Why is the OECD involved in the Heiligendamm Process?

Richard Woodward
Technological University Dublin, richard.woodward@tudublin.ie

Why is the OECD involved in the Heilingendamm Process?

Richard Woodward

University of Hull

Though it seldom receives public acclaim the Organization for Economic Cooperation and Development (OECD) and its predecessor, the Organization for European Economic Cooperation (OEEC), have starred in many of the decisive junctures of post-war economic history. In the 1950s, the OEEC oversaw the reconstruction of the European trade and payments system and in the 1960s the OECD's Working Party Number 3 on Policies for the Promotion of Better International Payments Equilibrium (WP3) mitigated the strains in the international financial system. Over the next three decades the OECD assisted in managing the oil crises, dissolved obstacles to the completion of the Uruguay Round trade negotiations, finessed the transition of Eastern Europe's economies, and was the genesis of the Millennium Development Goals. In the new millennium, the OECD continues to research cutting-edge problems including ageing societies, genetics, online security, sustainable development, corruption and corporate governance (see Woodward 2008 forthcoming: Chapter 5).

Predictably surveys of global governance regularly pinpoint the OECD as a central figure in the management of the world's economic affairs. Nevertheless, scholarly treatments of the OECD's contribution to global governance are scarce (for an exception see Aubrey 1967) and most commentators appear content to reduce the organisation to hackneyed catchphrases such as "the rich countries club" (Camps 1975: 10; Gilpin 2000: 184) or simplified descriptions such as "a think tank" (Financial Times 2002) or "club of government economic analysts and forecasters"

(Hutton 2002: 218). Even the OECD's self portrait: "a unique forum where the governments of 30 market democracies work together to address the economic, social and governance challenges of globalization" (OECD 2005: 7) is somewhat vague. A flurry of recent publications suggests the academic community have belatedly woken up to the OECD's importance (see McBride & Mahon 2008 forthcoming; Woodward 2008 forthcoming; Jakobi & Martens 2009 forthcoming) but it remains the least written about and least well understood of the major multilateral economic organisations (for a summary of the existing literature see Woodward 2007a). While this and other recent work (see for example Long 2000; Armingeon & Beyeler 2004; Sharman 2005) provides a detailed contemplation of what and how the OECD affects national economic policies and contributes to global governance in discrete policy areas this chapter follows in the footsteps of Cohn (2002), Dostal (2004) and Ougaard (2004) to adjudicate where the OECD fits into the *architecture* of global governance. In particular, this chapter is concerned with the evolution of the OECD's relationship with the G7/8 system, whether and to what extent it has contributed to the latter's emergence as an "effective centre of global governance" (Kirton 1999: 46), and the implications of the Heilingendamm Process for this relationship and the OECD's future role. The following section sketches a framework for understanding the OECD's role in global governance. Then the chapter turns to consider the increasingly close relationship that exists between the OECD and the G7/8 and details the OECD's role in supporting the Heilingendamm Process. The final section examines why the OECD was chosen as a home for the Heilingendamm Process Support Unit and the implications this might have for both the initiative and the OECD's prospects in the years ahead.

The OECD and Global Governance

Article 1 of the Convention on the Organisation for Economic Cooperation and Development states the aims of the organisation 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 contrast to many other multilateral economic institutions, the OECD does not have recourse to legal or financial mechanisms to promote policies or persuade states to comply. Instead, the OECD pursues its mission by institutionalizing interstate cooperation. With this objective in mind, Article 3 obligates signatories 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 (OECD 1960)

As international relations scholars remind us, however, material and ideational barriers to international cooperation are legion. The conundrum therefore is what the OECD does to overcome these hurdles.

Marcussen (2004) distinguishes between three dimensions of OECD governance: cognitive, normative and legal. Ironically, the most remarked dimension of OECD governance, the legal dimension, is arguably the least important. Legal governance refers to the authoritative instruments passed using the OECD Council's decision-making apparatus. With only 219 OECD Acts in force as of March 2008, the OECD is not a copious legislator but its rules and guidelines infuse almost every facet of social and economic life (see Table 1). Moreover, some of these benchmarks have exerted considerable influence over the trajectory of global governance. For example, the *Code of Liberalization of Current Invisible Operations* and the *Code of Liberalization of Capital Movements* both ratified in 1961 have helped underpin the removal of impediments to trade and finance (Henderson 1993). Likewise, the voluntary benchmarks established by the 1976 *Declaration on International Investment and Multinational Enterprises* and, more recently, the 1999 *Principles on Corporate Governance* (revised in 2004) are prominent standards in the field of international commerce. Indeed, the latter are amongst the Financial Stability Forum's (FSF's) 12 Key Standards for Sound Financial Systems and are the template for the corporate governance element of the World Bank and International Monetary Fund's (IMF's) Reports on the Observance of Standards and Codes (ROSCs). Some more esoteric OECD guidelines such as those dealing with the control of chemicals have also achieved global acceptance or found their way into international agreements such as United Nations Environment Programme's (UNEP's) *Guidelines for the Identification of Polychlorinated Biphenyls* and the Food and Agriculture Organization's (FAO's) *International Code of Conduct on the Distribution and Use of Pesticides* (Busch 2006: 8). However, only 30 OECD Acts are in the form of Decisions or Conventions that are legally binding on their signatories. The remainder are non-binding 'soft-law' Recommendations, Agreements, Declarations and Arrangements. Moreover, Article 6 of the OECD Convention allows members to abstain from Council meetings where these decisions are agreed, absolving them of the need to comply.

TABLE 1. Compendium of OECD Acts by Type and Subject as at March 2008

	Decisions	**Recommendations**	**Others**	**Total**
Agriculture	4	3	0	7
Anti-Corruption	1	3	3	7
Capital Movements	1	0	0	1
Competition Law and Policy	0	10	0	10
Consumer Policy	1	9	0	10
Corporate Governance	0	1	1	2
Current Invisibles Operations	1	1	0	2
Development Assistance	0	3	3	6
Education	0	2	1	3
Employment, Labour and Social Affairs	0	2	2	4
Energy	1	0	0	1
Environment	14	50	4	68
Financial Markets	0	7	0	7
Fiscal Affairs	0	16	1	17
Information, Computer and Communications Policy	0	7	4	11
Insurance	1	10	0	11
International Investment and Multinational Enterprises	4	7	3	14
Nuclear Energy	1	4	3	8
Public Management	0	3	0	3
Scientific and Technological Policy	0	6	5	11
Shipbuilding and Maritime Transport	0	2	4	6
Steel	0	0	1	1
Tourism	1	2	0	3
Trade	0	4	2	6
Total	30	152	37	219

Source: Derived from OECD (2008)

The predominance of soft-law and the paucity of sanctions available to the OECD mean that it relies on cognitive and normative governance to secure compliance. An important but less renowned attribute of international institutions is their ability to forge the system in which their members act and to articulate a philosophy that sutures certain states together as imagined communities. Cognitive governance refers “to the OECD’s capacity to engender and reproduce a sense of identity amongst its members by engineering and propagating a set of values perspectives, expectations and discourses about their place and that of the organisation in the global polity" (Woodward 2008 forthcoming; c.f. Marcussen 2004). The OECD wilfully advertises itself as a club of "likeminded" countries (see for example OECD 2004a) whose common ideals define what it and its members are and, essentially, what they are not. The characterisation of the OECD as NATO's economic counterpart (OECD 2004b) is somewhat simplistic, nevertheless at the time of the OECD's foundation these values were inextricably linked to the Cold War's ideological battleground. The OECD's incarnation as a society of nations based on democratic and capitalist principles stood in stark contrast to the authoritarian and centrally planned regimes of the communist bloc. Paradoxically, the collapse of communism in Eastern Europe and the spread of capitalism throughout much of the world prompted an identity crises at the OECD as it now needed a more 'positive' character rather than being simply a bulwark against the communist bloc. In the 1990s, a number of new market democracies acceded to the OECD including Mexico (1994), the Czech Republic (1995), Hungary, South Korea, Poland (1996) and Slovakia (2000). Nevertheless a number of market democracies could not be accommodated or remained sceptical about the benefits of OECD membership. Consequently, although they remain central to the 'likemindedness' at the heart of the OECD, capitalism and democracy alone no longer identify OECD countries as a discrete community. Identifying and labelling the contemporary OECD community is more difficult but arguably it is a community of states that are identified as (or wish to be identified as) "modern, liberal, efficient and market-friendly" (Webb & Porter 2008 forthcoming).

Normative governance is about the “development and diffusion of shared knowledge structures - ideas” (Marcussen 2004: 106) and norms through discussions at the OECD and the ongoing cycle of surveillance and peer review. Every year some 40,000 officials from national capitals come to the OECD to participate in its 240 strong labyrinth of Committees and Working Groups (OECD 2005). By repeatedly bringing together interested high-ranking officials from national capitals discussions at the OECD lead to the adoption of common languages, enable officials to identify shared concerns and foster converging understandings of policy problems. The influence of the OECD Secretariat is ultimately conditioned by the member driven nature of the organisation. Nevertheless, OECD Committees and Working Groups are highly reliant on the logistical, analytical and statistical muscle of the Secretariat, which has proven especially adept at defining and promulgating agreed principles and terminology for emergent policy problems. For instance, the principle that the ‘polluter pays’ and the notion of ‘trade in services’ are just two examples of conventional wisdom that began life at the OECD (see Long 2000; Cohn 2002). However, normative governance not only refers to the development and diffusion of shared ideas but also the behaviour of the members. Finnemore & Sikkink (1998: 891) understand norms as “standard(s) of appropriate behaviour for actors with a given identity”. In other words, if the foregoing argument that an OECD ‘identity’ persists there are certain standards of behaviour befitting OECD members. At the OECD, the expectation is that once an agreed policy position or prescription has been attained members will adjust their policies in accordance with the prevailing view. Failure to do so is ‘inappropriate’ behaviour that will damage the reputation of the recalcitrant member and the officials representing them. The knowledge that the extent of their compliance will be measured via the OECD’s peer review process creates strong moral imperatives for national officials to implement recommendations agreed with their peers (Pagani 2002).

Opinion is divided about the effectiveness of these 'soft' mechanisms of governance at the national level. In their early work on transgovernmental relations Keohane and Nye (1974: 45) surmised that these "regularized patterns of policy coordination can therefore create attitudes and relationships that will at least marginally change policy or affect its implementation". In his work on the OECD's Environment Directorate Markku Lehtonen (2005) discovered that many governments felt compelled to respond publically to the conclusions of the OECD's Environmental Performance Reviews. Likewise, in 2006, the Belgian Treasury deployed the Secretariat's dissection of ageing societies to overcome opposition to the reform of the country's welfare state (Kanter 2006). Personal amities developed through recurrent OECD meetings can help to prevent or defuse potentially explosive international situations. One of the first enquiries into the OECD suggested officials become implanted with "the habit of cooperation" routinely taking the positions of their counterparts abroad into account when formulating policies in their national capital (Palmer and Lambert 1968). Equally, private OECD meetings afford officials to explain occasions where national policies depart from a promised position. This "informed divergence" (Slaughter 2004: 171-2) can prevent states from resorting to a public slanging match. Nonetheless, while recognising the OECD may apply a "subtle discipline" (Bayne 2000: 48) over the course of global governance there are grounds to doubt the extent of the OECD's influence on policy worldwide (Armingeon & Beyler 2004). Despite his claim that the OECD is "in the centre of international efforts to define environmental goals, strategies and programme priorities for governments" (Long 2000: 124) Long's book on the OECD's environmental work tenders few concrete examples of where this translated into concrete policy changes at the national level. Similarly, despite noting the promise of the OECD's Environmental Performance Reviews, Lehtonen (2005) contends there are strict limits on their influence. National debates stoked by OECD interventions tend to be ephemeral and domestic policy changes were the exception rather than the rule. A similar picture emerges on the economic plain. Ougaard (1999: 16) suggests there is "no foundation in the empirical record examined here for claims that OECD peer reviews exert decisive influence on members' policies", particularly amongst more prominent members. Larger and more powerful states with their lavish bureaucracies are better equipped to repudiate OECD peer reviews. In addition, there is some evidence of powerful states trying to manipulate the peer review process directly. One draft report from the Economic and Development Review Committee (EDRC) so angered Margaret Thatcher that she petitioned the Secretary-General to replace the Director of the Economic Division (then a British citizen). The Secretary-General rebuffed the request but the tone of the document was diluted as a consequence (Guilmette 2007).

Elsewhere I have suggested the confluence of cognitive, legal and normative aspects of OECD governance gives rise to a fourth dimension of OECD governance, which for want of a better term, I have labelled 'palliative governance' (Woodward 2007a; 2007b). Palliative governance is a catch-all phrase seeking to encompass the sum of the many ways in which the OECD greases the wheels of national and international policymaking. Of particular salience to this paper are the various 'support services' (Woodward 2004) the OECD supplies to other international institutions. The expertise and ingenuity of the OECD Secretariat and the smaller, more homogeneous OECD membership leave it ideally placed to resolve impasses facing its counterpart international organisations. Cohn (2002 see also Blair 1993)), for example, documents how the OECD acted as a “prenegotiating forum” easing the path of multilateral trade talks from the 1960s to the 1990s. By producing studies and reports, furnishing them with reliable statistics and new diagnostic tools, and allowing the OECD Trade Committee to be used as a venue for candid discussions between sporadic GATT meetings, the OECD helped states to conquer ostensibly irreconcilable conflicts such as those over agricultural subsidies during the Uruguay Round (Shelp 1986). The OECD has lent its acumen to the preparations and follow-up activities of a string of international conferences and institutions. The aforementioned ‘polluter-pays’ principle was the bedrock of the 1972 declaration by the UN Conference on the Human Environment and the 1992 Rio Declaration on Development and the Environment. Later, the 1987 Vienna Convention for the Protection of the Ozone Layer, the 1989 Montreal Protocol and the 1989 Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal drew heavily on research undertaken by the OECD. All this is neatly encapsulated by Nicholas Bayne’s (1987: 30), the UK’s Ambassador to the OECD from 1985-88, assertion that the OECD is the “Cinderella among international organisations…..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”. No fewer than 72 international organisations currently hold observer status at the OECD and multilateral economic institutions are intimately involved in various OECD committees. Arguably, in the early 21st century, the OECD’s most important relationships are now with the G7/8 family.

From Hell to Heilingendamm – the changing nature of OECD-G7/8 Relations

Since the G7/8 system materialised in the 1970s relations with the OECD have evolved from mutual suspicion to mutual dependence. Ambiguities in the OECD Convention have long dogged the OECD. On the one hand, the Convention confers clear responsibility upon the OECD to promote sustainable economic growth and development, maximize employment and living standards, and nurture the global trading regime. The pursuit of such blanket goals has necessitated the OECD's entanglement with a host of social and economic issues and its adroit colonization of new policy domains has unquestionably contributed to its resilience and longevity. On the other hand, the Convention allocates the OECD responsibilities in areas which overlap with other, often more powerful, agencies of governance capable of imitating or sequestrating its functions. Initially the OECD "functioned steadily" (Putnam and Bayne 1987: 25) in conjunction with bodies such as the IMF, World Bank and the General Agreement on Tariffs and Trade (GATT). By the 1970s, however, these institutions were trespassing on the OECD's customary terrain imperiling its place in the architecture of global governance. Alterations to the IMF's Articles of Agreement after Bretton Woods' denouement curtailed the OECD's economic surveillance duties (Pauly 1992) while the World Bank usurped "much of the necessary research, coordination, setting of standards, goals etc." that the OECD's Development Assistance Committee undertook in the 1960s (Camps 1975: 29). The OECD continued to enjoy a healthy relationship with the GATT but this was overshadowed by the renaissance of European integration. The expansion of the then European Economic Community (EEC) and its penchant for free markets and democracy made it a serious regional and ideational competitor for the OECD. Against this background, the emergence of the G7 as a forum where leading OECD members could meet to discuss and make commitments on a variety of economic matters caused some consternation in Paris.

This led, in the initial stages, to an uneasy if peaceful coexistence between the OECD and G7. The G7 Heads of State Summit was scheduled so that the deliberations of the annual OECD Ministerial Council Meeting could feed into it and from 1977 to 1980 the OECD's Economic Policy Committee (EPC) prepared the macro-economic segment of the G7 agenda. This arrangement expired when the attitudes of the G7 states, particularly the US and the UK, began to diverge from those prevailing in the OECD Secretariat. Throughout the 1970s there were signs of the Secretariat challenging key precepts of the Keynesian consensus (Marcussen 2001; Ougaard 2004). Nevertheless, President Reagan and Prime Minister Thatcher perceived it as 'too Keynesian' for the brave new world of monetarism they sought to advance (Putnam & Bayne 1987: 161) and the IMF assumed responsibility for preparations for the G7 Summit. The band of Ministerial groupings that emerged to relieve pressure on the crowded Summit timetable further marginalized the OECD. The Quadrilateral Group of Trade Ministers (the Quad) and the Finance Ministers and Central Bank Governors were direct competitors for the OECD's Trade Committee and the vaunted WP3. Whereas in the 1960s and early 1970s, WP3 was a vital location for the discussion and management of balance of payments disequilibria (Russell 1973), in the 1980s headline deals such as the Plaza Accord (1985) and the Louvre Accord (1987) were negotiated by the Finance Ministers and Central Bank Governors relegating the WP3 to the periphery (Funabashi 1988; Krugman 1991).

Two related factors led to a rapprochement between the G7 and the OECD. First, by annulling their marriage with Keynesianism and eloping with a new monetarist mistress the OECD Secretariat's economic medicines became more palatable to the G7. Second, economic elites downgraded the importance of *international* cooperation in securing sustained non-inflationary growth and instead placed greater emphasis on countries pursuing the correct *domestic* policies, in other words encouraging states to 'get the fundamentals right'. The G7's sorties into macroeconomic policy coordination achieved some success but their concise and spasmodic political get-togethers were unqualified to wrestle with the complexities of the domestic policies with which they were increasingly fixated. In contrast, subjects such as trade, labor market policy, investment, competition policy, agriculture, migration, urban affairs, and energy had been studied by the OECD for up to a quarter of a century and successful G7 deliberations came increasing to rely on preparatory work by the OECD Secretariat and prior discussions in OECD committees. Formal acknowledgement of this came in the Communiqué of the 1990 Heads of State Summit in Houston which "welcome(d) the major contributions of the Organisation for Economic Cooperation and Development (OECD) in identifying structural policy challenges and options" and "encourage(d) the OECD to strengthen its surveillance and review procedures, and to find ways to make its work more operationally effective" (Group of Seven 1990). Although it is a crude measure, communiqués released following G7 meetings confirm the trend (see Table 2). The 37 references made to the work of the OECD in G7 communiqués in the third Summit cycle (1989-1995) exceeds the 26 references in the first two cycles (1975-81, 1982-88) together (see Table 2). There were also qualitative changes to OECD-G7/8 acquaintances. In the first two cycles allusions to the OECD were primarily reactive, endorsing existing OECD achievements or swearing to continue cooperating in the OECD. In contrast, in the third cycle, the G7/8 was more proactive acting as the impulse for fresh OECD projects on six occasions and coaxing additional efforts from the organization on a further seven. The allure of structural issues perpetuated in the fourth (1996-2002) and fifth (2002-2009) cycles with the G7/8 catalyzing OECD work on aid untying, bribery, investment, ageing, food safety, biotechnology, e-commerce and online security. Citations of the OECD leapt fivefold in G7 communiqués issued in the fourth cycle fuelling earlier speculation (de Guttry 1994; Ikenberry 1993) about the possibility of exploiting the organization as a permanent G7-Secretariat.

Table 2 - References to the OECD in G7/8 Communiqués 1997-2002

	1st cycle (1975-81)	**2nd cycle (1982-88)**	**3rd cycle (1989-95)**	**4th cycle (1996-2002)**
Reference to OECD work	0	0	6	62
Endorsement of OECD work	7	8	16	64
Endorse and ask for increased OECD effort	0	1	6	15
Urge OECD to act	0	0	7	23
Pledge to cooperate in OECD	5	5	2	20
Total	12	14	37	184

The tightening associations between the G8 and OECD are also reflected in institutional arrangements. Senior OECD officials liaise intermittently with the Sherpas and sous sherpas to the Summit meeting and for many years the lead Sherpa has briefed the OECD Council about summit preparations. Since 1999, one of the OECD Deputy Secretary-Generals has coordinated the work between the G8 and OECD and, in 2007, Angel Gurria, OECD Secretary-General, was for the first time invited to participate in the Summit.

Bonds between the OECD and G7 were fortified following the announcement at the Heilingendamm Summit in 2007 of "a new form of specific cooperation with major emerging economies…..to discuss substantive topics in a comprehensive follow-up process with the aim of reaching tangible results in two years" and selected "the OECD to provide a platform for this new dialogue process" (Group of Eight 2007). The Communiqué goes on to identify four areas for the dialogue:

- "promoting and protecting innovation
- enhancing freedom of investment through an open investment environment including strengthening corporate social responsibility principles
- defining common responsibilities for development with special regard to Africa
- sharing knowledge for improving energy efficiency and technology cooperation with the aim to contribute to reducing CO_2 emissions" (Group of Eight 2007)

In July 2007, OECD countries approved the creation of a Heilingendamm Dialogue Process Support Unit within the office of the Secretary-General. Headed by Ulrich Benterbusch, formerly Germany's chief Sherpa to the G8, the Unit has four policy analysts, one assigned to a working group concerned with an individual aspect of the Heilingendamm dialogue. The Unit's function is to prepare the meetings of the working groups and to provide the research expertise to undergird these gatherings. It is too early to state categorically that the Heilingendamm Process marks another qualitative shift in the OECD-G7/8 relationship. Nevertheless, the Heilingendamm Process is novel because of the breadth of the issues the G8 has simultaneously asked the OECD to investigate and extent of the resources being used to support the G8 system. Closer ties with the G8 seemed indispensible if the OECD was to prove its continued relevance.

Why the OECD?

Despite its burgeoning connections with the G8, at first glance the OECD seems a puzzling choice of institution. Of the Outreach-5 (O-5) countries only Mexico is a member of the OECD. If the Heilingendamm Process is an attempt to bolster the G8's dwindling legitimacy by improving the representation of groups from the global South, it seems strange to conduct the process through the OECD which has also been denounced for its lack of legitimacy as a global standard setter (Sanders 2002) and is widely, if inaccurately, perceived as the rich country's club. The choice of the OECD rests on five interrelated factors. First, the OECD is the only single international organisation that encompassed all of the issues in the Heilingendamm Process. As Salzman (2000: 777) argues the OECD is a "restricted forum for virtually unrestricted topics" and its extensive cross-disciplinary research leaves it ideally placed to understand how different policy domains interact and synchronise. The second factor relates to the cognitive and normative aspects of OECD governance. Like the OECD, the G8 system relies overwhelmingly on 'soft' mechanisms of governance to pressure governments into action. Deeper participation in a body such as the OECD could have important socialisation effects for the O-5 countries exposing them, and possibly making them more amenable to, the norms of behaviour in the OECD-G7/8 world. Third, and relatedly, even before the conception of the Heilingendamm Process the OECD was already drawing the O-5 members into its ambit. In addition to Mexico's membership, in the last two decades the OECD has evolved from an organisation that talks *about* non-members to an institution that talks *to* them (Wolfe 2008 forthcoming). One of the latest developments, heralded by the 2007 Ministerial Council Meeting, are the 'enhanced engagement programmes' with Brazil, China, India, Indonesia and South Africa (OECD 2007a). Programmes are tailored to different countries but involve participation in OECD committees and the various peer review processes of the organisation most notably the Economic Surveys, adherence to OECD instruments, absorption into the statistical reporting systems and contributing to the economic sessions of OECD Council Meetings (OECD 2007a). Fourth, the OECD's reputation for palliative governance, especially providing a forum to pave the way for agreements and progress elsewhere, is vital. The privacy afforded by the OECD may lead to convergence in official positions or even enable deals to be brokered within and between OECD and O-5 countries that would not be possible in the glare of international publicity. Finally, the OECD has had a perennial struggle to define its role and most commentators, not least the OECD, concur that this has been exacerbated in the post-Cold War era by the plethora of competing mechanisms of global governance (OECD 1997; Julin 2003; Marcussen 2004; Woodward 2004). The most recent Secretary-Generals have both ruminated about consecrating the OECD's relationship with the G8 as a way of entrenching its position in the global governance architecture (see for example Johnston 2005). The Heilingendamm process is a logical step in this direction and its location in the OECD owes much to the personal entrepreneurship of Angel Gurria, the organization's Mexican Secretary-General.

In terms of scope, it is difficult to conceive of an organisation that could substitute for the OECD in the Heilingendamm Process. How far the other purported benefits of the process materialise is more uncertain. In the first instance, the attitudes of the various parties involved in the Heilingendamm Process may limit the extent of socialisation. The chapters on China (see Chin, this volume) and Brazil (see Gregory, this volume) reveal serious misgivings amongst the O-5 about the OECD, a predominantly Northern institution, as the setting for the Heilingendamm dialogue. The main fears are that cosying up to the OECD might damage nascent South-South relations or that this choice reflects a devious attempt by Northern states to indoctrinate leading non-OECD countries rather than engage in genuine dialogue. The statements emanating from prominent OECD states suggest these concerns are well founded. Writing in the *OECD Observer* Matei Hoffman (2007), Germany's Ambassador to the OECD, stated with regard to the Heilingendamm process that:

> "we must drive home the message that market-oriented rules, together with a social concept of globalisation and a sustainable approach to resource management, are preconditions for global development and prosperity. It is in this context that we wish to come to an understanding with our partners on the core challenges facing the global economy."

Without the prospect of genuine dialogue O-5 countries may not send their top officials to these meetings, preferring instead to concentrate their resources elsewhere. The Support Unit's administrative detachment from the rest of the OECD may surmount this in time (see Fues and Leininger, this volume) but the project's two year duration may be too abbreviated for this purpose. A second factor which may limit the socialisation of non-OECD O-5 countries is an absence of incentives. The successful socialisation of the new members which joined in the 1990s rested on their desire to become OECD members. Some O-5 countries, noticeably China (see Chin this volume) and India (see Nafey this volume), are reticent to embrace OECD membership rendering them less susceptible to persuasion and adoption of the organization's model or working practices.

A third factor is ambiguity surrounding, and potential schisms between, the Heilingendamm Process and the OECD's 'enhanced engagement' programme. The enhanced engagement programme predates the Heilingendamm Process and differs in terms of timescale, scope and teleology. Enhanced engagement is part of the OECD's broader enlargement and outreach strategy (see OECD 2004a). It is an open ended programme entailing the involvement of selected non-members in virtually all of the

OECD's policymaking and policy reviewing activities and envisages the possibility of participant countries eventually joining the organization (OECD 2007b). In contrast, the Heilingendamm Process has a specified lifespan, concentrates on four specific policy domains, and makes no mention of future membership. Theoretically, cross-contamination between the two processes could yield benefits with the links and lessons forged under one dialogue spilling over into the other. In practice, the picture is less straightforward. Whereas Mexico is already an OECD member and South Africa and Brazil are extensively implicated in its committees (see Table 3) and have shown some enthusiasm for eventual membership, China and India are cooler on the idea. For the former, overlaps between the projects might be viewed favourably helping to maintain the momentum towards membership. Given their reservations about the OECD, the latter will wish the tracks to remain parallel. The other complication is the incongruous position of Indonesia which is the only country partaking of the OECD's enhanced engagement package but not of the Heilingendamm Process, albeit Indonesia is a leading member of ASEAN. While this lends weight to the argument that the two processes are and will be kept separate, it raises questions about why Indonesia was excluded from the Heilingendamm Process, whether it feels slighted, and the bearing this will have on the dialogue.

Table 3 Membership and Observership in OECD Committees of selected non-members

	Member	**Observer**	**Total**
Russian Federation	9	73	82
South Africa	16	40	56
Brazil	12	43	55

China	2	32	34
India	2	26	28
Indonesia	2	3	5
ASEAN	0	0	0

Disquiet and fissures between OECD members could also check the socialisation process. It is clear that there is little agreement amongst the G7/8 (the larger OECD members) about precisely how to engage with the O-5 or what the ultimate outcome of any engagement should be (see chapters by Kirton and Fues & Leininger, this volume). If the OECD was picked because of its capacity to socialise non-members the thornier problem of *what* the O-5 is being socialised into appears unresolved. Moreover, although it builds on precedents and initiatives with non-members from previous G7/8 Summits, the Heilingendamm Process is an avowedly German initiative. Initially the bulk of the financial support for Heilingendamm Process is coming from Berlin but, in order to be effective, it is likely to require more than the symbolic financial contributions so far made by Japan and Italy. In the longer term, the support of middle-ranking G7/OECD powers is also questionable. As Fues and Leininger (this volume) make clear, the Heilingendamm process reflects German attempts to steer a middle course which concurrently incorporates emerging powers into the architecture of global governance but maintains Germany's place at the top table. A successful Heilingendamm Process could be a pyrrhic victory for Germany because, despite the reticence of China and India, it would make the accession of O-5 countries to the OECD more likely, dissipating Germany's influence in the organization.

Although they approved the creation of the Heilingendamm Process Support Unit, the 23 non-G7/8 OECD countries are also likely to have concerns about the impact of this development. Privately many smaller OECD members complain that the growing ascendency of the G7/8 has squeezed their influence in the organization and are far from enamoured about the fresh cabal of large influential non-members and prospective new members. In particular, there is a sense that the OECD's obsession with reaching out to and cooperating with non-members is at the cost of cooperation amongst OECD members. The smaller members are weak in the sense that collectively they account for less than a quarter of the OECD's Part I budget and less than half of the OECD's Committee Chairs. Nevertheless, they could make the OECD's life awkward elsewhere. With the OECD working by consensus, something albeit slightly weakened by changes to the organisation's internal governance structure in 2006 (see OECD 2006), small countries can impede the organisation's work. Furthermore, Article 16 gives members an effective veto over new members of the organization. While this may not necessarily impact on the Heilingendamm Process it may impede the organization's wider enlargement strategy.

Finally, whether the Heilingendamm Process will bolster the OECD's place in the architecture of global governance is open to debate. There are serious obstacles to the OECD's emergence as a Secretariat to the G-8. With occasional exceptions the G7/8 has consistently repudiated the notion of a permanent secretariat, not least because part of the rationale for the G7's creation was to conquer the bureaucratisation of international diplomacy. Likewise, many OECD officials are concerned about the impact such a move would have on their operational independence and, as before, smaller states agonize about their marginalization within the organisation (Kanter 2005). The Heilingendamm vignette reflects the wider contradictions besieging the OECD's enlargement and outreach strategy. The OECD aims to restore its legitimacy by seeking new alliances with powerful states and civil society voices lying beyond its existing membership. The problem is that adding these voices will coincidentally undermine its legitimacy of the various dimensions of OECD governance. Cognitive governance will be impaired by diluting or dramatically altering the OECD's identity. Normative and legal governance will be weakened by the addition of those with drastically different world views or who are not responsive to softer mechanisms of governance. Finally, palliative governance might be harmed because having to take more viewpoints into account may render the OECD as cumbersome as some of the more inclusive international organizations. In other words, while a wider membership might confer legitimacy on OECD directives it makes it less likely that such compacts will be realised in the first place.

Conclusion

Since the mid-1980s the journeys of the G7/8 and the OECD have steadily converged. Today, the G7/8 structure relies heavily on the research and analysis of the OECD while the OECD's associations with the G7/8 fortify its place in the international political system. This chapter has argued that the Heilingendamm process is the latest act in the G7/8-OECD saga. The choice of the OECD to house the Heilingendamm Process Support Unit reflects the diversity of the subjects studied by the OECD, its ability to socialise states into its behavioural norms, track record at pursuing informal dialogue in support of work in other organizations, growing linkages with powerful non-member states, and beneficial spin-offs to the OECD from closer ties with the G7/8 system. With the dialogue less than half way through its life cycle it is too early to provide a definitive statement of its impact on the relationship between the OECD and the G7/8 system. Nevertheless, this chapter suggests that the remuneration from this process may not be as great as many presume. The various parties to the Heilingendamm Process have expressed qualms about the choice of the OECD as a venue for the dialogue. While the O-5 countries are apprehensive that the choice of the OECD will lead to diatribe rather than dialogue, smaller OECD countries fret about being marginalized within an institution that previously enabled them to project their power on the global stage. Whether O-5 countries can be socialised into the G7/8-OECD model will depend as much on their motivation as that of the OECD. There is little appetite amongst certain O-5 countries for OECD membership, the traditional carrot dangled in front of non-member states, and questions about how far the O-5 will benefit from moving towards the organization's model. Additionally, the possibilities remain that the Heilingendamm Process will prove incompatible with, or at least impair, the OECD's wider enlargement and outreach strategy. Finally, and again with the broader OECD picture in mind, one must query what impact this will have on the OECD. The idea being mooted in some quarters that the Heilingendamm Process marks the first step towards the OECD becoming the G7/8 Secretariat are far fetched. Equally, the breadth and intensity of the issues involved could be the beginning of a new epoch in the OECD-G8 relationship. The Heilingendamm process brings into sharp relief one of the problem besetting the OECD since its inception, namely how to reconcile the exclusivity of its membership with the legitimacy of its actions. The OECD's present strategy may well enhance the legitimacy of its actions through welcoming new members and closer relationships with systemically important players but paradoxically the expanding membership and more eclectic set of non-member relations may prejudice its ability to reach the consensus upon which such actions depend.

Bibliography

Armingeon, K. & Beyeler, M. (2004) *The OECD and European Welfare States* (Cheltenham: Edward Elgar)

Aubrey, F. (1967) *Atlantic Economic Cooperation: The Case of the OECD* (New York: Frederick A. Praeger)

Bayne, N. (1987) 'Making Sense of Western Economic Policies: The Role of the OECD' in *The World Today* Vol. 43 (2), pp.27-30

Bayne, N. (2000) *Hanging in There: The G7 and G8 Summit in Maturity and Renewal* (Aldershot: Ashgate)

Blair, D.J. (1993) *Trade Negotiations in the OECD: Structures, Institutions and States* (London: Kegan Paul)

Busch, P-O. (2006) *The OECD Environment Directorate: The Art of Persuasion and its limitations*, Global Governance Working Paper No. 20 October.

Camps, M. (1975) *"First World" Relationships: the role of the OECD* (Paris: The Atlantic Institute for International Affairs)

Cohn, T.H. (2002) *Governing Global Trade: International institutions in conflict and convergence* (Aldershot: Ashgate)

de Guttry, A. (1994) 'The Institutional Configuration of the G-7 in the New International Scenario' in *The International Spectator* Vol.29 (2), pp. 67-79.

Dostal, J.M. (2004) ‘Campaigning on expertise: how the OECD framed EU welfare and labour market policies - and why success could trigger failure’ *Journal of European Public Policy* Vol. 11 (3), pp. 440-60

Financial Times (2002) ‘OECD fails to put its own house in order’ 28th May, p. 9

Finnemore, M. & Sikkink, K. (1998) ‘International Norm Dynamics and Political Change’ in *International Organization* Vol.52 (4), pp. 887-917

Funabashi, Y. (1988) *Managing the Dollar: From the Plaza to the Louvre* (Washington: Institute for International Economics)

Gilpin, R. (2000) *The Challenge of Global Capitalism: The World Economy in the 21st Century* (Princeton: Princeton University Press)

Group of Seven (1990) ‘Houston Economic Declaration’ http://www.g7.utoronto.ca/summit/1990houston/communique/index.html (Accessed 13 March 2008)

Group of Eight (2007) “Growth and Responsibility in the World Economy - Summit Declaration Heilingendamm” http://www.g8.utoronto.ca/summit/2007heiligendamm/g8-2007-economy.html (Accessed 28 February 2008)

Guillmette, J-H. (2007) *The Power of Peer Learning: Networks and Development Cooperation* (Ottawa: Academic Foundation/IDRC)

Henderson, D. (1993) ‘The Role of the OECD in Liberalising Trade and Capital Flows’ in *The World Economy* Vol. *The World Economy* Vol. 19 (1), pp. 11-27

Hoffmann, M. (2007) “Building global partnerships” *OECD Observer* No. 261 May, http://www.oecdobserver.org/news/fullstory.php/aid/2203/Building_global_partnerships.html (accessed 13 May 2008)

Hutton, W. (2002) *The World We’re In* (London: Little Brown)

Ikenberry, J. (1993) 'Salvaging the G-7" in *Foreign Affairs* Vol.72 (2) Spring, pp.132-39

Jackobi, A. & Martens, K. (2009 forthcoming) *The OECD: International Incentives for National Policymaking* (Basingstoke: Palgrave)

Johnston, D. (2005) 'Look no further for a home for global bodies' in *Financial Times* 28 November, p.13

Julin, J. (2003) 'The OECD: Securing the Future' in *OECD Observer* 240, pp.48-51

Kanter, J. (2005) 'Mexican plans to raise OECD's low profile' in *International Herald Tribune* 30 November.

Kanter, J. (2006) 'When a Club of Winners Loses its Way' *International Herald Tribune* 30 November.

Keohane, R. & Nye, J.S. (1974) 'Transgovernmental Relations and International Organizations' in *World Politics* Vol.27 (1) October, pp. 39-61.

Kirton, J. (1999) 'Explaining G8 effectiveness.' in Hodges, M.R., Kirton, J.J. and Daniels, J.P. (eds), *The G8's Role in the New Millennium* (Ashgate: Aldershot), pp. 45-68.

Krugman, P. (1991) *Has the Adjustment Process Worked?* (Washington: Institute for International Economics)

Lehtonen, M. (2005) 'OECD Environmental Performance Review Programme: Accountability (f)or Learning' in *Evaluation* 11 (2), pp. 169-88

Long, B.L. (2000) *International environmental issues and the OECD 1950-2000* (Paris: OECD)

Mahon, R. & McBride, S. (eds.) (2008 forthcoming) *The OECD and Global Governance* (Vancouver: UBC Press)

Marcussen, M. (2001) "The OECD in Search of a Role: Playing the Idea Game" *Paper presented to the ECPR, Grenoble* April 6-11

Marcussen, M. (2004) 'OECD Governance through Soft Law' in Morth, U. (ed.) *Soft Law in Governance and Regulation: An Interdisciplinary Analysis* (Cheltenham: Edward Elgar), pp. 103-26.

OECD (1960) *Convention on the Organization for Economic Cooperation and Development* (Paris: OECD)

OECD (1997) *The OECD: Challenges and Strategic Objectives 1997: Note by the Secretary General C(97) 180*, (Paris: OECD)

OECD (2004a) *A Strategy for Enlargement and Outreach: Report by the Chair of the Heads of Delegation Working Group on the Enlargement Strategy* (Paris: OECD)

OECD (2004b) *Getting to Grips with Globalisation: The OECD in a Changing World* (Paris: OECD)

OECD (2005) *Annual Report 2005* (Paris: OECD)

OECD (2006) *Resolution of the Council on a New Governance Structure for the Organisation C(2006)78/FINAL*, (Paris: OECD).

OECD (2007a) *OECD Council Resolution on Enlargement and Enhanced Engagement* (Paris: OECD)

OECD (2007b) "Chair's summary of the OECD Council at Ministerial Level, Paris, 15-16 May 2007 - Innovation: Advancing the OECD Agenda for Growth and Equity" available online at http://www.oecd.org/document/22/0,3343,en_21571361_38379933_38604566_1_1_1_1,00.html

OECD (2008) 'Instruments of the OECD by Subject' http://www.olis.oecd.org/horizontal/oecdacts.nsf/subject?openview&count=1000 (Accessed 14 May 2008)

Ougaard, M. (1999) 'The OECD in the Global Polity' *Paper presented at the SSRC Project Globalisation, Statehood and World Order*

Ougaard, M. (2004) *Political Globalization: State, Power and Social Forces* (Basingstoke: Palgrave)

Pagani, F. (2002) *Peer Review: A Tool for Cooperation and Change* (Paris: OECD)

Palmer, M. & Lambert, J. et.al. (1968) *European Unity: A Survey of the European Institutions* (London: George Allen & Unwin)

Pauly, L.W. (1992) 'The political foundations of multilateral economic surveillance' in *International Journal* Vol.47 (2) Spring, pp.293-327

Porter, T & Webb, M. (2008 forthcoming) 'The Role of the OECD in the Orchestration of Global Knowledge Networks' in Mahon & McBride (eds.) *The OECD and Global Governance* (Vancouver: UBC Press)

Russell, R.W. (1973) 'Transgovernmental Interaction in the International Monetary System, 1960-1972) *International Organization* Vol.27 (4), pp. 431-64

Putnam, R. & Bayne, N. (1987) *Hanging Together: Cooperation and Conflict in the Seven-Power Summits (2nd edition)* (London: Sage)

Salzmann, J. (2000) 'Labor Rights, Globalization and Institutions: The Role and Influence of the Organization for Economic Cooperation and Development' in *Michigan Journal of International Law* Vol.21 Summer, pp. 769-848

Sanders, R. (2002) 'The Fight Against Fiscal Colonialism' in *The Round Table* Vol.365 July, pp. 325-48

Sharman, J.C. (2005) *Havens in a Storm: The Struggle for Global Tax Regulation* (Ithaca: Cornell University Press)

Shelp, R. (1986) ‘Trade in Services’ in *Foreign Policy* No. 65 Winter, pp.64-83

Slaughter, A-M. (2004) *A New World Order* (Princeton: Princeton University Press)

Wolfe, R. (2008 forthcoming) ‘From reconstructing Europe to constructing globalization: the OECD in historical perspective’ in Mahon, R. & McBride, S. (eds.) *The OECD and Global Governance* (Vancouver: UBC Press)

Woodward, R. (2004) ‘The Organisation for Economic Cooperation and Development’ in *New Political Economy* Vol.9 (1) March, pp.113-24

Woodward, R. (2007a) ‘Global governance and the Organization for Economic Cooperation and Development’ in Hook, G.D. & Dobson, H. (eds.) *Global Governance and Japan: The institutional architecture* (Abingdon: Routledge), pp. 59-75

Woodward, R. (2007b) ‘The Organisation for Economic Cooperation and Development: Meeting the Challenges of the 21st Century?’ in Lee, S. & McBride, S. (eds.) *Neo-Liberalism, State Power and Global Governance* (Dordrecht: Springer), pp.231-44

Woodward, R. (2008 forthcoming) *The Organisation for Economic Cooperation and Development* (London: Routledge)