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2016 Poland's 20th Anniversary in the OECD

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The Partnership of Convenience: the OECD and the G20 in global governance

The OECD tends to be referred to as Cinderella among international organisations because "it does not go to the ball with its older sister organisations, although it often prepares their outfits and cleans the mess after the party". In the 1990s, the OECD was confronted with a dynamic development of the European Union (EU) and the appearance of new international economic institutions which, by extending their functions, were able to act more effectively than the OECD. As a result, the OECD experienced an "identity crisis" and risked being "disconnected from the net." Therefore, the establishment of the Group of Twenty (G20) was viewed as an opportunity to bypass the challenges that the OECD faced. The question remains if it is the case.

International organizations, including the Organisation for Economic Co-operation and Development (OECD) and clubs of international co-operation, such as G7/8 and G20, play a particular role among the variety of actors engaged in global governance. Their co-operation in international relations may best be compared to a net of equilibria reflecting the layout of forces and interests in international relations. These equilibria emerge *ad hoc* in order to satisfy temporary needs and/or as a reply to sudden challenges and therefore evolve over time. Employing the net metaphor, this system of evolving equilibria is subjected to a process of being "connected or disconnected from the electricity supply from the net". For instance, a crisis or the emergence of an extraordinary situation which might lead to a crisis or to the change of the rules of the game, may result either in the weakening of the entities that have built that net (e.g. G7/8), their disappearance (e.g. COMECON), modification of their activities (e.g. the OECD) or in their replacement with new structures (e.g. G20).

The OECD is a "traditional" international organisation established in the late 1940s. In a nutshell, its objective is to promote and monitor strategies, approaches and means of implementing market oriented economic policies conducive to the highest possible economic growth, employment and standards of living in the OECD member-states. To this end, the OECD relies on such tools as deliberation, persuasion, peer-pressure, self-regulation or supervision. The OECD has been successful, e.g. in contributing to the liberalisation of foreign direct investment regimes, developing international regulations on avoiding double taxation, and for instance establishing the "polluter pays" principle that determines the responsibility for pollution. The OECD played an important role in easing the pressure in the world economy following the collapse of the Breton Woods system (1971) and oil crises (1973, 1979). The OECD's influence and support to the systemic transformation process in countries of Central and Eastern Europe cannot be underestimated, either.

In the 1990s, the OECD was confronted with a dynamic development of the EU and the emergence of new international economic institutions which, by extending their functions, were able to act more effectively than the OECD. As a result, the OECD faced an "identity crisis" and the threat of being "disconnected from the net." The establishment of the G20 was viewed as an opportunity to bypass the challenges the OECD faced. G20 is a form of a club, or, as it is usually referred to, convergent coalition, in which a narrow elite group that gathers in selected venues, engages in an informal dialogue on issues of global significance. As of 1999 the G20 member-states were represented by their ministers of finance and heads of the central banks (*G20 Finance*). In 2008 the format of the meetings has been extended to include the heads of states and/or governments of the G20 members (*G20 Leaders*).

A number of factors contributed to the immediate rapprochement between the OECD and the G20, including a limited number of members of the G20, i.e. 19 states + the EU, and of the OECD, i.e. 34 states; financial interconnections between these institutions (e.g. member input of G20 participants is more than 70% of the OECD budget); and a relatively vague mission statement. It should be also stressed that the OECD has been collecting valuable experience since the 1970s, serving in fact as the secretariat of G7. Therefore, the OECD was used by the G20 as a key provider of expertise that offered substantial support to the G20 in such fields as the fight against corruption, economic and social development, employment, prevention of climate change, energy, financial reform, international monetary system, trade and investments, taxation, consumer protection. The G20 still suffers from a shortage of working groups that would specialize in formulating the key points of the G20 agenda. Therefore, the OECD has found a niche for its engagement. Indeed, as an expertise hub, the OECD has ensured high quality of the G20's work and endowed it with the ability to transform from an anti-crisis committee to a global centre of economic governance. The significance of the OECD at the G20 forum may be also derived from the fact that in the report from the G20 Leaders' summit in Antalya, Turkey (2015), the OECD was one of the most frequently quoted organisations (11 times on 7 pages of the document). In particular, the OECD was referred to in key points of the post-summit G20 agenda, e.g. activities aimed at fighting tax base erosion and profit shifting.

The benefits of the co-operation between the G20 and the OECD are mutual. As the OECD remains in the sphere of the G20's influence, it has become more influential itself especially that some G20 members, particularly China, India and Russia, do not belong to OECD. In this sense, the G20 has introduced the OECD to the elite of global policy making. As a result, the OECD became more influential as an analytical support structure. However, everything comes at a price. As the OECD has improved its relevance as the G20's "technical committee", it has been heavily criticised by these OECD member-states that do not belong to the G20, e.g. Austria, Switzerland, Belgium, Luxemburg. These countries argued that by assigning greater resources and more time to the fulfilment of the G20's tasks would come at the price of bypassing the OECD's principles and decision-making procedures. Several actions taken by the OECD were received with controversy during the G20 forums, including the issue of non-cooperative jurisdictions, i.e. states that do not implement international taxation standards, was widely commented at the G20 summit in London in April 2009. The crux of the problem was that initially, Switzerland, Belgium, Austria and Luxemburg were included in a group of countries referred to by the OECD as non-cooperative jurisdictions. However, in September 2009 at the G20 summit in Pittsburgh these countries were removed from this list as a result of these states' objections.

Summing up, the OECD and the G20, i.e. an international organisation and a club of inter-state cooperation, in spite of their mutual initial mistrust, have worked out a model of effective cooperation since 1999. The G20, which is frequently called "a talking shop", benefits from the support its receives from the Cinderella, i.e. the OECD that provides important although frequently underestimated expertise support to the G20. From a different angle, the OECD employs its cooperation with the G20 as an opportunity to gain influence on international politics. However, several years of cooperation between these institutions display its asymmetrical character. The OECD is the weaker part in this partnership as it is only assigned new tasks. Overall, the OECD faces new challenges that are not seemingly remote and unreal. The G20's increasing specialisation is one of the most significant challenges for the OECD. Te establishment of new working structures and advocacy groups, e.g. gender equality group (*Women-20, W20*) announced in Antalya is a good case in point. Combining the OECD activity with G20 brings the risk of losing the OECD's unique character and effectiveness, which results from the use of such non-invasive mechanisms of cooperation as peer pressure, monitoring or policy advice.

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