

THE OECD AND ASIA: WORLDS APART IN TODAY'S GLOBALIZATION?

LA OCDE Y ASIA: ¿DOS MUNDOS APARTES EN LA GLOBALIZACIÓN ACTUAL?

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ABSTRACT

When the Organisation for Economic Co-operation and Development (OECD) was created half a century ago in 1961, its members accounted for the lion's share of the world economy and that remained the case for almost three decades. Major international developments occurred from the late 1980s like the end of the Cold War; and the return of stability, open markets and democracy to Latin America. But the OECD countries' global economic predominance was only really challenged by the rise of East Asia through its export-oriented growth strategies.

The OECD responded to all these developments by inviting countries to join the Organisation and participate in outreach activities. But what is striking in this opening of the OECD membership is the lack of a visible presence of Asia and a growing "eurocentricity". The OECD's membership has grown by 10 countries (to 34) over the past 17 years, but only one of these new members (Korea) comes from Asia. Based on current trends, the OECD seems condemned to represent an ever declining share of the world economy.

As the OECD enters its second half century, it is very much at a crossroads. This paper argues that for the OECD to be a more effective and legitimate player in global governance, it needs to make a major and immediate effort to recruit large Asian countries as members, even if it means adopting a more flexible approach to membership criteria and adapting the organisation. While Asia's leading economies would have much to gain from joining the OECD and accepting and committing to the Organisation's policy standards, the OECD has to recognize that the global financial crisis has brought the "Western brand" (which the OECD represents) into serious disrepute. This underlines the argument for greater flexibility with respect to membership criteria.

As major beneficiaries of globalization, Asia's leading economies arguably have a responsibility to adopt more of the OECD's values-based culture in terms of good governance and transparency. Just as importantly Asia can contribute to this organizational culture which has always evolved and needs to evolve further. This would ultimately be beneficial to them and the global economy, and they would thereby become more responsible stakeholders in the global system.

*Keywords:* OECD; Asia; International Organisations; International Relations; International Political Economy.

## RESUMEN

Cuando la OCDE fue creada hace medio siglo, en 1961, sus miembros representan la mayor parte de la economía mundial y esa proporción se mantuvo durante las tres décadas siguientes. Algunos acontecimientos internacionales tuvieron importancia durante la década de 1980, como el final de la Guerra Fría, el inicio de una nueva fase de estabilidad y apertura de los mercados y la instauración de la democracia en América Latina. Pero el predominio de los países de la OCDE en economía mundial fue tan sólo desafiado por las economías de Asia Oriental, como resultado de sus estrategias de crecimiento orientado a la exportación.

La OCDE respondió a todos estos acontecimientos, invitando a los países a integrarse en la organización y participar en algunas de sus actividades de difusión. Pero lo que sorprende en esa apertura de la OCDE es la falta de presencia relevante de Asia y un creciente "eurocentrismo". En los últimos 17 años, los países miembros de la OCDE han aumentado en diez (34), pero sólo uno de estos nuevos miembros (Corea) proviene de Asia.

Sobre la base de las tendencias actuales, la OCDE parece condenada a representar un porcentaje cada vez menor de la economía mundial. La OCDE entra así en su segundo medio siglo en una encrucijada. Este documento sostiene que para que la OCDE sea un agente más eficaz y legítimo en la gobernanza mundial, es necesario que haga un esfuerzo importante e inmediato para integrar grandes países asiáticos como miembros de pleno derecho, incluso si esto significa la adopción de un enfoque más flexible de los criterios de ampliación y adaptación de la organización. Mientras que las principales economías de Asia tienen mucho que ganar al integrarse a la OCDE, aceptando y comprometiéndose con las normas de política de la organización, la OCDE tiene que reconocer que la crisis financiera mundial tiene un claro carácter "occidental" (representativa de la OCDE) que implica un grave descrédito. Esto pone de relieve el argumento que exige una mayor flexibilidad con respecto a los criterios de adhesión.

Como principales beneficiarios de la globalización, las principales economías de Asia tendrían la responsabilidad de adoptar una cultura basada en los valores de la OCDE, tanto en términos de buen gobierno como de transparencia. Asimismo, estos países pueden contribuir a una cultura que ha permitido evolucionar a la organización. En última instancia, esto sería beneficioso para Asia y la economía mundial, y constituiría a los países asiáticos en agentes más responsables en el sistema global.

*Palabras clave:* OCDE; Asia; Organizaciones internacionales; Relaciones internacionales; Economía Política internacional.

*JEL Classification:* F53; O19.



## 1. INTRODUCTION

When the Organisation for Economic Co-operation and Development (OECD) was created half a century ago in 1961, its members including Japan (which in fact became a member in 1964) accounted for almost 60% of global GDP<sup>1</sup>. They were mostly either advanced economies, or economies rapidly recovering from the war and economic depression that had characterised the first half of the 20th century.

Much of the rest of the world could be classified as either communist countries, or developing countries whose economic policies shared similarities with the communist world in terms of inward-looking development strategies, with a strong involvement of the state at the expense of market mechanisms. While some of these economies enjoyed periods of strong growth, overall their economic performance was relatively poor. As Western Europe enjoyed a long and successful period of economic catch-up, the OECD group remained on top of the world economy for many years.

Major international developments occurred from the late 1980s. The Cold War came to an end, and many former communist countries democratised and became increasingly successful market economies. In Latin America, hyperinflation, debt crisis and military dictatorships were replaced by economic stabilisation, open market policies and democracy in many countries. But the OECD countries' global economic predominance was only really challenged by the rise of East Asia through its export-oriented growth strategies (see also Clifton and Díaz, 2011).

The OECD responded to all these developments by inviting countries to join the Organisation and participate in outreach activities. But what is striking in this opening of the OECD membership is the lack of visible presence of Asia. The OECD's membership has grown by 10 countries (to 34) over the past 17 years, but only one of these new members (Korea) comes from Asia.

<sup>1</sup> Maddison, Angus. Historical Statistics for the World Economy: 1 to 2003 AD. Accessed on 6 August 2010, [http://www.gdc.net/maddison/Historical\\_Statistics/horizontal-file\\_03-2007.xls](http://www.gdc.net/maddison/Historical_Statistics/horizontal-file_03-2007.xls)

Against this background, this paper will explore three main questions: why is Asia so little present in the OECD membership; does this matter; and what if anything should be done to address this problem or situation. There are several possible reasons why Asia is so little present in the OECD membership despite its stunning economic development, and why certain countries like Mexico and Chile in Latin America, six countries from Central Europe, and Israel have become members. Some Asian countries do not fully abide by the OECD values of democracy and market economy. In addition, there has never been a great lobbying campaign on their behalf by existing member countries, the majority of which are European. By contrast, the former communist countries of central Europe had western European neighbours (and also the United States) pushing their case, and Mexico had the US insisting it become a member. To be sure, Korea's membership was supported by several countries like Japan and Australia, but there was no active lobbying campaign on behalf of Asia on the same scale as for the other aforementioned countries. Perhaps Asian countries, which are generally attached to their developing country status, were deterred by the North Atlantic character of the OECD. The OECD Secretariat itself, geographically and culturally far from Asia, and dominated by European nationals, may also have been less effective in selling the Organisation.

Does it matter? On the basis of how the Organisation perceives and presents itself, the answer must be "yes, it does matter"! The OECD leadership sometimes refers to the Organisation as a "hub of globalization"<sup>2</sup>. This is patently not the case when the big dynamic economies of Asia -- China, India and Indonesia -- which are today's main motors of globalization, are not members of the Organisation, and there is no immediate prospect of them becoming members.

Overall, OECD has only two member countries from Asia, being Japan and Korea. By contrast, the World Trade Organisation's list of the world leading merchandise exporters<sup>3</sup> includes 10 Asian economies in its top 34 exporters, namely, China, Japan, Korea, Hong Kong, Singapore, Taiwan, Malaysia, Thailand, India and Indonesia. While some of Asia's big dynamic economies like China, India and Indonesia still have relatively low levels of GDP per capita, this is not true for economies like Hong Kong, Macao, Singapore and Taiwan, which have levels of economic development around that of the most advanced OECD member countries.

The OECD's leadership is also only too vividly aware of the tension arising from the fact that a number of G20 members are not members of the OECD. This can limit the OECD's capacity to participate in and contribute to the activities of this Group, whose leaders have "designated the G-20 to be the

<sup>2</sup> Curria, A. (2007): 'Making the World Economy Work Better', OECD Observer No. 262, July 2007, [http://www.oecdobserver.org/news/fullstory.php/aid/2294/Making\\_the\\_world\\_economy\\_work\\_better.html](http://www.oecdobserver.org/news/fullstory.php/aid/2294/Making_the_world_economy_work_better.html)

<sup>3</sup> WTO, International Trade Statistics 2009 – [www.wto.org](http://www.wto.org)



premier forum for our international economic cooperation"<sup>4</sup>. In particular, some non-OECD G20 members like China have reportedly resisted the inclusion of OECD and some of its important work in the G20 process because they were not OECD members.

This paper will argue that the OECD is an organisation caught between economics and politics. Its functional activities are inherently economic, while decisions regarding membership are mainly political. This greatly hampers its capacity to fulfill its basic functions of addressing "the economic, social and environmental challenges of globalization, as well as exploit its opportunities"<sup>5</sup>. This paper argues that for the OECD to be more effective and legitimate player in global governance, it needs to make a major and immediate effort to recruit large Asian countries as members, even if it means adopting a more flexible approach to membership criteria and adapting the organisation. While Asia's leading economies would have much to gain from joining the OECD and accepting and committing to the Organisation's policy standards, the OECD has to recognize that the global financial crisis has brought the "Western brand" (which the OECD represents) into serious disrepute. This underlines the argument for greater flexibility with respect to membership criteria.

As major beneficiaries of globalization, Asia's leading economies arguably have a responsibility to adopt more of the OECD's values-based culture in terms of good governance and transparency. Just as importantly Asia can contribute to this organizational culture which has always evolved and needs to evolve further. This would ultimately be beneficial to them and the global economy, and they would thereby become more responsible stakeholders in the global system. This positive assessment of the benefits of OECD membership is based on my work experience of over 20 years at the OECD.

In making this argument, this paper addresses the following issues: Asia and the evolving logic of OECD membership; Non-member partnerships with Asia; Why Asia matters to the OECD; Adapting the OECD to Asian-led globalization; Asia in the OECD; and some Concluding Comments.

## 2. ASIA AND THE EVOLVING LOGIC OF OECD MEMBERSHIP

Although most of the OECD's activities are "economic", and the "E" in OECD refers to "economic", membership of the OECD has always been fundamentally a political issue. The politics of membership have evolved over the past half century which means that there is not one coherent logic for the choice of OECD's members. But one clear thread runs through this evolving logic, and this is the OECD's "North Atlantic" (rather than global) character. This has persisted into the post Cold War era when the OECD's leading members have often used the Organisation as an instrument of cultural hegemony to project

<sup>4</sup> G20 Leaders' Statement, the Pittsburgh Summit, September 24-25, 2009.

<sup>5</sup> OECD, "The OECD's Global Relations Programme 2009-10" – [www.oecd.org](http://www.oecd.org)

and spread North Atlantic values, even though the world's leading economies are characterized by a variety of value systems.

## 2.1. OEEC PERIOD – 1948 TO 1960

The Organisation for European Economic Co-operation (OEEC), the OECD's precursor, was created to administer the Marshall Plan after World War 2. The Marshall Plan can be seen as part of the actions of the US hegemon to create an international system to promote peace, prosperity, stability and security<sup>6</sup>.

The OEEC and the Marshall Plan were very much "North Atlantic" in character, not global. They were financed by the US and Canada, with the recipients being European countries. The Marshall Plan not only provided money to countries of Western Europe, but it obliged Europe's former warring nations to work together. This laid the foundation for what is now called the European Union and other co-operation.

Importantly, there was no values-based conditionality of democracy, human rights and market economy for OEEC membership. The Marshall Plan also had one characteristic which has remained with the OECD. That is, while its function was economic, its ultimate goal was political stability and security. The opening clause of the OECD's Convention states that "economic strength and prosperity are essential for the attainment of the purposes of the United Nations, the preservation of individual liberty and the increase of general well-being"<sup>7</sup>.

The Marshall Plan was never destined for countries outside of Europe. Around the time, Japan was occupied by the American victors of World War 2, and the Korean peninsula was at war. The Chinese Communist Party had just won the country's civil war. Much of the rest of Asia was beginning decolonialisation, and relationships with Western countries mainly focused on official development assistance from previous colonial masters. Following the post-war occupation, the US established separate economic and security arrangements with Japan, as it did for Korea after the end of war on the peninsula. Many other events were to follow like the Vietnam war, the creation of Association of Southeast Asian Nations (ASEAN) and the playing out of the Cold War in Asia. But the main point is that the US launched separate economic and security systems for Europe and Asia. This was the basis of the Cold War hegemonic new order centred around the US.

In summary, the initial logic of the OECD (through its predecessor, the OEEC) was to help the reconstruction of the countries from a war ravaged Europe, which then faced the threat of communist USSR. As is usual with all clubs, all the initial members are still members over 60 years after the creation of

<sup>6</sup> OECD. The Marshall Plan: Lessons Learned for the 21st Century [http://www.oecd.org/document/63/0,3343,en\\_21571361\\_38695295\\_41320319\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/63/0,3343,en_21571361_38695295_41320319_1_1_1_1,00.html)

<sup>7</sup> OECD, Convention on the Organisation for Economic Cooperation and Development, Paris, 14th December 1960 – [www.oecd.org](http://www.oecd.org).



the OEEC. This organizational “stickiness” means that an evolving organization, as the OECD has been, will never maintain a coherent organizational logic, and will probably always struggle to evolve. But the sign of Asia was on the horizon, as Japan joined the OEEC's Development Assistance Group in the last moments of the OEEC.

## 2.2. COLD WAR OECD

When the OEEC was transformed into the OECD in 1960, the world had moved on, and clear blocs of countries had emerged. The OECD's founding members were all North Atlantic countries, that is, from Europe or North America, and 16 of the founding 20 members were not surprisingly also members of NATO. The OECD group of countries could be seen as the “West” vis-a-vis the communist “East”, and the “North” vis-a-vis the developing “South”. There was no founding OECD member from Asia, although Japan was hovering in the background.

In the Cold War context, Japan quickly became part of the West benefiting from an American security umbrella, aid and open markets, with democratic politics and market economics imposed on it. Thanks to this, as well as its own dirigiste industrial policies which were to prove very effective for a number of decades, Japan made very rapid economic progress. Japan's GDP per capita recovered to pre-war levels by the early 1950s. Its rapid economic growth would continue through the 1960s, with it surpassing West Germany to become the world second largest economy by 1968.

It was against this background that Japan was invited to become a member of the OECD in 1964. Despite many thousands of miles, Japan was de facto a North Atlantic country. This history still haunts Japan today as it struggles to find its place in a resurgent Asia. Japan's membership of the OECD was very much symbolic of its successful post-war recovery. In the very same year, Japan hosted the Olympic Games (a first for Asia), and witnessed the first bullet train.

But while Japan immediately had an equal seat at the OECD table with other members, it would be a “quiet participant” for many years. Japan did not have a position in the OECD's senior management until 1990<sup>8</sup>, some 22 years after it became the world's second biggest economy. It was neither very assertive nor did it have many senior level staff members. Even today, despite its many calls for Asia to play a more active role in global governance, Japan has the OECD's second lowest (after Switzerland) percentage of OECD officials in comparison to OECD budget contribution. Japanese nationals represent only 5% of OECD Secretariat staff compared with a budget contribution of

<sup>8</sup> A Deputy Secretary-General position was created for Japan in 1989. It was initially occupied in 1990, and exists to this day.

14%<sup>9</sup> notwithstanding massive searches undertaken by the OECD Human Resources Service.

It is not surprising that the subsequent new members from the Cold War period were also members of the Western alliance -- Finland (1967), Australia (1971) and New Zealand (1973). Though part of the Asia-Pacific region, these latter two countries were much more European than they are today. It is interesting to note that around the year 1980, deep in the Cold War period, a number of Asian economies had GDPs per capita of an "OECD-level", and were arguably "economically qualified" for OECD membership. The GDPs per capita of Hong Kong and Singapore were around the same level as Greece, Ireland, Portugal and Spain, while Korea, Malaysia and Taiwan were in the same ballpark as Turkey<sup>10</sup>. There was, however, no suggestion at the time of these "developing countries" being considered for OECD membership.

One aspect of the OECD's democratic credentials is that it has always had relations with non-governmental stakeholders. From its very early days, the OECD cooperated with the business sector through the Business and Industry Advisory Committee (BIAC) and trade unions through the Trade Union Advisory Committee (TUAC), and in subsequent years it would establish very substantial dialogue with civil society organizations. In sharp contrast, the Asia-Pacific Economic Cooperation group (APEC) works closely with the business sector through the APEC Business Advisory Council, but does not have any cooperative relations with trade unions or civil society organizations.

In conclusion, during the Cold War period, the OECD was very much a North Atlantic bloc of countries, as distinct from developing countries and the communist countries. Although democratic values were not yet mentioned, it was part of the culture of the organization. It was after all a bastion against communism. Apart from Japan, a staunch ally of the West, other Asian countries simply did not fit into the OECD mould.

### 2.3. POST-COLD WAR OPENING OF OECD

The end of the Cold War in 1989, and the rapid industrialization and development of what came to be known as emerging economies led to a crisis of identity for the OECD. What was the relevance of a fundamentally Cold War organisation in a new post-Cold War world?

It was around that time that OECD ministers agreed that the OECD membership shared certain values. At their annual meeting in May 1990, OECD Ministers welcomed "the historic changes taking place in Europe, particularly in Germany. These developments, together with the recent evolution of a number of the developing countries, represent a movement towards the basic values

<sup>9</sup> OECD. OECD Staff Profile Statistics 2009. C(2010)30

<sup>10</sup> Maddison, Angus, *ibid.*



which are common to the OECD countries: pluralistic democracy, respect for human rights, and a competitive market economy. They improve the prospect of a truly integrated global economic system<sup>11</sup>. In reality, this was a case of mid-life identity construction that was to become the philosophical basis of invitations to new members. It also meant that as we were moving into the "post North Atlantic era" of globalization, the OECD would remain a bastion of North Atlantic values, even if it did not always strictly apply those principles. Thus, the OECD was seen to be a values-based organisation, even if not all of its existing members adhered perfectly to those values – and even though this important decision was never incorporated in the OECD Convention. Therefore, implicitly, the OECD was open to membership by countries that were willing and able to abide by these values.

Importantly, by defining itself as a values-based organization, rather than an organization that brought together the world's major and most dynamic economies, it committed itself to the destiny of declining global economic significance, and basically excluded some of Asia's most important economies. It also meant that the price of OECD membership was adopting North Atlantic values.

With the definition of such values being rather subjective, the next wave of opening to new members involved inevitable political horse-trading. Mexico was the first country to join in 1994, against the background of the NAFTA negotiations and the major policy reforms undertaken by the Salinas government, and despite its questionable democratic credentials. The Institutional Revolutionary Party (*Partido Revolucionario Institucional* or PRI) had held power in the country for about 70 years. At the 1993 OECD Ministerial Council Meeting, four American cabinet secretaries banged the table "Mexico, Mexico, Mexico, Mexico"<sup>12</sup>. Within one year, Mexico became an OECD member and was present at the 1994 Ministerial Council Meeting.

In exchange, at 1993 Ministerial meeting, European OECD members extracted a soft mandate for eventual membership by the Czechoslovakia (which would subsequently split in the Czech and Slovak Republics), Hungary and Poland – even though these countries still had a long way to go in establishing a full-fledged market economy and democracy. The Czech Republic would become a member in 1995, and Hungary and Poland in 1996, both ahead of Korea which joined at the very end of 1996 (the Slovak Republic's troubled politics would stop it from becoming a member until 2000).

At the time of the 1993 Ministerial Council Meeting, Korea's GDP per capita was 60% higher than Mexico's, and similarly higher than the central European countries. Nevertheless, OECD ministers were much more cautious as they welcomed "the positive evolution of Korea's involvement in OECD

<sup>11</sup> OECD, Meeting of the Council at Ministerial Level in May 1990, Communiqué <http://www.g7.utoronto.ca/oecd/oecd90.htm>

<sup>12</sup> OECD, Meeting of the Council at Ministerial Level in June 1993, Communiqué <http://www.g8.utoronto.ca/oecd/oecd93.htm>

activities, which enhances mutual understanding and also paves the way for early membership". Korea would not become a member until 12 December 1996.

Ultimately Korea would have to fight tough political battles to make it through the OECD accession process to membership despite widespread support especially from Australia and Japan. A major issue was its alleged harsh treatment of trade unionists, a violation of the OECD's philosophical value of respect for human rights<sup>13</sup>. When the OECD invited Korea to join the OECD, it welcomed the commitments made by the Korean authorities "to reform existing laws on industrial relations in line with internationally-accepted standards, including those concerning basic rights such as freedom of association and collective bargaining". The Council also instructed the OECD's Employment, Labour and Social Affairs Committee "to monitor closely the progress made on labour law reforms in the light of that commitment".

In short, it could be argued that the OECD Council had "gone soft" on Mexico and the Central European countries, and "gone tough" on Korea by imposing post-membership policy monitoring. Korea had become an economic miracle, with a relatively unique model of development, similar to the case of Japan. OECD membership provided another means of exerting policy pressure on Korea. This is probably the key to the OECD's interest in Korea's membership. Like Japan, Korea was very pleased to join the OECD in part because of the prestigious recognition of its miracle development. There may be very few other developed countries as status conscious as Japan or Korea. Even today, the visit of the OECD Secretary-General to Korea is treated like a state visit, whereas in many other countries the Secretary-General can struggle to get a brief meeting with a Minister.

Even though the OECD had developed programmes of cooperation and dialogue with Asia's dynamic economies, it seemed to struggle to convince them of the benefits of membership. And while Japan and Korea, perhaps by virtue of their special security relations with the US, were happy enough to wear the North Atlantic badge of OECD membership, other countries in Asia were keen to keep their developing country political identity, even if it no longer fitted in economic terms. The OECD brand was also not helped by the fact that both Mexico and Korea had financial crises about a year after they joined the Organisation. Many questions were raised about the validity of the policy adjustments that were demanded as part of the price of OECD membership, most notably with regard to the OECD's Code of Liberalisation of Capital Movements.

This wave of new members was significant in many ways. First, politics more than economics was behind the new membership decisions, especially in the case of the central European members, but also Mexico. Second, although Asia had already become the most dynamic part of the world economy, only

<sup>13</sup> Oecd: Labour Market Reform and Social Safety Net Policies in Korea, Oecd Policy Brief, October 2000, [Http://www.Oecd.Org/Dataoecd/2/54/1917886.Pdf](http://www.Oecd.Org/Dataoecd/2/54/1917886.Pdf)



one of the six new members came from Asia. Third, despite the onward march of Asian-led globalization, OECD was arguably becoming even more “North Atlantic” and “euro-centric”, with 22 of its 30 members coming from Europe.

#### 2.4. 2007 MEMBERSHIP OPENING

Although the membership question was always on the table, the OECD took more than ten years following the previous wave of new members before it invited any more countries to start membership discussions. It digested its new members, made some internal governance changes and undertook reflections on the membership question. While the OECD was deep in reflection about which countries to invite to join the Organisation, the “Western brand” (which the OECD represents) received a sharp jolt during the 1997 Asian financial crisis. In particular, the International Monetary Fund was perceived to have greatly mishandled the crisis management to such a point that many of Asia’s leading policy makers and academics still talk of the “IMF Stigma” which holds Asian countries back from borrowing from the IMF to this very day<sup>14</sup>.

Emerging Asia brilliantly navigated its way through the 1997 Asian financial crisis, and then China celebrated its 2001 membership of the World Trade Organisation by embarking on its fastest decade of economic growth. Already in 2000, the GDP per capita of Hong Kong, Macao and Singapore exceeded that of most advanced OECD countries, including Canada, France and Germany. By this time, Taiwan had surpassed Greece, Portugal and Spain, while Malaysia and Thailand had reached the same broad level as Hungary, Mexico, Poland and Turkey.

By 2007 OECD ministers decided to invite five countries to start membership negotiations, viz, Chile, Estonia, Israel, Russia and Slovenia. This decision represented a continuation of previous trends. Apart from Russia (whose membership is probably still a long way off), the selected countries are rather small. There was also a European bias, and no Asian country was included. Many saw the invitation to Israel as a confirmation of the OECD’s North Atlantic bias and “flexible” application of its values, because of perceptions of its disrespect for human rights. Once again, clearly politics was driving the decision-making as much as economics. All of these countries except for Russia have since become OECD Members, although none of them are members of the G20.

It seems clear that OECD membership is most attractive for smaller countries which have most to gain in terms of the prestige of membership, and the access to information, advice and policy networks. As OECD Secretary-General Angel Gurría once said “At the OECD, we pay great attention to the lessons that can be learned from the experiences of some of our smallest members: from

<sup>14</sup> Yoon, Bong Joon: *The IMF Bailout in Korea: A Socialist Poison*, <http://mises.org/journals/scholar/asia.PDF>



for the OECD's eurocentricity on inward-looking Europeans who took a long time before they realised "the implications of the power shift that is moving the epicenter of the world economic dynamism towards East Asia and the Pacific Rim. Many of the transatlantic romantics in the European foreign ministries still don't get it."

### 3. NON-MEMBER PARTNERSHIPS WITH ASIA

The OECD has for a long time conducted non-member partnership activities with Asia. Japan became a member of the OEEC's Development Assistance Group before joining the OECD. Korea was a member of the Working Party on Shipbuilding from the late 1980s.

For much of the Cold War period, the OECD's relations with Asia were confined to the OECD's Development Centre<sup>20</sup> which functioned as an "arm's length window" on the developing world. Even today, the OECD Development Centre has been recruiting non-OECD countries as members, with India, Indonesia, Thailand and Vietnam joining up. This only provides a very limited vector of cooperation with the OECD, since major OECD Member countries like the United States, Japan and Australia withdrew from Development Centre membership some time ago.

In addition to expanding its membership after the Cold War, the OECD also launched major programmes of outreach to non-member countries, in part to prepare them for possible membership, but also to respond to globalization. For much of the 1990s, these outreach activities concentrated on the former communist countries. The dynamic economies of Asia and Latin America were a much lower priority. This reflected the political priority attached to the transition by the former communist countries to full fledged democracies and market economies. These former communist countries were the "lost sheep" of the North Atlantic community which were prevented from benefiting from the Marshall Plan by the Soviet enemy. However, by the 2000s decade, China had grown to become the most important outreach partner, as its dynamism continued, and developments in Russia became more problematic.

In parallel to the 2007 membership opening, OECD ministers agreed to launch a programme of "Enhanced Engagement" with Brazil, China, India, Indonesia and South Africa, all of which are G20 members. This programme is aimed at preparing these countries for possible future membership (even if preparation of the non-democratic China's membership would be a long haul process). Many valuable studies are undertaken, and conferences and missions organized.

The split between those countries invited to become members and the Enhanced Engagement group is explained by the fact that all countries in

<sup>20</sup> OECD Development Centre, [http://www.oecd.org/department/0,3355,en\\_2649\\_33731\\_1\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,3355,en_2649_33731_1_1_1_1_1_1,00.html)

the former group had expressed interest in OECD membership, and were given a positive response, whereas the Enhanced Engagement Group had not expressed an interest in membership (indeed, some of these countries quite clearly do not want to become members of the presently very “North Atlantic OECD”). In other words, the OECD wants these latter countries to be members more than they would like to join.

Thanks to the Enhanced Engagement programme, these five big countries are now involved in most OECD activities, and even sit at the same table as OECD ministers at their annual Ministerial Council Meeting. In appearances, these countries may seem to be de facto members of the OECD, but in reality they do not take part in its formal decision making, or contribute to its budget. This Enhanced Engagement Programme has been described by a very senior OECD official as a “one way love affair”, with the three countries having no interest whatsoever in OECD membership, even though they are participating actively in the Organisation.

A programme was also established with Southeast Asia, which is deemed to be a region of strategic interest to the OECD in light of its growing importance. The latter programme was essentially the product of political horse-trading by which some non-Europe OECD members like Australia extracted a concession in exchange for agreeing to more European members of the Organisation (see Kellow and Carroll, 2011).

For some years now, the OECD has been involving non-members in its over 40 principal functional committees (like the Environment Policy Committee, Committee on Fiscal Affairs, Investment Committee or the Trade Committee), but Asia is much less present than other regions<sup>21</sup>. China is a regular observer in only two OECD committees, in the areas of science and technology, and fiscal affairs. India participates in committees for competition policy, consumer policy, health, information technology, science & technology, statistics and steel. Indonesia only participates in a tax forum and one education group. Hong Kong, Malaysia, Singapore, Taiwan and Thailand each participate in one or two committees.

Since the general opening of the OECD over the past two decades, non-members have been welcome to participate in OECD instruments on the same terms as OECD members. For example, in addition to the 34 OECD member countries, four non-member countries have signed on to the OECD Anti-Bribery Convention, namely Argentina, Brazil, Bulgaria, and South Africa. This Convention establishes legally binding standards to criminalise bribery of foreign public officials in international business transactions and provides for a host of related measures that make this effective. Similarly, some 8 non-member countries have adhered to the OECD Guidelines for Multinational Enterprises, in particular, Argentina, Brazil, Egypt, Latvia, Lithuania, Morocco, Peru and Romania. Asia is conspicuously absent from these lists of non-member countries.

<sup>21</sup> OECD, *On-Line Guide to OECD Intergovernmental Activity* (accessed 23 September 2010). <http://www2.oecd.org/OECDGROUPS2/Bodies/ListByNameView.aspx>



This non-member participation in OECD activities could be regarded as a form of “strapontin<sup>22</sup>-governance”. In other words, where a non-member economy is very relevant to the Organisation’s work in a subject area, it is invited to participate (that is, sit on a spare folding chair!). This pragmatism has allowed the OECD to respond flexibly to the Asian-led globalization. But it is not very attractive to Asian countries for several reasons. It puts them in the position of “rule takers” whereby they basically have to accept the OECD’s own rules of the game. In this context, they can also feel like “second-class” citizens. It most clearly does not provide great encouragement to large Asian countries to find that they are mere observers when very much smaller European countries are full members.

#### 4. WHY ASIA MATTERS TO THE OECD

Asia does and should matter immensely to the OECD based on how the Organisation perceives its role and function. According to the present OECD Secretary-General Angel Gurría, the “OECD has been working to produce a more harmonious globalisation for many decades<sup>23</sup>”. The OECD is a “hub of globalization”<sup>24</sup>. “The OECD’s ultimate goal is not only to identify problems, measure them, compare them, and propose policy solutions, but about making reform happen and evaluating the outcomes.”<sup>25</sup> Since Asia has become the main driver of globalization, its presence and participation are essential as the Organisation seeks to help its members address the manifold economic, social and environmental challenges of globalization.

Asia’s diversity is rich, and the potential interest for the OECD is similarly very rich. Asia contains economies like Hong Kong, Macao, Singapore and Taiwan<sup>26</sup> which are as advanced and developed as most OECD countries, and have much experience to share across a broad range of policy domains. For example, school students from Shanghai, Hong Kong and Singapore have been assessed as being significantly above the OECD average for reading ability, and these same economies as well as Taiwan and Macao are above the OECD

<sup>22</sup> “Strapontin” is a French word for a fold-out seat that is used in theatres and the Paris metro when there is so many people that all the normal seats are full. When you get up off a strapontin, it folds back suddenly in a rather unwelcoming manner.

<sup>23</sup> Gurría, Angel, *Globalisation: A Learning Curve*. University of Sydney’s International Forum, 8 August 2008.

<sup>24</sup> Gurría, A. (2007). ‘Making the World Economy Work Better’, OECD Observer No. 262, July 2007 [http://www.oecdobserver.org/news/fullstory.php/aid/2294/Making\\_the\\_world\\_economy\\_work\\_better.html](http://www.oecdobserver.org/news/fullstory.php/aid/2294/Making_the_world_economy_work_better.html)

<sup>25</sup> OECD. “Strategic Orientations by the Secretary-General”, *Meeting of the Council at Ministerial Level*, 27-28 May 2010. [http://www.oecd.org/officialdocuments/displaydocumentpdf/?cote=c/min\(2010\)1&doclanguage=en](http://www.oecd.org/officialdocuments/displaydocumentpdf/?cote=c/min(2010)1&doclanguage=en)

<sup>26</sup> Hong Kong, Singapore and Taiwan are each separately members of many organizations like APEC, the Asian Development Bank and the World Trade Organisation, while Macao is a member of the World Trade Organisation.

average for science and mathematics performance<sup>27</sup>. Also, most of these economies are major players in many fields. Even the liliputian Macao is a very major player for financial governance issues in light of its very important gambling industry.

Although the OECD's interest in the large Asian economies of China, India and Indonesia lies in their economic size more than their level of development, a number of cities in China like Suzhou, Wuxi, Shenzhen, Guangzhou, Shanghai, Zhuhai, Foshan, Beijing and Xiamen have GDPs per capita above \$15,000 a year, well into the lower range of the OECD membership<sup>28</sup>. Fast growing Indian cities like Bangalore and Mumbai are also moving in this direction.

Overall, GDP per capita in China, India and Indonesia is much lower than the bottom ranges of the OECD's membership. But their size is immense. China already has the world second biggest economy after the US in purchasing power parity terms, while India comes in fourth just after Japan. Indonesia's economy is much smaller, but it just eclipses Australia's<sup>29</sup>. All three economies are major trading nations with China being the world's second biggest exporter of merchandise goods, and India and Indonesia ranking 27<sup>th</sup> and 31<sup>st</sup> respectively<sup>30</sup>. When it comes to carbon emissions, China is presently the world biggest emitter, with India being 3<sup>rd</sup> and Indonesia 15<sup>th</sup><sup>31</sup>. And in the lead-up to the current global financial crisis, emerging Asia was the most dynamic growth motor in the world economy, and following the crisis it is virtually the only part of the world economy which has maintained strong economic growth<sup>32</sup>.

It is somewhat ironical that the Enhanced Engagement countries are members of the G20, but not members of the OECD. This can limit the OECD's capacity to participate in and contribute to the activities of this Group, whose leaders have "designated the G-20 to be the premier forum for our international economic cooperation"<sup>33</sup>.

The OECD leadership is only too aware of the problem, as Secretary-General Gurria made clear in his 2010 report to OECD Ministers: "Much has been accomplished since the Enhanced Engagement Initiative was launched in 2007. Now, after three years, we need a "Quantum Leap" to improve the quality, the depth, the breadth and the level of trust with our Enhanced Engagement

<sup>27</sup> OECD Programme for International Student Assessment, 2009 Results. [http://www.oecd.org/document/61/0,3746,en\\_32252351\\_32235731\\_46567613\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/61/0,3746,en_32252351_32235731_46567613_1_1_1_1,00.html). 2006 Science Competencies for Tomorrow's World, <http://www.oecd.org/dataoecd/15/13/39725224.pdf>

<sup>28</sup> Demographia, Cities in China, Gross Domestic Product per Capita. 2007. <http://www.demographia.com/db-chinacitygdp.pdf>

<sup>29</sup> World Bank, *World Development Indicators 2010*. <http://data.worldbank.org/data-catalog/world-development-indicators/wdi-2010>

<sup>30</sup> World Trade Organisation, *International Trade Statistics 2009*. [http://www.wto.org/english/res\\_e/statistics\\_e/its2009\\_e/its09\\_toc\\_e.htm](http://www.wto.org/english/res_e/statistics_e/its2009_e/its09_toc_e.htm)

<sup>31</sup> Carbon Dioxide Information Analysis Center. Top 20 Emitting Countries by Total Fossil-Fuel CO2 Emissions for 2007. [http://cdiac.ornl.gov/trends/emis/tre\\_tp20.html](http://cdiac.ornl.gov/trends/emis/tre_tp20.html)

<sup>32</sup> IMF, *World Economic Outlook Update*. 7 July 2010. <http://www.imf.org/external/pubs/ft/weo/2010/update/02/index.htm>

<sup>33</sup> G20 Leaders' Statement, the Pittsburgh Summit, September 24-25, 2009.



partners. We must create what Primer Minister Gordon Brown described as a “comfort zone” with Enhanced Engagement countries, both bilaterally ... and in multilateral for a such as the G8, the G20 and the many specialized high-level and Ministerial meetings where we participate.”

## 5. ADAPTING THE OECD TO ASIAN-LED GLOBALISATION

The past two decades have seen the OECD membership door becoming more and more open. The weight of Asia in the global economy has grown exponentially. At the same time, the weight of Asian countries in the OECD has fallen further and further backwards, and OECD membership appears a more difficult and less attractive proposition to large Asian economies. How could the OECD as an organization adapt itself in response to Asian-led globalization?

### 5.1. THE HURDLE OF OECD'S “VALUES-BASED” MEMBERSHIP CRITERIA

The OECD remains in theory a values-based organization, even if those values have not be strictly applied to some new members. This was reiterated by the OECD Council following the 2007 membership invitation to five countries. It indicated that matters like democracy, rule of law, human rights, etc. “may be considered as particularly important parameters for judging whether a candidate country ultimately should be invited to join OECD in accordance with Article 16 of the Convention”<sup>34</sup>.

While these OECD's values are extremely laudable, and should be an aspiration for all countries, they pose several problems for the well functioning of the Organisation. First, many observers raise questions about how rigorously the values test has been applied in practice, citing cases like the quality of Mexico's democracy in 1994, Korea's questionable respect for labour rights in 1996, the weakly developed market economies in Central Europe in the 1990s, and Israel's questionable respect for human rights today. Second, these values are not very relevant to many global challenges like climate change and financial stability. While OECD Secretary-General Angel Gurría stresses that “the OECD is helping governments chart a way through the crisis with a strategic response designed to create a stronger, cleaner and fairer global economy for the future”<sup>35</sup>, at least one country (China), which is one of the very most relevant to creating a stronger, cleaner and fairer economy, is not presently eligible to become a member of the OECD because of its political system. Third, countries like China can also wonder quite validly why such stringent conditions should apply to OECD membership, when it is already a member of the G20, WTO, IMF, World Bank and United Nations. Fourth,

<sup>34</sup> OECD, *A General Procedure for Future Accessions* (adopted by the Council at its 1155th session of 10-13 May 2007), C(2007)31/FINAL – [www.oecd.org](http://www.oecd.org) – accessed 8 January 2010.

<sup>35</sup> Angel Gurría, Message to OECD Forum 2009 – [www.oecdforum.org](http://www.oecdforum.org) – accessed 8 January 2010.

the global financial crisis and European sovereign debt crisis have cast a long shadow over the credibility of the application of North Atlantic values and notions of good governance.

The lasting impression that many non-OECD countries have is that the OECD remains a Western dominated organization, where Western countries can push their values on other countries, rather than jointly addressing common problems in a spirit of partnership. The US position is clear when it says “Through its ground-breaking public policy research, ‘soft law,’ and effective peer reviews, the OECD is a dynamic international incubator for new ideas, providing the United States an unparalleled opportunity for *influencing* other countries. ... Most importantly, the OECD’s far-reaching work continues to mirror the agenda of the United States, enabling the U.S. to *influence* both members and non-members alike”<sup>36</sup>. In this regard, on a January 2010 visit to Paris, US Secretary of State Hilary Clinton said that the OECD “is an international *instrument* that needs to be used even more”<sup>37</sup> (*Italics added*).

The OECD needs to give very strong consideration regarding the extent to which its strict its values-based approach to membership is credible and constrains its effectiveness in tackling global issues by implicitly excluding certain countries, like China and perhaps Singapore, from possible membership.

## 5.2. THE WEIGHT AND COMPLEXITY OF THE OECD ACCESSION PROCESS

The OECD membership examination process has become increasingly complex. Over time, the OECD has accumulated a growing number of “policy standards”, binding and non-binding, to which all new members have to subscribe, even though they took no part in the creation and elaboration of these instruments. In this sense, the OECD is truly a club, with an immense weight of history. And potential new members could validly wonder whether it was a club they wished to join since they have to align their national policies to a set of policy standards which have had no role in establishing!

To quote the OECD itself, “The accession procedure is complex and can be long, as it involves a series of examinations to assess a country’s ability to meet OECD standards in a wide range of policy areas. This makes it difficult to bring on board more than a small number of new members at the same time. ...An “Accession Roadmap” is developed to detail the process of accession. This roadmap lists the reviews to be undertaken in various policy areas in order to assess the country’s position with respect to the relevant OECD instruments, standards and benchmarks and identifies the Committees and Working groups to be involved in such reviews.”<sup>38</sup>

<sup>36</sup> US Mission to the OECD – [www.usoecd.org](http://www.usoecd.org) – accessed 9 January 2010.

<sup>37</sup> Secretary Clinton Meets with Embassy Staff and their Families. Hillary Rodham Clinton, Secretary of State, Ambassador’s Residence, Paris, France, January 29, 2010.

<sup>38</sup> OECD webpage “OECD enlargement and engagement with non-members” – accessed 8 January 2010 – [www.oecd.org](http://www.oecd.org).



This refers to this as the concept of the OECD “acquis”, which must be accepted by all potential member countries, and has two principal elements. Firstly, it implies the acceptance of all of the internal rules of the Organisation. Secondly, it requires a positioning of the candidate country with respect to all existing OECD instruments. The list of so-called instruments, standards and benchmarks is simply mammoth covering virtually all aspects of government policy. It is not surprising that the OECD's four new members, Chile, Estonia, Israel and Slovenia should still take about 3 years before passing all tests.

This accession process raises many fundamental issues. As the OECD puts it rather diplomatically, “The accession process serves as a tool to increase the policy convergence of the country considered for membership with existing OECD members”<sup>59</sup>. In other words, potential new members are, for the price of OECD membership, pressured into swallowing the rules of the organization. The membership test puts potential new members in the situation of “rule takers”, which leaves them subject to the rules, monitoring and enforcement determined by the existing club members. Some observers have argued that certain large OECD member countries take much more interest in new members in the context of the accession process – a moment when they can extract policy concessions – than when the countries actually join the organization. In other words, for some large OECD countries, the greatest value in the OECD seems to be concessions that can be negotiated during the accession process, not the work of the Organisation itself!

This approach was very much discredited when countries like Mexico and Korea experienced financial crises in the year following their membership of the OECD. While it is debatable whether the OECD membership conditions were indeed responsible, it seems clear that certain large OECD member countries, through their bilateral relations, may have pushed for the capital account liberalization and other policy measures that contributed to these crises. In this way, the OECD remains very much an organization of the Cold War, a period of time when North Atlantic countries established the global rules of the game, and others were expected to follow. As evidenced in the Doha trade talks at the World Trade Organisation, large emerging economies now want to participate in global decision-making on an equal basis.

It is not surprising therefore that the countries most interested in OECD membership are smaller countries, especially from Europe (which may have already passed through similar hoops to join the European Union), and for which the prestige of OECD membership means something. Smaller countries may also have most to gain in adopting OECD's best practices policies, as they may not have sufficient resources to undertake independently the necessary policy analysis.

Similarly, it is not surprising that large countries from Asia may not wish to pass through such a process, when the ultimate benefits of OECD membership

<sup>59</sup> OECD, “OECD Enlargement and Engagement with Non-members”, [www.oecd.org](http://www.oecd.org) – accessed 8 January 2010.

seem less than compelling (Nobel-prize winning economist Paul Krugman<sup>40</sup> recently referred to the OECD as “Conventional Wisdom Central”!). The OECD needs to consider very seriously whether its present very onerous accession process discourages large Asian countries from wishing to join the organization and is therefore a barrier to the Organisation’s effectiveness as an international organization.

### 5.3. THE COMPOSITION OF OECD’S MEMBERSHIP

International co-operation is focusing increasingly on the world’s systemically important economies. This notion came to the fore with the creation, following the Asian financial crisis, of the Group of Twenty (G-20) Finance Ministers and Central Bank Governors in 1999. This group claims “to bring together systemically important industrialized and developing economies to discuss key issues in the global economy”<sup>41</sup>, and includes 5 countries from Asia, namely China, India, Indonesia, Japan and Korea<sup>42</sup>. There are also five European members of the G20, when the European Commission’s separate seat is included. The G20 has also never pretended to be a values-based organization – pluralist democracy and respect for human rights never came into the choice of membership.

The political humiliation of the global financial crisis for the United States and of the sovereign debt crisis for Europe forced Western countries to recognize that large emerging economies, especially from Asia, deserve an equal seat at the table. The West also now needs such emerging economies, particularly those with deep pockets, in order to govern the world economy. And so they turned to the G20 model for leaders’ meetings, five of which have so far taken place (Washington DC November 2008, London April 2009, Pittsburgh September 2009, Toronto June 2010, and Seoul November 2010). These meetings have now gone beyond financial crisis issues, and have now dealt with a broad array of issues like climate change and energy. And what’s more, the leaders “designated the G-20 to be the premier forum for our international economic cooperation”<sup>43</sup>, presumably superseding the G7/G8.

But what is most striking in today’s membership of the OECD is that a good number of systemically important economies (ie, G20 countries) are not members of the OECD, namely, Argentina, Brazil, China, India, Indonesia, Russia, Saudi Arabia, and South Africa. And further, about two-thirds of the OECD’s members are not systemically important (that is, Austria, Belgium,

<sup>40</sup> Paul Krugman’s New York Times blog, 10 September 2010. <http://krugman.blogs.nytimes.com/2010/09/10/oops-at-the-oecd/>

<sup>41</sup> G20 website – [www.g20.org](http://www.g20.org) – accessed 9 January 2010.

<sup>42</sup> The following are members of the G20 – Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Republic of Korea, Turkey, United Kingdom, United States of America, European Union.

<sup>43</sup> G20 website – [www.g20.org](http://www.g20.org) – accessed 9 January 2010.



Chile, Czech Republic, Denmark, Finland, Greece, Hungary, Iceland, Ireland, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden and Switzerland).

A harsh interpretation would suggest that the OECD has quite simply the wrong membership to be the “hub of globalization” and to be attractive to large Asian countries. Indeed, there are signs that the shape of the OECD's current membership make it less and less attractive to some of its own systemically important members. At the same time, the enthusiasm of small countries for OECD membership shows that small countries benefit the most from membership. It provides them with access to information and policy makers that they may otherwise have difficulty in getting.

The creation of the G20 leaders' process reflects the almost insurmountable challenges of radically reforming the many post-war international organizations. Networks like the G20 have many advantages over formal institutions like the IMF or OECD, in that they can be flexibly created and changed<sup>44</sup>. At the same time, being without a formal secretariat, they need to call on other organizations for the implementation of their mandates.

Cold war organizations like the OECD, IMF and the World Bank are in desperate need of major reform. In addition to ensuring that Asia is properly represented, the OECD needs to give strong consideration to reducing the weight of non-systemically important countries, such as via constituency system, in order to make the OECD more attractive to large Asia countries, and even to its own larger members.

## 6. ASIA IN THE OECD

The OECD seeks to be a major player on global issues, but the Asian sources of global dynamism are insufficiently present at the OECD. If the OECD is to be central to the newly emerging forms of global governance, such as the G20, it had better expand its influence among the emerging world's key economies, particularly in Asia.

At the same time, in the wake of the global financial crisis, the G20 group has assumed the role of the steering committee for the global economy. But several members of the G20, including China, India and Indonesia are not members of the OECD. The central argument of this paper is that the OECD needs to launch a membership recruitment drive into Asia in order to remain an effective organization. This recruitment drive should have two arms: first, adopting a more flexible approach regarding membership criteria and undertaking institutional reforms, as discussed above; and awakening Asia's interest in the OECD.

<sup>44</sup> Martinez-Diaz, Leonardo and Ngaire Woods, “The G20 – the Perils and Opportunities of Network Governance for Developing Countries”. Briefing Paper. Global Economic Governance Programme. November 2009 [www.globaleconomicgovernance.org](http://www.globaleconomicgovernance.org)

The OECD has much to offer Asian countries. Its core business is multilateral economic surveillance. It is usually conducted through a process of “peer review” involving committees of national economic policy experts<sup>45</sup>. Surveillance can be based on Secretariat research, like that ultimately published as the Economic Outlook and Economic Surveys for its member countries and a number of non-members. “Policy standards” across a vast array of topics like agriculture, corporate governance, development co-operation, employment, environment and taxation provide the framework for multilateral surveillance in these areas. These policy standards are broadly recognized by the international community (G20, G7/G8, Financial Stability Board) as being the “gold standard” for economic, social and environmental policies.

Such multilateral surveillance is often criticized as lacking teeth, notwithstanding the process of “peer group pressure”. It is however best seen from a constructivist perspective in terms of the learning and socialization that takes place. Even though OECD countries may disagree on many specific policies, they are able to discuss policies based on a commonly agreed analytical framework and data set. And views very often ultimately converge thanks to this learning and socialization. This could also be of great benefit to East Asia for developing its own surveillance activities. In the framework of the Chang Mai Initiative Multilateralisation, an independent surveillance unit is being established in Singapore (“ASEAN Plus Three Macroeconomic Research Office” – AMRO)<sup>46</sup>.

A major benefit of OECD membership is being able to participate in this multilateral surveillance, although an increasing number of non-member economies do already participate. Another benefit of membership derives from the market and international community recognition of a country’s willingness to accept and commit to the OECD’s policy standards and values. Even countries like China can appreciate the OECD’s multilateral surveillance. It can be better to have a range of countries around the table rather being face to face with one or two other major economies.

Asian economies would have much to gain from the OECD’s analytical work, peer review and multilateral surveillance, and I will cite just a few topics:

1. The current global financial crisis has highlighted the need for Asia’s emerging economies to develop sound social policies to help their populations cope with the manifest insecurities of globalization. Even China, which has sailed through the crisis thanks to its strong stimulus package, reportedly saw some 20 million workers driven from cities back to their rural homelands because of job losses.

<sup>45</sup> OECD (2003), “Peer Review: an OECD Tool for Co-operation and Change” <http://213.253.134.43/oecd/pdfs/browseit/0103083E.PDF>

<sup>46</sup> Sussangkarn, Chalongphob, “The Chiang Mai Initiative Multilateralization: Origin, Development and Outlook”. Asian Development Bank Institute Working Paper. <http://www.adbi.org/working-paper/2010/07/13/3938.chiang.mai.initiative.multilateralization/>



2. Even the most successful Asian economies have a long way to go in terms of realizing their full potential and catching up the advanced member countries of the OECD – better policies in the areas of education, competition, and science and technology are vital to this challenge. As Asian Development Bank indicators testify, many of Asia's developing countries have a long way to go in terms of achieving the Millennium Development Goals<sup>47</sup>.
3. Asian societies are "ageing", and at a much faster rate than the OECD economies, raising challenges for retirement, pension and health policies to name just a few. In contrast to OECD members, countries like China will grow old before they become rich.
4. Asia's societies are progressively become more open and democratic, and this requires more sophisticated public governance, including relations with civil society and other stakeholder groups.
5. OECD's eurocentric character means that it can be a useful organization through which to establish more relations with that continent, something which many Asian countries are interested in doing after so many years of US domination. Notwithstanding the recent sovereign debt crisis, Europe is still a very important player with total GDP around the same as the US.

In all these, and other areas, the OECD and its member countries have much to offer in terms of both good and bad lessons of experience. And while the OECD is now subject to much competition from private think tanks, other international organisations, and even the national public policy research outfits of some large member countries, it is unique in terms of its capacity to bring together national policy makers to share experiences and guide the Organisation's work. In many ways, when it comes to international cooperation, the OECD is still the best idea around.

At the same time, as major beneficiaries of globalization, Asia's economies arguably have a responsibility to adopt more of the OECD's values-based culture in terms of good governance and transparency. As the OECD founding Convention says – "Members agree that they will keep each other informed and furnish the Organisation with the information necessary for the accomplishment of its tasks"<sup>48</sup>. This would ultimately be beneficial to them and the global economy, and they would thereby become more responsible stakeholders in the global system.

But the OECD has a great challenge convincing Asians of the Organisation's benefits when leading Asian intellectuals and opinion leaders like Singapore's Kishore Mahbubani speak of "Sunset OECD"<sup>49</sup>. He has argued that the OECD

<sup>47</sup> Asian Development Bank, *Key Indicators for Asia and the Pacific 2010*, [http://www.adb.org/Documents/Books/Key\\_Indicators/2010/](http://www.adb.org/Documents/Books/Key_Indicators/2010/)

<sup>48</sup> OECD, Convention on the Organisation for Economic Cooperation and Development, Paris, 14th December 1960 – [www.oecd.org](http://www.oecd.org).

<sup>49</sup> Kishore Mahbubani, *The Myth of Western Aid*, 7 August 2009 <http://www.mahbubani.net/>

was set up “to assist countries in economic development and sustainable economic growth .. (and) By any objective standards, the OECD has failed in its mission.” He continued that the OECD “produces excellent research papers but achieves little in delivering results on its core mission ... after having failed in its core mission, the OECD has clearly become a ‘sunset’ organisation”.

## 7. CONCLUDING COMMENTS

As the OECD enters its second half century, it is very much at a crossroads. It is an organization which once represented the lion's share of the world economy, and much of the world's economic leadership, and could thereby serve its membership effectively. But today, the OECD is an organization that has been substantially bypassed by Asian-led globalization as politics have dominated economics in its choice of new members. Nine of the OECD's ten new members over the past two decades have been small/medium sized countries from Europe, Latin America and the Middle East. Korea is the one Asian exception.

If the OECD continues down this path, it is condemned to represent a continuously declining share of the world economy. This will greatly compromise its capacity to advise its members on the policy implications of “the economic, social and environmental challenges of globalization”<sup>50</sup>, and thereby weaken the Organisation. The OECD's own leadership recognizes that there is a problem when it argues for a “Quantum Leap” in the quality, the depth and the breadth of relations with Enhanced Engagement partners, namely China, India, Indonesia, Brazil and South Africa.

For the OECD to be a more effective and legitimate player in global governance, it needs to make a major and immediate effort to recruit major Asian countries as members, even if it means adopting a more flexible approach to membership criteria and adapting the organisation. The OECD must recognize that the global financial crisis has brought the “Western brand” (which the OECD represents) into serious disrepute. This underlines the argument for greater flexibility with respect to membership criteria. The membership equation has been weighted too much in favour of the existing members which wield the bargaining power of the membership prize, and thereby arguably deter the most interesting potential new members which may not believe that the accession process and the possible policy adjustments that will have to be made, are really worth the effort.

The OECD also needs to undertake a more proactive campaign to explain the benefits of the Organisation to Asia's emerging economies. They have much to gain from joining the OECD and accepting and committing to the Organisation's policy standards. As major beneficiaries of globalization, Asia's leading economies arguably have a responsibility to adopt more of the OECD's

articles%20by%20dean/myth%20of%20western%20aid.pdf

<sup>50</sup> OECD, “The OECD's Global Relations Programme 2009-10” – [www.oecd.org](http://www.oecd.org)



values-based culture in terms of good governance and transparency. Just as importantly Asia can contribute to this organizational culture which has always evolved and needs to evolve further.

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