standards penetrate everyday life and are highly regarded by specialists working in these areas (OECD 2004b: 18-9).

However, there are a number of caveats to the OECD's function as a legal governor. First, the OECD is hardly a prolific legislator. Since 1961 it has only passed 189 Acts, fewer than five per annum. Moreover, though the OECD has legislated in a vast number of areas most are concentrated into environmental standards (accounting for one-third of OECD Acts), fiscal affairs and international investment (see Woodward 2004: 116). Second, *only* those OECD Acts described as Decisions and Conventions are legally binding and then *only* on OECD members. Only thirty-six of the Acts passed by the OECD fall into these categories. In addition, the OECD also has no sanctions to punish disobedient members and therefore compliance depends predominantly on 'soft' mechanisms including moral suasion exerted through ongoing surveillance and periodic peer review. Third, that OECD rules apply only to members places restrictions on the geographical scope of the OECD's authority. Non-member states can voluntarily submit to OECD regulations and are expected to abide by them as if they were full members. The *OECD Guidelines on Multinational Enterprises* have been ratified by Argentina, Brazil, Chile, Estonia, Latvia, Lithuania and Slovenia while Argentina, Brazil, Bulgaria, Chile and Slovenia are signatories to the *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.* However, as the ill-fated Harmful Tax Competition initiative vividly demonstrated, the OECD 'lacks the legitimacy and legal authority to forcibly make non-members party to its rules' (Woodward 2006b).

The ability of the OECD to secure compliance through 'soft' and informal mechanisms underscores the notion of *normative* governance. Normative governance 'refers to the formation and dissemination of key ideas and expected standards of behaviour resulting from repeated social interactions in OECD committees and working groups' (Woodward 2006b following Marcussen 2004). Countries adhere to the demands of the OECD because they feel it is a policy they *ought* to pursue if for no other reason than to avoid the damage to their reputation amongst their peers.

Finally, *palliative* governance, refers the organization's capacity to lubricate the processes of global governance by acting as a caucusing group for industrialized states, nudging the global policy agenda, providing analytical expertise to other international institutions and generating rules and norms for emergent or neglected areas of concern. The OECD 'has proved especially adept at concocting benchmarks for emerging issues and problems and has often been the progenitor of what later came to be seen as conventional wisdom' (Woodward 2006b). For example in 1972 the Report of the OECD's High Level Group on Trade and Related Problems (the 'Rey Group') was the first public document to deploy the term 'trade in services' (Cohn 2002: 159). The Group's pioneering work in this field later became the basis for progress in these areas during the Tokyo and Uruguay trade rounds. The OECD is still engaged in trailblazing research and rule-making to solve emergent problems. Recent developments include guidelines to promote online security, deterring unsolicited e-mail, plus the development of codes of practice to govern the handling and licensing human genetic data.

The OECD's other palliative function is to reinforce and further the work being undertaken in other international fora, chiefly the WTO (Cohn 2002) and the Group of 7 family (Ougaard 2004). As Marcussen (2001) has observed 'an international organization may be important, not for what it 'does' in legalistic terms, but for what it helps other organizations do and for what it helps its own members accomplish outside', so it is for the OECD. The OECD undertakes the discreet, behind the scenes tasks that sustain the impetus between the meetings of other institutions of global governance. Fittingly, Nicholas Bayne (1987: 30), a former UK Permanent Representative to the OECD, has characterised the organization as 'something of a Cinderella……it does not always go to the balls like its grander sister organizations, though it often runs up their dresses and sometimes clears up the mess after the party'. Every year the OECD publishes more than 250 books and 40 databases, and is widely seen as an 'authoritative source of independent data' (Salzman 2000). Thus the OECD is responsible for 'much of the statistical information and analytical muscle essential to the work of other international bodies' (Woodward 2006b). For instance the WTO Secretariat employs only 630 bureaucrats and can hardly be expected to resolve the multifarious and intricate conundrums of global trade governance. Consequently in areas such as agricultural trade, export credits and competition policy the WTO's work relies heavily on the analysis and expertise provided by the OECD. For example, Cohn (2002: 182-5) outlines how analytical and conceptual work undertaken in the OECD regarding the measurement of agricultural subsidies helped to diffuse tensions between the US and the EU paving the way for the successful completion of the Uruguay Round of trade negotiations. Though it is beyond the scope of this chapter an interesting question to be addressed by future research is *why* OECD data is viewed credibly by so many actors (see Woodward 2006a). Despite the mushrooming of G7 institution and the topics they cover there has been a general reticence to introduce anything approximating a G7 Secretariat. The result is a qualitative and quantitative expansion in the G7's reliance on the OECD. Between 1975 and 1999 the G7 Communiqués contained some sixty-four references to the work of the OECD. The majority of these (41) occurred between 1990 and 1999. Moreover, in the 1990s the G7 increasingly looked towards the OECD to pursue initiatives on its behalf. On fifteen separate occasions the G7 pledged to commence cooperative activity within the OECD or encouraged the OECD to investigate a specific problem (Ougaard 2004: 78-80). The increasingly institutionalised relationship between the G7 and the OECD, culminating in 2000 with the appointment of Japanese Ambassador Seiichi Kondo as an official go-between for the two bodies, has contributed to a growing perception that the OECD is the *de facto* G7 Secretariat.

The OECD also supports the work of other bodies by acting as a 'pre-negotiating forum' (Cohn 2002) and 'caucusing group' (Murphy 2001) for advanced industrialised countries. Discussions at the OECD have allowed advanced industrialised countries to thrash out agreements on some of the more intractable problems of global governance. The example of agricultural subsidies referred to above is a good case in point. The analytical evidence would have been redundant without political momentum to ensure that agriculture would become subject to world trade law. It was in discussions at the OECD that countries finally acknowledged the distortions introduced into global agricultural markets by national agricultural policies and that as such these policies should be covered by GATT auspices (Cohn 2002: 183). For the purposes of debate and seeking consensus the OECD carries a number of advantages over other international organizations. As the chapter has previously argued, OECD membership encompasses a shared vision about what the world ought to look like and so it is not hampered by the need to reconcile essentially incompatible conceptions of global governance. States also tend to be more flexible in the OECD context because the discussions are in private and their outcomes are non-binding. Publicly states may be deterred from compromising for fear that it may be interpreted as a sign of weakness but in private may be more willing to concede ground. In terms of the second element, the non-binding nature of the agreements reached, the OECD is primarily a deliberative rather than distributional body. That is to say, talks at the OECD are aimed primarily at exploring the issue, consulting with likeminded countries and seeking a consensus on a suitable way forward rather than seeking to reach a decision that will apportion costs and benefits to the participants (Aubrey 1967). As soon as bargaining and final negotiation about the distribution of costs and benefits assume a greater prominence national positions tend to become more entrenched and agreement more difficult to reach. Unless the discussions yield an OECD Decision the agreements reached have the status of a 'gentlemen's agreement' and are subject only to the soft law procedures available to the institution's members. As a consequence, countries will sometimes be willing to discuss matters in the less formal deliberative setting of the OECD than in more formalised settings. Countries that resisted the inclusion of the 'Singapore issues' (investment, competition policy, and government procurement) at the WTO Ministerial Meeting in Cancun, for instance, have quite happily participated in discussions on these matters at the OECD.

Challenges for the OECD

The OECD (1997, 2003) acknowledges that it faces growing challenges resulting from intensified institutional competition, geopolitical and economic upheaval and high profile policy failures.

The elasticity of the OECD's mission has unquestionably contributed to its durability as a mechanism of global governance. The organization perpetually refurbishes its portfolio of responsibilities to meet the exigencies both of its members and its fellow institutions of global governance. Equally, the absence of a specific purpose is a major source of vulnerability for the OECD because its functions can be appropriated or replicated by other institutions. A 'gaggle of G's' (G8, G20 and so on) (Culpeper 2000), a rejuvenated European Union (to which nineteen of the OECD's thirty members will shortly belong), a proliferation of think tanks and international meetings such as the World Economic Forum, and private sector structures of authority (Julin 2003) have all emerged as competitors to the OECD. In one sense this matters little. Many of these institutions are proponents, at least at a rhetorical level, of the market friendly and pro-democracy stance championed at and by the organization and as such do not directly challenge the cognitive dimension of OECD governance. However, the legal and normative elements of OECD governance are more seriously impaired. The OECD's standards and codes must clamour for recognition alongside those developed by other bodies. More seriously, from the OECD's perspective, many bodies have identified the promise of 'soft' approaches to enforcement and are now impersonating them. The OECD can coexist with these new institutions indeed they can open up new avenues of activity, as has been the case with the G7. Nevertheless, together these developments have eroded the distinctiveness of the OECD and have begun to constrict the arenas in which the OECD's is the accepted governor.

Changing geo-political circumstances pose a second clutch of challenges to the OECD. The end of the Cold War and the collapse of European communism signalled the triumph of capitalist and democratic values being upheld by the OECD, but paradoxically led to something of an identity crisis within the organization. With the removal of the 'other' against which the OECD had aligned itself some began to question what the organization was for. In addition, less spectacular changes to the global political and economic map were also taking place. In the 1960s the OECD could rightfully claim that

> as the most inclusive grouping of industrialized countries…..the OECD marshals some formidable and unique capabilities. Here, among its members, is the most massive accumulation of savings available for investment not only at home but potentially in the rest of the world. Its members control all the key currencies, too. Thus, by way of capital supply, exchange availabilities, financial expertise, the group represents an unmatched capacity for capital exports. Since goods and funds go together in many guises, the OECD membership weighs heavily in the three spheres of world production, trade and finance (Aubrey 1967)

At the turn of the 21st century OECD countries still collectively account for 59 per cent of the world's Gross National Income, 75 per cent of global trade, 95 per cent of official development assistance, 51 per cent of carbon dioxide emissions and consume 52 per cent of the world's energy (OECD 2005: 6). Nevertheless OECD countries, though still pre-eminent, are declining in significance a trend which is set to escalate with rapid growth of economies such as China. This will undermine the legal and palliative domains of OECD governance. As the chapter has already stated, the OECD has previously been a forum for industrialized countries to seek consensus on the more insoluble problems of global governance. The organization was an eminently sensible choice in the era when the majority of globally significant economies belonged to the institution. There are still many areas, such as the steel and shipbuilding industries, where OECD countries continue to dominate and where it is a reasonable forum for discussion. Elsewhere the continuing absence of China, Russia, the majority of the newly industrialized countries of East Asia and large industrial economies of Latin America, such as Brazil and Argentina has devalued the OECD's role as a preparatory venue for industrialized states. A second problem for the OECD is a lack of legitimacy. OECD countries still dominate the economic landscape but they are home to only 18 per cent of the world's population (OECD 2005: 6). The OECD likes to think of itself as a setter of *global* standards. However, many non-member states are suspicious of the organization and its motives and have, most conspicuously with the HTC initiative, vehemently opposed moves by the OECD to unilaterally impose its rules upon them.

Finally, the image of the OECD has been dented by the failure of flagship policies, most notably the Multilateral Agreement on Investment (MAI) in 1998. The MAI was intended as a blueprint for the governance of foreign investment. From the outset the MAI was bedevilled by controversy. OECD countries including France and the US opposed the agreement because they wanted greater latitude to protect certain industry sectors. Non-OECD members felt no compunction to become signatories to an agreement over whose design they had had no control. Finally, civil society groups maintained that the MAI prioritised the rights of investors paying insufficient attention to impact of foreign investment on labour and the environment (Rugman 1998). While the embers of the MAI fiasco were still being raked over the OECD quietly launched its HTC initiative designed to diminish tax avoidance by forcing member and non-member states to eradicate the opacity of their financial systems and exchange information about non-residents investors. Non-member states (but not member states) which failed to make the necessary adjustments would be placed on a list of uncooperative tax havens and would be liable to countermeasures from OECD members. As with the MAI, the OECD encountered virulent resistance both from its own members and from outside. OECD members Luxembourg and Switzerland abstained from the HTC citing their refusal to accede to any agreement aimed at diluting banking secrecy. In 2000, the HTC fell victim of the 'tax and regulatory bonfire' (Hutton 2002) in the aftermath of George W. Bush's election to the White House. Opposition from outside the OECD originated from the many small jurisdictions being targeted by the HTC whose economies were heavily dependent on revenue generated by offshore financial activities and an 'unholy alliance of libertarian think tanks, big business and those campaigning on developmental issues' (Woodward 2005: 208). The MAI and HTC initiatives laid bare the limitations of the OECD and its future contribution to global governance. Not only had it failed to apply its standards beyond its own restricted membership but it has been debilitated by the inability of its own members to reach a consensus. The result is 'diminished interest in capitals to make use of the OECD as a practical means to bring about institutional and policy change' (OECD 2004c: 7).

OECD Reform

In 1996 Donald Johnston became Secretary General of the OECD. Johnston, a Canadian who occupied a number of senior ministerial positions in Pierre Trudeau's government in the early 1980s and a lawyer by profession, instantly recognised that reasserting the OECD's authority and legitimacy and securing its position in the architecture of global governance would necessitate serious reform. In 1996 the OECD's Annual Ministerial Meeting called on the organization to 'accelerate the process of structural change…with a view to further enhancing the relevance, efficiency and effectiveness of the Organization' (OECD 1996). However, much of the initial reform programme consisted of little more than minor tinkering with committee system, reforms to the financial and budgetary systems, and instituting more scientific, output-oriented management techniques (OECD 2003). These minor reforms did not address the problems of legitimacy, intensified competition and the organization's tarnished image that had led to the initial calls for reform. Johnston thus endorsed a bolder set of more substantive reforms which would involve the expansion of OECD membership and the fortifying relations with non-members and civil society.

Since 1961 membership of the OECD has expanded numerically (from nineteen to thirty) and geographically (now encompassing members from all but the

African continent) (see Table 3.2). However, the process of OECD enlargement has been largely driven by the exigencies of US foreign policy resulting in an organization whose composition 'owes more to history than logic' (Bayne 1987: 27). In November 2002 the OECD assembled a 'Working Group on the Enlargement Strategy and Outreach' under the chairmanship of the Japanese Ambassador to the OECD, Nobori Seiichiro. This body was mandated to evaluate the effects of enlargement on the personality of the OECD and its working methods. The Working Group's findings where published in a report entitled *A Strategy for Enlargement and Outreach* (OECD 2004c) which was endorsed by Annual Ministerial Meeting in May 2004. The Working Group concluded that there was a robust case for the enlargement of the OECD and discovered that there was baseline agreement among member states about suitable benchmarks to gauge prospective members and how the accession process ought to be managed. Enlargement must be 'innovative and strategically selective' (OECD 2004c: 14) and prospective members must be 'like-minded' *and* 'significant players' (OECD 2004c: 16) in order that they would supplement both the quality of the OECD's work and promote its world-wide influence. The report also specified that many delegations wish to see an upper limit of somewhere between forty and forty-five members so as not to impair the efficiency of the OECD. However, the report also revealed considerable divergence in the positions of different national delegations on issues surrounding modifications to decision making procedures in the light of expanded membership and how an enlarged OECD would be funded.

The case for increased membership can be interpreted through the four modes of governance previously specified. The OECD would retain 'fundamental concepts like market-based economy and democratic principles' (OECD 2004c: 16) as key yardsticks for gauging any fresh member. In addition, legal governance would be enhanced by incorporating a greater proportion of economic production and the global population, broadening the legitimate applicability of OECD rules and standards. The prospects for normative governance look promising with new members bringing different perspectives hopefully sparking vigorous debates in OECD committees leading to novel solutions to existing and future problems. Finally, all of these things would underpin the OECD's palliative function. An expanded and revitalized OECD might once again emerge as the forum of choice for debate, analysis and expertise by industrialised countries and leading international organizations.

Undoubtedly OECD enlargement will bestow some of advantages forecast by the Working Group. That said, there are reasons to believe that the Working Group is overly optimistic and there are considerable risks associated with the enlargement strategy. Hitherto the efficacy of the OECD has hinged on it being a small, tightly knit alliance operating on a consensual basis. The architects of the enlargement strategy believe that the cognitive dimension of governance can be protected by their insistence that new members will be expected to extol the virtues of free markets and democracy. Nevertheless the 'importation of significant numbers of new members still threatens to dilute this consensus resulting in the ossification and paralysis which plague more universally based international organizations' (Woodward 2006b). Moreover, the OECD's palliative, normative and legal function requires an efficient committee structure. New members seem almost certain to result in a prolonged and ungainly decision-making system negating the improvements resulting from the restructuring of the committee system. Thus far the Working group has acknowledged these concerns but has offered little in the way of a solution to them. The price of inclusivity may prove to be inflexibility.

TABLE 3.2. Membership of the OECD (Progressive)

Country	Date of Ratification of OECD Convention
Canada	10 April 1961
United States	12 April 1961
United Kingdom	2 May 1961
Denmark	30 May 1961
Iceland	5 June 1961
Norway	4 July 1961
Turkey	2 August 1961
Spain	3 August 1961
Portugal	4 August 1961
France	7 August 1961
Ireland	17 August 1961
Belgium	13 September 1961
Greece	27 September 1961
Germany	27 September 1961
Switzerland	28 September 1961
Sweden	28 September 1961
Austria	29 September 1961

Netherlands	13 November 1961
Luxembourg	7 December 1961
Italy	29 March 1962
Japan	28 April 1964
Finland	28 January 1969
Australia	7 June 1971
New Zealand	29 May 1973
Mexico	18 May 1994
Czech Republic	21 December 1995
Hungary	7 May 1996
Poland	22 November 1996
South Korea	12 December 1996
Slovak Republic	14 December 2000

Source: OECD (2004d). Accessed 7 July 2004.

There are also more practical issues to be overcome. The OECD maintains that sixteen states have articulated an interest in joining the organization (OECD 2004c: 7) which would bring membership to the sort of figure being proposed by most national delegations. However, the danger is that this is the first step on the route to becoming a universal institution. The likelihood is that in five, ten or fifteen years time the shifting sands of the global economy may well unearth a new group of economies deserving of membership. Unless the OECD is willing to jettison some of its declining members it will quickly become a more universalist institution undermining the uniqueness which the OECD claims lies at the heart of its comparative advantage, saddling it with the difficulties that have paralysed bodies such as the UN but without the coercive powers to resolve the tensions. With the exception of Russia the OECD has never openly stated which states have expressed an interest in membership. However, it seems reasonable to speculate that to meet the objectives of its reforms the OECD would wish to incorporate what it calls the 'Big Six' (*Financial Times* 2003) systemically significant economies (Russia, India, China, Brazil, South Africa and Indonesia) currently lying outside the OECD alliance. At present the accession of any of these countries is problematic. China, and to a lesser degree Russia and Indonesia would fall foul of the democratic requirements of OECD membership. India, though the world's largest democracy with a growing reputation for its pro-market stance, would need to dismantle capital controls to comply with the OECD Codes on Liberalization, something it is reluctant to do. Finally, South Africa's atrocious human rights record and the ongoing tribulations of the Brazilian economy seem set to preclude their accession for the foreseeable future. As before there is a trade off for the OECD. If the OECD wishes to re-establish its position in global governance it must admit these economies. However, in so doing the like-mindedness that has been one of the organization's greatest strengths will inevitably be undermined.

Finally, there are the financial repercussions of expansion. Currently 80 per cent of the OECD's official budget is contributed by G7 countries while just two countries, Japan and the US, provide half of the OECD's funds (see chapter by Amiya; Woodward 2004: 123). It might be argued that a extending the membership could be an opportunity to reduce the burden the burden on G7 countries but the probability is that the burden will increase. Already the OECD budget is stretched to bursting point conceding and it 'has come to rely heavily on voluntary contributions to accomplish its work programme' (OECD 2003: 7). Indeed of the OECD's 227.7 million euro budget in 2002, 17.7 per cent came from voluntary contributions compared with 6.3 percent in 1995 (figures derived from OECD 2004b: 29). The costs of surveys, surveillance, and peer review means that every new member adds around one per cent to the OECD's expenditure (*Financial Times* 2003) putting further stress on an already tight budgetary situation.

The second major strand of the OECD's strategy is to extend its ties with civil society. Unlike some of the institutions covered by this volume the OECD has a long-standing commitment to consulting key stakeholders. This has been achieved primarily through the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC), both formally designated by the OECD Council in 1962, as mechanisms whereby business and trades unions could have a direct input into OECD work. However, against the backdrop of widespread opposition to the MAI orchestrated by civil society groups the OECD felt that these arteries of communication should be widened and deepened. The 1999 Annual Ministerial Communiqué noted that the 'political, economic and social challenges of the next century require informed and actively participating citizens' and 'looked to the Organization to assist governments in the important task of improving communication and consultation with civil society' (OECD 1999).

Since the clarion call by Ministerial Meeting the OECD has worked feverishly to increase levels of informal communication, promote collaborative analytical work, regularise consultation, and occasionally employing the expertise of groups to assist in the monitoring of OECD rules (OECD Policy Brief 2002). The modernization of OECD procedures has also been accompanied by substantive innovations, most notably the instigation in 2000 of the OECD Annual Forum. The Annual Forum allows ministers, heads of government, international organizations, civil servants, and representatives of business and NGOs ‘to impart and share information, improve communication, and foster a climate of enlightened policy making’ (OECD Observer 1999). The Forum is organised around a central theme and is timed to coincide with the Annual Ministerial Meeting. The Forum is proving increasingly popular. Since the inaugural meeting event in 2000 on the topic of ‘Partnerships in the New Economy’ the Annual Forum’s have attracted more than 6000 delegates from nearly ninety countries.

The OECD has made a number of bullish assessments about the Forum with Donald Johnston referring to it as a ‘landmark in the life of the organization’ (quoted in Woodward 2004: 120). Again there is a belief that connecting with a broader audience will confer legitimacy on OECD decisions and that it will introduce new perspectives enhancing the normative aspects of OECD governance. So far, however, these reforms have not lived up to expectations. The Forum has succeeded in attracting participants from all over the world but the majority of delegates are drawn from among OECD countries. Figures for the 2002 Forum show that almost three-quarters of delegates were deputed from ten OECD countries (Woodward 2004: 120). This bias is even more pronounced amongst those who get to make presentations at the Forum. Since 2000, 716 presentations have been made at the Annual Forum of which just under 90 per cent were made by speakers hailing from OECD countries (see Table 3.3) while there have only thirteen speeches made by representatives of African nations. Furthermore, it is noticeable that the pressure groups who attend are worthy, but nevertheless mainstream, organizations such as ATTAC, Oxfam and Medicines Sans Frontiers. While the OECD cannot be held responsible for the non-attendance of more radical groups it does undermine the contention that they are listening to a greater diversity of voices. The opinion of these groups is also likely to be drowned out by the large commercial interests whose delegates outnumber them and who sponsor the event. Theoretically the Forum provides a conduit for alternative opinions to reach the ears of OECD ministers and bureaucrats but in practice it has become a pedestal from which to rehearse tired arguments about the promise of market forces as a panacea for global governance.

TABLE 3.3 Breakdown of speakers by country of origin at the OECD Forum 2000-5.

	2000	2001	2002	2003	2004	2005	Total	%
Speakers								
From OECD members	**92**	**112**	**137**	**107**	**95**	**96**	**639**	**89.2**
From non-OECD High/Middle Income Countries	**12**	**9**	**14**	**3**	**7**	**13**	**58**	**8.1**
From non-OECD Low Income Countries	**4**	**6**	**3**	**1**	**0**	**5**	**19**	**2.7**
Total	**108**	**127**	**154**	**111**	**102**	**114**	**716**	**100**

Income groupings are drawn from the World Bank classification of countries by income.

Conclusion

The world at the turn of the 21st century is almost unrecognisable from that into which the OECD was born in 1961. The roles played by the OECD in global governance are indispensable but there is a gathering feeling that it might not be the right agency to undertake them. Changing geo-political realities, intensified institutional competition, and high profile policy failures have combined to undermine both the ability and suitability of the OECD to execute the functions of governance for which it was conceived. Faced with the prospect of becoming a marginal player in the architecture of global governance the OECD sought to enhance its appeal by streamlining its internal organization, proposals to expand the membership and reaching out to civil society. This chapter has argued that these are sensible, admirable and crucial responses to the criticisms made of the OECD but that the strategy appears beset with contradictions which may ultimately prove self defeating. In particular, the OECD seems to have placed excessive emphasis on dealing with the issue of the legitimacy of its legal governance but the fallout from these changes could undermine the normative and cognitive dimensions on which its legal governance depends. The strategy of inclusiveness is commendable but it raises the spectre of inflexibility.

This said, it is difficult to envisage a world without the OECD and most leading states accept that an OECD-type body is worth retaining. In this regard there are a number of aspects of the OECD which need to be addressed by future research. First, there are the more practical, policy oriented debates that have formed the basis of this chapter surrounding the future of the OECD as an organ of global governance. Though this chapter is somewhat downbeat about the OECD's prospects it is possible to be more positive. For example a number of commentators have championed the cause of the Group of 20 (G20) as a long-term replacement for the G8 because its greater inclusivity will accord it greater legitimacy than the G8 and enable it to tackle the growing number of problems emanating from outside the G8 polities (Bradford and Linn 2004; Slaughter 2004). These analyses are presented as though the OECD does not exist. The purported advantages of the G20 apply equally if not more so to the OECD, particularly a reformed OECD, which has a track record of managing interdependence and has an effective committee system, expert bureaucracy and decision making system already in place (Woodward, forthcoming, 2005). Second, this chapter is exclusively concerned with *how* the OECD governs. It has assumed the OECD is imbued with power and/or authority and the primary task is to identify and understand the dimensions through which it is exercised. However, there is need to go back one stage further and to identify the *sources* of the OECD's power and authority. To ask *why* the OECD is able to govern and *why* it is this enigmatic institution is allowed to govern behaviour and determine outcomes in the nascent global economy.

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