The OECD is an important but often overlooked international organization that plays multiple roles in the governance of globalization. The OECD:

- promotes globalization, adopting norms that support liberalization of investment, trade, finance, and the operation of multinational enterprises;
- produces influential statistics that enable the measurement of globalization and its effects, including periodic national accounts, Economic Surveys and Economic Outlooks; statistics on trade, development, environment, employment, energy, social expenditures, education and other activities; and extensive sectoral data, for members and other countries;
- helps states operate in a globalized world, promoting convergence around appropriate policies – increasingly domestic in nature – from corporate governance to employment, environmental protection to taxation, innovation to public management; and
- promotes norms and policies that lessen the social costs of globalization, in areas such as development assistance, education, employment, social policy and the environment.

As the OECD Secretary-General puts it, the OECD’s mission is “to work for a stronger, cleaner, fairer world economy. It helps governments and society reap the full benefits of globalisation while tackling the accompanying economic, social and governance challenges” (OECD 2010, 4). However, the balance struck by the OECD among neoliberal, Keynesian and socially-oriented policies has varied over time and varies across units of the organization (Deacon and Kaasch 2008; McBride et al. 2007). Civil society and some governments have resisted OECD policies seen as excessively neoliberal.

The OECD is often called a rich countries’ club, and its 34 member states account for 70% of world gross national income (OECD 2010, 4). However, enlargement has rendered the membership increasingly diverse: states such as Chile, Mexico and Turkey are considerably poorer on a per capita basis than the richest members. The OECD also engages actively with non-members, especially rapidly-developing states such as Brazil, Russia, India, China and South Africa, reflecting its prediction that developing countries will generate 60% of world output by 2030.

Beyond mere statistics, the OECD is a community of states sharing broad commitments to the market and democracy. As a major hub of this community, the OECD embodies, reinforces and disseminates democratic market values and develops policies and norms that further them, helping to construct the community’s very identity (Porter and Webb 2008).
The OECD operates across a remarkably wide policy ambit, still expanding with globalization. The organization develops norms through exchanges of information and expert discussions among national officials and OECD staff. It promotes and disseminates norms through continuing discussion, surveillance and peer review. Thus, its central role is as “creator, purveyor and legitimator of ideas” (Mahon and McBride 2008a, 15). OECD norms are often cast in general terms and rarely overcome powerful state interests. Yet its discursive, deliberative processes enhance transparency, develop common understandings, and strengthen personal and institutional relationships, facilitating cooperation. Because the OECD focuses on building consensus, few of its norms are legally binding; none incorporate sanctions or strong enforcement measures.

The OECD grew out of the Organization for European Economic Co-Operation (OEEC), formed in 1948 at United States urging to oversee Marshall Plan aid and coordinate European national recovery plans. The OEEC faced serious political difficulties in carrying out both tasks, but successfully reduced official barriers to intra-European trade and reestablished currency convertibility. Its relevance was sharply reduced, however, when six of its members created the European Economic Community in 1958.

The OECD Convention was signed in 1960; the organization began operation the following year, with the 18 OEEC members plus the United States and Canada. Creation of the OECD reflected the US desire for an OEEC successor that would provide parity with Europe, strengthen the Western democratic market community during the Cold War, and share responsibility for development assistance. Over the next half century, the OECD broadened its substantive reach, expanded its membership, and engaged with the developing world and civil society.

Beyond the nations of Western Europe, the US and Canada, OECD members now include Australia and New Zealand, Japan and Korea, six Eastern European states, Chile and Mexico, Turkey, and Israel. Four states joined in 2010 alone. New members must agree to implement the OECD “acquis,” including its extensive corpus of substantive norms. Russia has been negotiating accession since 2007, and the OECD has initiated “enhanced engagement” with Brazil, China, India, Indonesia and South Africa, allowing them to participate in committees, statistical systems, peer reviews and normative instruments. The OECD engages in outreach through its Centre for Co-operation with Non-Members, issue-specific Global Forums and regional initiatives. Non-members may participate in specific committees and instruments.

The OECD budget for 2010 amounted to €328 million. A majority (Part I) is funded by assessed member contributions, under a formula based primarily on the size of the national economy; the US is the largest contributor at 23.9%. The Part II budget includes voluntary contributions to specific programs. Publication sales, financial returns and other inflows provide additional revenue. The OECD’s integrated budget and finance system aims to increase efficiency and accountability.

OECD governance is centered in the Council, in which each member has one vote; the European Commission participates but does not vote. The Council meets regularly at Permanent
Representative level and annually as the Meeting of the Council at Ministerial Level (MCM), often assembling ministers with specialized portfolios such as labor or agriculture. The Council provides strategic direction, oversees the organization’s work, makes key policy decisions and adopts formal normative instruments. To facilitate decision-making given an expanding membership and agenda, standing Executive, Budget and External Relations Committees have been assigned expanded roles. On normal issues, the Council decides by consensus. “Fundamental issues” – such as approval of normative instruments, new members, contributions and budget parameters – are decided by consensus or occasionally by unanimous vote. In 2006, the Council adopted qualified majority voting for certain issues, including adoption of the work program and budget within parameters set by consensus. Decisions under qualified majority voting are taken by 60% of member votes, unless three or more members contributing at least 25% of the Part I budget are opposed.

Most of the OECD’s work takes place in some 250 committees and working groups, organized around substantive issues and following similar working methods. Committees generate the policy advice, guidelines, best practices and other norms that are the organization’s principal output; they also administer peer reviews. Each year tens of thousands of national officials meet in committee sessions and interact on-line. Secretariat officials prepare data, analyses and proposals for committees and participate actively in meetings. OECD committees are thus important nodes in “transgovernmental” networks of policy officials (Slaughter 2004), and in broader transnational “epistemic communities” (Haas 1992) on issues central to globalization. OECD analytical work also provides important intellectual support for other institutions, such as the GATT/World Trade Organization, G8 and G20.

The Secretary-General is chosen by the Council for five-year terms, and is responsible to it for implementing Council decisions, carrying out the work program within budget, and representing the organization externally. Yet the Secretary-General exercises some independent leadership through the authority to submit proposals (including for work programs and budgets) to the Council and other organs, chair the Council at Permanent Representative level, and consult with committee chairs, and through the force of his or her ideas. Some 2500 Secretariat officials – representing disciplines including economics, law and science – play major roles in developing and promoting norms and policies; their expertise gives them substantial influence.

The Secretariat is organized into departments and directorates, including Development Cooperation; Economics; Education; Employment, Labor and Social Affairs; Entrepreneurship, SMEs and Local Development; Environment; Financial and Enterprise Affairs; Public Governance; Science, Technology and Industry; Statistics; Tax Policy and Administration; and Trade and Agriculture, plus a General Secretariat. These titles suggest the breadth of the organization’s work, but the scope of many units is even broader than the titles suggest. Each department works closely with the relevant subject-area committees.

The OECD hosts several “special bodies” funded through the Part II budget. These include the International Energy Agency, which advises members on energy security and markets; the
Financial Action Task Force, which develops policies on money laundering and terrorist financing; the Development Center, which produces development statistics and works with developing countries on poverty reduction; and the Nuclear Energy Agency, which helps members develop the technological and legal bases for safe nuclear power.

OECD relations with civil society have traditionally focused on the Trade Union and Business and Industry Advisory Committees (TUAC and BIAC). Both are independent bodies, supported by national unions and business associations, having consultative status with the OECD. TUAC and BIAC representatives consult regularly with the Council, MCM and numerous committees. The OECD also collaborates with the NATO and Council of Europe Parliamentary Assemblies, and holds annual parliamentary seminars.

Globalization has generated pressure for broader engagement – as dramatized by the OECD-sponsored Multilateral Agreement on Investment (MAI), abandoned in 1998 after strong civil society opposition. Since 2000, the organization has sponsored multi-stakeholder OECD Forums that bring together business, labor, civil society, governments and international organizations to discuss current issues. Civil society also participates in Global Forums and engages with committees through observer status, informal consultations and structured interactions. Civil society is especially active in areas such as development assistance, education, environment, bribery, the Guidelines for Multinational Enterprises and consumer protection, even helping to draft some OECD instruments. Departments and committees conduct online consultations, and the Public Affairs Division has expanded the flow of information to civil society.

The OECD working method is evidence-based and analytical; it relies on an expert Secretariat, but seeks to build consensus among national officials. Once an issue is placed on the agenda, the Secretariat collects relevant information from members and other states, existing databases and other sources. It organizes and analyzes this information for presentation to officials; research and analysis continue throughout the process. The Secretariat’s mastery of the data, identification of trends and commonalities, and choice of analytical frames, priorities and recommendations, all have powerful cognitive influence on official deliberations. Officials come together repeatedly, in committees and working groups, to exchange experiences, discuss the issue and move toward consensus on appropriate policies.

The instruments emerging from this process may be categorized by their legal status and the organs that adopt them.

Most norms take the form of policy guidelines, which are not official acts of the organization. An example is the 2008 OECD Policy Guidance for Digital Content.

Declarations are “solemn texts setting out relatively precise policy commitments …,” they are neither official acts nor legally binding, but are “noted” by the Council. Significant Declarations address international investment and multinational enterprises; trade policy; women’s employment; internet privacy; scientific cooperation; aid effectiveness; policy coherence; the internet economy; green growth; and integrity in international business.
Arrangements and Understandings are negotiated among subsets of members; they too are not legally binding but are noted by the Council. An important example is the Arrangement on Officially Supported Export Credits, first agreed in 1978.

The Council may issue formal Recommendations, official acts which are not legally binding but have significant political force. Recommendations are by far the most numerous official acts; recent examples cover subjects from law enforcement cooperation to bribery and corruption, integrity in lobbying, national security investment policies and genetic research databases. The widely-followed Model Tax Convention is also a Recommendation.

The Council may also adopt Decisions, which legally bind non-abstaining members. Some of the organization’s most important acts take this form. They include the Codes of Liberalisation of Capital Movements and Current Invisible Operations; Decision Concerning National Treatment; and Guidelines for Multinational Enterprises.


The OECD also adopts broad “strategies” that cross department/committee lines and may involve multiple instruments. Examples include the Strategic Response to the Economic and Financial Crisis, Strategy on Green Growth, Innovation Strategy and Jobs Strategy.

The OECD promotes implementation through its most characteristic activity, peer review. “Peer review can be described as the systematic examination and assessment of the performance of a State by other States, with the ultimate goal of helping the reviewed State improve its policy making, adopt best practices, and comply with established standards and principles. The examination is conducted on a non-adversarial basis, and it relies heavily on mutual trust among the States involved in the review, as well as their shared confidence in the process. … [T]he Secretariat of the organisation also plays an important role in supporting and stimulating the process. With these elements in place, peer review tends to create, through this reciprocal evaluation process, a system of mutual accountability” (Pagani 2002).

Committees normally administer the process with analytical support from the Secretariat. Reviews often involve a self-evaluation by the reviewed state, a site visit by reviewers, input from stakeholders, preparation of a draft report, plenary discussion of the draft with the reviewed state, and publication of the final report. Peer review provides valuable information to officials, exerts peer pressure, and catalyzes pressure from the public and other governmental units. Issue-focused reviews often contribute to policy development through cross-country comparisons.

In sum, the OECD is a knowledge-based organization which – in spite of a near-total lack of material power – has substantial influence on global governance through its expertise and ideas, the transnational relationships it fosters, and the community of values and norms it helps build.
SEE ALSO: Anti-Bribery Convention; Cross-Atlantic Relationships: Europe and the US; Developed Countries; Economic Globalization; Governance, Global; International Governmental Organizations (IGOs); Multilateral Agreement on Investment

REFERENCES AND SUGGESTED READINGS


OECD (2010), Secretary-General’s Report to Ministers 2010 (2d edn.)


