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## Age Concern: The Future of the OECD

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## **Age Concern - The Future of the OECD**

‘Life’, so the adage has it, ‘begins at 40’. But, as American journalist Helen Rowland wryly observed, ‘so do fallen arches, rheumatism, faulty eyesight, and the tendency to tell a story to the same person, three or four times’. Such a sentiment should resonate within the Parisian corridors of the Organisation for Cooperation and Development (OECD) which celebrates its 45<sup>th</sup> anniversary on 30 September. Rival institutional developments, evolving geo-political realities, hostility from non-governmental organisations (NGOs) and the absence of a precisely defined mission statement have marred the OECD’s fifth decade and left the organisation struggling to justify its place in the architecture of global governance. Ironically when the organisation and many of its member states are advocating longer working lives to forestall a looming pension’s crisis, the OECD is being touted in some quarters as a candidate for early retirement.

### **Achievements**

The OECD is a venue where 30 market democracies foster co-operative approaches to the world’s economic problems. Debates about global governance often ignore or marginalise the OECD dismissing it as a ‘think tank’, ‘talking shop’, or ‘rich country’s club’. Yet, courtesy of the trailblazing research and statistical expertise of the organisation’s Secretariat and its labyrinth of committees sponsoring continuous dialogue amongst national officials, the OECD has been the incubator in which many important ideas, norms, and rules governing the global economy were hatched. Ideas about ‘trade in services’ and the principle that the ‘polluter pays’ are just two

examples of conventional wisdom pioneered at the OECD. Likewise rules developed at the OECD pervade almost every sphere of economic life including agriculture, capital movements, development assistance, the environment, employment, energy, fiscal affairs, multinational enterprises, science, shipbuilding, steel, tourism and trade. Furthermore OECD activities support those of other international bodies, principally the Group of Eight (G8) and the World Trade Organisation (WTO). Finally, the OECD has an enviable record of assuaging or resolving less tractable international issues. For instance, the OECD was the organisation in which member states concluded agreements on controversial trading issues including export credits and government procurement and whose groundbreaking work on agricultural subsidies paved the way for the completion of the Uruguay Round negotiations.

## **Problems**

Despite its achievements changing circumstances increasingly imperilled the OECD's position. One challenge stemmed from shifts in the geo-political scenery. For 30 years the OECD was ineluctably part of the East-West battle, symbolising the superiority of capitalism and democracy over centrally planned and authoritarian alternatives. The collapse of communism seemingly robbed the OECD of its *raison d'être*. Those deeming the OECD worthy of preservation as a setting where leading states could shape the future of the global economy acknowledged its capacity to perform this function was inhibited by the absence of many systemically significant economies including China, India, Russia, Indonesia, Brazil and South Africa (labelled the Big Six by the OECD) from the organisation's membership.

Fresh competition posed a second challenge. Unlike other international organisations the OECD does not possess a precise or protected remit. The OECD has proved adroit at colonising new areas in response to events and the whims of its members but is susceptible to duplication and ceding responsibilities to emergent bodies. As the international environment grew rich with institutions the pronouncements of the OECD were drowned out by a cacophony of competing voices, not least the ‘gaggle of G’s’ (G8, G20 (to which the Big Six economies belong), G24, and G30), a preponderance of think tanks and private sector gatherings such as the World Economic Forum, and an expanded and rejuvenated European Union (EU).

The final challenge centred upon NGOs who targeted the OECD in their quest to publicise the perceived injustices of globalisation. This was no better illustrated than by the collapse of the Multilateral Agreement on Investment (MAI) in 1998. The MAI, a set of rules to govern private foreign direct investment, was derided by campaigners as an investor’s charter enshrining the rights of corporations but circumscribing the state’s ability to safeguard the public interest. A 500 strong NGO coalition orchestrated an internet campaign to halt the MAI culminating in October 1998 with the disruption of the negotiations at the OECD’s headquarters. The collapse of the MAI owed as much to the failure of states to reach a consensus as the opposition of NGOs. Nevertheless, the feeling persisted that a more inclusive dialogue with NGOs might have forestalled the episode.

## **Responses**

The OECD undertook a series of internal reforms overhauling its budgetary arrangements and rationalising its committee system to reflect the globalised environment. But these changes did not address the fundamental concerns confronting the organisation. After a long gestation the OECD announced a bolder reform programme incorporating a strategy for enlargement and outreach, closer relations with civil society actors and, more tentatively, a formalised relationship with the G8.

### **Enlargement and Outreach**

From the beginning the OECD maintained extensive connections with non-member states and international organisations believing their participation in OECD work assists in the dissemination of its values and practices to the wider world. Recent efforts have concentrated on formalizing and harmonizing these relations. Since 1998 the OECD's dealings with more than 70 non-member states and a legion of international organisations have been co-ordinated by the Centre for Cooperation with Non-Members (CCNM). In turn the CCNM's largely funnels work through Global Forums designed to stimulate expert conversation between policymakers from member and non-member states on matters of mutual concern. Ten Global Forums cover agriculture, competition policy, governance, international investment, taxation, trade, sustainable development, biotechnology, the digital economy and the knowledge economy. Generally speaking Global Forum's have been welcomed as an effective mechanism through which non-members affect the trajectory of OECD work and learn valuable lessons to apply their domestic context. That said, some non-members have expressed dissatisfaction that participation in certain Global Forum's,

notably that dealing with taxation and specifically harmful tax competition, is conditional on accepting the OECD view of the issue.

Member states recognise that enlargement is essential if the OECD to reassert itself as a locus for international discussion and rulemaking. Nevertheless, the process is bedevilled by practical dilemmas and political bickering. Past expansion of the OECD was criticised as too slow (just 13 accessions since the OECD Convention came into effect) and too ad hoc (driven by historical accident rather than logic). In 2002 the OECD sought to inject urgency and strategic direction into the enlargement process by designating a Working Party to establish a framework for identifying and admitting prospective members. The Working Group argued that new members must be 'likeminded' and 'significant players'. Given China's repressive political regime, resurgent authoritarian tendencies in Russia, India's refusal to relinquish capital controls, and an ambivalent attitude to free markets in Brazil, South Africa and Indonesia none of the Big Six 'significant players' appear sufficiently likeminded to accept the rigours of OECD membership. Without them the OECD remains vulnerable to accusations of irrelevance. Next, many larger members have their own enlargement agenda. The US favours Israel, Japan wants more Asian members and the Europeans are lobbying for the accession of the six EU members that do not belong to the OECD. Bi-lateral concerns have also surfaced. For example, might Turkey veto Cypriot membership? Enlargement also has implications for the OECD's personality and working practices. As a small and homogeneous alliance of countries the OECD operates by consensus. As OECD membership grows the paralysis which grips larger international organisations becomes more likely and may necessitate the introduction of cumbersome decision making machinery. The OECD is experimenting with qualified majority voting in some areas a feature that the most recent Ministerial

Council Meeting agreed to extend. Finally, there are financial repercussions. Every new member adds around 1% to the organisation's operating costs. With its budget already stretched to bursting there are doubts whether the OECD can afford an influx of new members.

## **Civil Society**

The OECD has always received input from civil society through the Business and Industry Advisory Committee (BIAC) and the Trade Union Advisory Committee (TUAC). The OECD is now seeking more extensive engagement with a wider range of civil society interlocutors. This is being pursued by encouraging visits to OECD headquarters, more active solicitation civil society input into committee deliberations, joint analytical work, new channels of communication including a designated civil society newsletter (CivSoc), and exploiting the expertise of NGOs to monitor the implementation of OECD guidelines.

The OECD's flagship innovation is its Annual Forum, first held in 2000. Promoted as a 'civil society summit' the Annual Forum affords an opportunity for networking amongst government ministers, businessmen, national bureaucrats and non-governmental organisations. To maximise its impact the Forum is held immediately prior to the OECD's Annual Ministerial Council Meeting. The OECD is extremely proud of its invention which has attracted almost 10,000 delegates from over 90 countries including big hitting business names, heads of international organisations and Nobel Prize winners. Nonetheless the Forum is not without its critics. Dissenting NGOs have snubbed the event and most participants, and over 90% of speakers, are drawn from developed countries. Far from allowing a frank discourse



about competing visions of global governance the Annual Forum has become a rostrum from where the usual suspects regurgitate neo-liberal policy prescriptions. In June 2006 the murmurings of discontent from NGOs grew louder following Angel Gurría's appointment as OECD Secretary General. His record as Mexico's foreign affairs and finance minister Gurría implied a man in the thrall of the neo-liberal philosophy advanced by the international financial institutions. Some NGOs fear that under his guidance the OECD may be dragged in the same direction.

### **G8 Secretariat?**

A final possibility mooted by Gurría and his predecessor, Donald Johnston, is to transform the OECD into a G8 Secretariat. Theoretically such an arrangement is sensible. It would bring to the OECD a clearer purpose and there are complementarities between the functions of the G8 and the OECD. The OECD could enhance preparations for G8 meetings by undertaking analytical work and providing a forum where officials from G8 countries could narrow areas of difference making them more susceptible to resolution by their political masters at Summit or Ministerial Meetings. The OECD could pursue the implementation of agreements reached in the G8 and use its surveillance capacities to ensure countries are keeping their pledges. While the G8 would give political impulses to the work of the OECD the OECD would maintain the momentum between G8 meetings. Whether this superficially attractive scenario is feasible remains to be seen. Traditionally the G8 has strongly resisted the bureaucratisation of its activities while officials at the OECD do not wish to see their autonomy diminished by becoming the G8's lackey. Smaller countries in the OECD also worry that the opinions of the G8 caucus may further marginalise their

influence in the organisation. Moreover, it might be argued that the OECD is already the de facto G8 Secretariat and more formalised arrangements are superfluous. Communiqués issued after G8 Summits and Ministerial Meetings regularly refer to, endorse, or request work from, the OECD and these references have grown in frequency. Of the 32 occasions where a G8 forum has asked or urged the OECD to take action, 25 have been in the last decade. Similarly of the 36 occasions where G8 members have pledged to commence or continue cooperation within the OECD, 24 have been in the last decade. This partly reflects the gradual expansion of the G8 agenda and the Ministerial meetings that have emerged to service it but is also emblematic of the ongoing and increasingly close relationship between the G8 and the OECD.

## **Conclusion**

The OECD story is that of an organisation perpetually attempting to cope with the globalising forces unleashed by its own members. The recent reform package articulated by the OECD is the latest episode in this saga. Given the enormous challenges confronting humanity at the turn of the 21<sup>st</sup> century the need for a venue where leading states can discuss and seek solutions to the conundrums of globalisation has never been greater. Optimists believe the OECD retains unique capabilities and that the successful completion of the reform programme will leave the OECD ideally placed to play this role. Imminent membership of all systemically important economies, input from civil society and an extensive global network of connections with non-members will enliven policy debates, improve the

organisation's transparency and bolster the legitimacy of OECD prescriptions. Pessimists argue the programme, while necessary, is self-defeating. The purported benefits rest upon admitting countries and civil society actors whose attitudes diverge from that of the current OECD members. This will make consensus more difficult to secure leading to more protracted decision making processes. OECD obituaries are premature but unless institutional innovations can be found which capture the benefits of change while mitigate its downsides the organisation's future is far from assured.