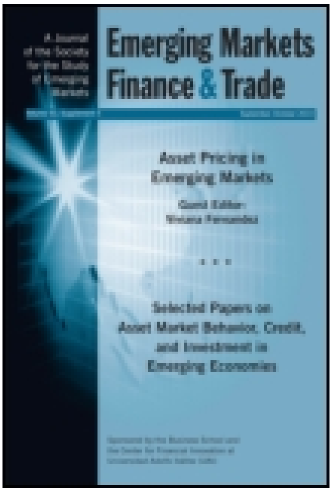

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Is the Organisation for Economic Co-operation and Development Ready for China?

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ABSTRACT: The re-emergence of China as a global economic power has intensified calls for the urgent reform of Western-dominated international organizations. We evaluate efforts by the Organisation for Economic Co-operation and Development (OECD) to adapt to the challenge of China. From the first decade of the 2000s, the OECD has undertaken reforms to boost its significance as a key policy actor in the global economy. Part of this effort involves bringing China closer to the organization. To date, only limited progress has been made. We set out three bold policy reforms the OECD could implement that would deepen the OECD's relationship with China as well as with other emerging economies.

KEY WORDS: China, emerging economies, OECD, shifting wealth, world economy.

The re-emergence of China as one of the world's leading economic powers is the central development in the broader process the late economist Angus Maddison referred to as "shifting wealth," whereby the economic center of gravity is moving toward the east and the south (Maddison 2007; OECD 2010a). China's re-emergence poses a challenge for the major international economic organizations responsible for the design, implementation, and supervision of the international rules governing world finance, trade, and investment. Influential scholars have called for the urgent reform of Western-dominated international economic organizations in order to improve their representation of emerging and developing economies, not only to enhance the institutional legitimacy of the organizations, but also, more practically, to better position them to govern the world economy, of which these economies form an increasingly larger part (Kaul et al. 2003; Ocampo and Stiglitz 2011; Lin et al. 2012; Mahbubani 2012; Vestergaard and Wade 2013).

The Organisation for Economic Co-operation and Development (OECD) faces an additional hurdle in its efforts to adapt to shifting wealth when compared to many other major international economic organizations. While the World Bank, the International Monetary Fund (IMF), and the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO) were originally conceived as organizations for broad-based membership and included both developed and developing countries among their original members, for decades, the OECD was dubbed the "club of the rich," grouping a restricted number of industrialized Western economies while viewing—under the influence of Cold War dynamics—with some hostility and as "inferior" those economies that did not adhere to the market-based policies it advanced. From the 1960s to the 1980s, while OECD members dominated the world economy, the OECD's superior attitude was unquestioned by its members. However, this domination is now unraveling. According to the OECD's

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own estimations, its members' share of the world economy in purchasing power parity (PPP) fell from 59 percent in 2000 to 51 percent in 2010, with a decline to 43 percent predicted for 2030 (OECD 2010a, p. 15). Its share in world exports dropped from 71 percent in 2000 to 60 percent in 2010, and predictions for 2030 are that they will decline to 44 percent (Clifton and Díaz-Fuentes 2011c).[1]

In this context, the OECD faced three strategic options: to remain a club of the West, risking obsolescence; to engage a limited number of key emerging markets with a view to their eventual membership; or to transform itself into an international organization with universal membership. OECD senior officials selected the second option. We describe this decision as "globalization à la carte" (Clifton and Díaz-Fuentes 2011a). Since the beginning of the 2000s, the OECD prioritized nurturing and deepening its relationships with five key emerging markets—particularly China, but also Brazil, India, Indonesia, and South Africa—as well as becoming *the* standard organization to service the G20 (Gurría 2011). In addition, the OECD broadened its membership base in 2010 to include Chile, Estonia, Israel, and Slovenia; the Russian Federation is being assessed for eventual membership. All this has required unprecedented reform. Though the OECD does not have funds to dispense, as do the IMF, the World Bank, and regional banks, and cannot threaten members with sanctions, as can the WTO and the European Commission, it is widely recognized as a pre-eminent actor in multiple fields of economic and social policy making (Pal 2012). Given the OECD's ambition to shape global policy making, it is worth evaluating its success in reforming by engaging emerging economies.

In this paper, we critically evaluate the reform measures taken by the OECD to better include China.[2] We argue that, while tangible progress has been made to engage China during the first decade of 2000s, much remains to be done. We argue that the overriding obstacle to ongoing and future reform is the organization's continued path dependency on the West. We understand path dependency as involving processes leading to self-reinforcing organizational rigidities (for theoretical treatment, see Sydow et al. 2009). We present three examples to illustrate this path dependence: the organization's restrictive attitude toward its membership base; patterns of staff recruitment at its Secretariat; and the OECD's production of policy, which leads to Western governments' control over decision making. These features, we argue, have rendered the OECD an inward-looking organization, overly dependent for too long on the transatlantic nexus. This now puts the organization at a disadvantage, making it potentially unattractive to emerging markets, particularly those in Asia, and open to charges of being a "sunset organization" (Mahbubani 2012). Hence, while the OECD needs China, China may not need the OECD (Lin forthcoming). We track the OECD's main efforts to engage China, and we analyze quantitatively and qualitatively China's involvement in the OECD, particularly via the so-called "Enhanced Engagement" program. We conclude that the OECD has made less progress with China than with the other key emerging economies. Finally, we propose three bold policy solutions to render the OECD better positioned to attract the interest of emerging economies.

A Club of the West and Path Dependency: A Brief Anatomy of the OECD

A brief overview of the evolution of OECD members, its staff, and the process of producing policy shows how the OECD functioned as a Western club par excellence for decades. We argue this dependency makes the OECD less attractive for emerging economies today.

Membership: The Transatlantic Club

The OECD's traditional nickname, the rich man's club, highlighted the fact that, combined, the relatively small number of developed economies that made up its membership comfortably dominated the world economy for the initial decades of its existence. This focus on the economic power of its members obscures the fact that the original OECD membership was also shaped by a strong political logic. When the OECD Convention was ratified in September 1961, it inherited all European members of its predecessor, the Organization for European Economic Cooperation (OEEC), plus two new members, Canada and the United States. The OEEC, in turn, had been set up in 1948 at the instigation of the Americans in the context of the unfolding Cold War, as an instrument by which they could oversee the management of Marshall Aid distribution toward the recovery of certain Western European countries. The original OECD members were not necessarily the world's richest economies (Turkey), nor were they always democracies (Greece, Portugal, and Spain). The core logic of the OECD was a transatlantic alliance among capitalist economies, motivated by shared interests to promote economic policies to achieve high economic growth, employment, financial stability, and a rising standard of living in member countries (OECD 1961).

OECD membership expanded and stalled in line with developments in the world economy. From its establishment in 1961 until 1973, coinciding with the postwar "golden age" in the shadow of the Cold War, the OECD grew. Its budget increased as membership expanded, though cautiously, to Japan (1964), Finland (1969), and two European offshoots: Australia (1971) and New Zealand (1973). Japan would remain the OECD's only Asian member until South Korea joined in 1996. The collapse of the gold standard and the first oil crisis marked an important turning point for the organization: membership expansion was frozen while budget cuts and stagnation followed, particularly across the 1980s (Clifton and Díaz-Fuentes 2011b).

When the Cold War unraveled beginning in 1989, the OECD could have been expected to rethink its approach to membership. However, although Russia and multiple Eastern European countries expressed an interest in joining, the OECD decided instead to manage accession cautiously, basing enlargement decisions on an internal political logic of "symmetry."[3] Enlargement was balanced between European and non-European newcomers to avoid the OECD becoming "too European." Finally, accession candidates were selected from just three (four, after Czechoslovakia divided) transition economies from Eastern Europe and, to balance this, two non-European economies. Enlargement was extended first to Mexico (1994), thanks to U.S. support, and then to the Czech Republic and Poland (1995), Hungary and South Korea (1996), and, finally, Slovakia (2000). Russia's interest in accession was formally acknowledged by the OECD but not fast-tracked: Russia was still a candidate for accession in 2014.

Thus, even after the Cold War, OECD membership still inclined toward an exclusive club. This inward-looking attitude only started to change in the first decade of the 2000s (OECD 2004b). The fundamental reason for this change was the recognition that, in the face of the re-emergence of China and other emerging economies and the increasing importance of the G20, the OECD would have to engage these new players, or it would become impotent in its quest to shape global economic policy. By the OECD's own calculations, China and India, combined, would enjoy over one-third of world GDP in PPP terms, nearly one-third of world exports in 2000 U.S. dollars, and over a third of the world population by 2030 (World Bank 2012). Ultimately, survival instinct led the

OECD to see that, unless it improved relations with emerging economies, its knowledge and involvement in the world economy—based on OECD members—would decline.

Membership expansion became part of its strategic reform. This had two main prongs: First, the OECD would extend membership to a small number of countries that had formally expressed an interest in joining and had gained the support of OECD members; second, the OECD would select five key emerging economies that had *not* expressed a formal interest in joining, with a view to bringing them in as future members (OECD 2007).

Concerning the first prong, four new members joined during 2010: Chile, Estonia, Israel, and Slovenia. While this expansion helped the OECD's claim that its member base was more diverse, the new members have not prevented further economic decline. Expanding from thirty to thirty-four members, the OECD's relative economic weight in 2010 remained at an all-time low. Membership talks are ongoing with Colombia and Latvia; Costa Rica and Lithuania are next in line. However, even these enlargements will not change the fundamental trend of OECD decline: in 1961, its twenty members constituted 53.2 percent of world GDP and 17.5 percent of world population; by 2010, its thirty-four members represented 50.5 percent of world GDP and 17.9 percent of world population (Clifton and Díaz-Fuentes 2011c).[4]

Concerning the second prong, the OECD identified five so-called "key partners" for its Enhanced Engagement program: Brazil, China, India, Indonesia, and South Africa (OECD 2005a). The OECD put itself on the line by announcing that its overtures to these emerging economies were aimed ultimately at their eventually joining the organization (OECD 2007). Efforts to engage these economies took multiple forms. One was to increase high-level contact between national policy makers and senior OECD officials. An OECD envoy was sent to represent the organization in Beijing in 2007. Another technique was to invite representatives to participate in OECD committees and to collaborate with output, including joint production of surveys, reports, and so on.

However, five years after the program started, OECD officials recognized that bringing in these emerging economies was proving harder than first assumed, particularly in the case of China (Clifton and Díaz-Fuentes 2014). By restricting membership over fifty years, the OECD had accumulated enviable knowledge on Western-style market economies—but much less on other kinds of economies. Justin Lin, the first citizen from a developing or emerging country to occupy the post of World Bank chief economist, argues that international organizations require staff from diverse economies to provide them with knowledge of different languages, cultures, scientific traditions, and contacts (Lin et al. 2012). The OECD's long-term restrictive approach to membership—traditionally seen as giving it agility and coherence—is now becoming its downfall in its quest to attract China, whose economy often presents different problems from those of Western economies and requires other policy remedies (Lin et al. 2013). We now turn to examining OECD path dependency by looking at the composition of its Secretariat.

The Long Victory: Postwar Allies in the OECD Secretariat

Countries often seek to be well represented in international organizations, particularly by securing staff in high-ranking positions in areas of national interest. Scholars have shown how staff nationality can affect outcomes. McKeown (2009) reveals how the United States sought to control international organizations by positioning nationals in key posts from the 1950s to the 1980s, which led to a lack of policy innovation. Chwieroth (2013) and Momani (2007) critique IMF staff for being too homogeneously trained in Anglo-American economics, leading to a trend whereby more loans were directed to countries with (other) officials trained in Anglo-American economics or to U.S. political allies. Thus, the study of staff profiles provides an imperfect, but useful, insight into the workings of international organizations.

From the 1990s, sensitivity over potential discrimination during recruitment by international organizations has grown. It is increasingly expected that, for international organizations to be genuinely international, recruitment must promote diversity. Human resource management literature identifies potential sources of discrimination including gender, age, ethnicity, nationality, (dis)ability, and religion (Dipboye and Colella 2005). Many international organizations have introduced programs to promote greater staff diversity in their recruitment policy. Though most major international organizations do not set national quotas, increased sensitivity toward staff diversity is apparent (IMF 2013; WTO 2010).

Though OECD recruitment policy also states that it welcomes diversity, it lags behind. Western domination can be seen by analyzing staff nationality patterns at the highest levels of the Secretariat, as well as across the entire Secretariat. Our analysis focuses on professional rather than administrative staff. Though it is understandable the OECD draws the latter from the headquarters' immediate surroundings, the former are understood to be international civil servants influencing policy and thus should be recruited from all members and beyond.

The OECD Secretariat employed around 2,500 staff in 2010; more than 95 percent of whom were based at its Paris headquarters. At the highest level of the Secretariat are the secretary general and deputies. Recruitment norms prevail in all international organizations: the IMF is usually led by a European; the World Bank, until 2012, was led by a U.S. citizen. At the OECD, between 1961 and 1984, the post of secretary general was selected from smaller European economies (Denmark, Netherlands), and supported by two deputies—one from France and the other from the United States. In 1984, this logic changed: a French citizen, Jean-Claude Paye, was nominated for the post of secretary general (1984–96). Henceforth, France would lose its hold on the post of deputy. Paye was supported by two deputies, one from Sweden and one from the United States, and, from 1990, by two additional deputies, one from Italy and the other from Japan. Japan's holding of the post of deputy, which would be permanent from 1990 onward, marked the first time candidates from Asia had been included in the top ranks of the OECD Secretariat. Under Donald Johnston (1996–2006), a similar logic was repeated: there were two permanent deputies, one from Japan and one from the United States, and two rotated from European countries: Germany, Iceland, the Netherlands, and Norway. In 2006, for the first time, the decision on the post for secretary general was opened to competition based on merit and suitability.[5] Also for the first time, a candidate from a developing country was selected: Angel Gurría of Mexico. Gurría was supported, again, by two permanent deputies, one from Japan and one from the United States, and by two rotating posts from European countries. Gurría was re-elected for a second five-year term from 2011. Thus, at the top levels of the Secretariat, a shift toward Asia (from 1990) and Mexico (from 2006) is apparent, though belated.

Turning to OECD staff at the Secretariat, it is striking how this has been dominated from the outset by a small number of Western countries, especially the postwar allies: France, the United Kingdom, and the United States. Although this domination has been relaxed over the decades, the three countries combined still constitute a formidable presence in the organization. Equally striking is the long-term underrepresentation of some of the OECD's most important members—above all, Japan. When the OECD replaced the OEEC in 1961, French nationals held 40 percent of the professional posts (70 percent of total staff), the British followed with 24 percent of professional posts, while Americans constituted 1 percent of professionals. By 1973, the Secretariat had grown to over 1,500 officials. Still, the French dominated, with 31 percent of professional staff (54 percent of total staff), followed by the British, with 17 percent of professionals, while American staff had increased to 9 percent. Together, the postwar allies held around 57 percent of professional posts in 1973. From 1973, further recruitment slowed until the 1990s. During the 1990s, the Secretariat started to grow again, slowly, continuing during the first decade of the 2000s. In this period, the domination of these three Western countries fell. By 2010, the postwar allies together occupied 45 percent of professional posts and 60 percent of posts in general (Clifton and Díaz-Fuentes 2011b).

The composition of OECD staff by nationality is out of sync with budgetary contributions by members. Figure 1 contrasts OECD professional staff by nationality with OECD budgetary contribution by country. Countries are ordered according to the extent to which they are over- or underrepresented with the most underrepresented first in the organization considering budgetary contribution and staff numbers.

Sixteen of the largest thirty-four members—which together contribute 88 percent of the total budget and 90 percent of the total professional staff—are included individually; the other eighteen members are presented collectively in "Others." We see, first, the continued historic dominance of overall staff and professionals from France, the United Kingdom, and the United States. Concerning the most overrepresented countries, the last seven in the list—France, Ireland, New Zealand, Australia, the United Kingdom, Canada, and Belgium—are countries where one of the OECD's only two official languages (French and English) is spoken as the native language. The United States is the major exception to this observation, and its underrepresentation of staff should be qualified in that it is the leading budgetary contributor and enjoys the second-largest proportion of overall professionals (led only by France). Turning to the least-represented countries, we find Japan, Spain, Germany, South Korea, and the Netherlands. Japan's underrepresentation is striking given it is the second most important contributor to the OECD budget (led only by the United States). Japan's presence in the OECD measured by professional staff has been historically low. Despite early membership, Japan did not boast staff at Paris until 1970, and then, only three staff. This increased incrementally during the 1970s and 1980s and jumped to around sixty in 1996, coinciding with South Korea's accession. However, by 2010, there were only sixty-five Japanese officials in a total of 2,346. South Korea, which joined in 1996, has fared relatively better: it started with six staff and by 2005 had twenty-eight. Mexico did even better than South Korea, reaching forty-three staff by 2009.

How can these patterns be explained? The OECD states that recruitment is based on merit. But this alone does not explain the domination of the Americans, British, or French. One possibility is the question of supply. The OECD cannot be blamed for not hiring candidates from countries where suitable candidates do not apply. This is pertinent in the case of Japan, where there is an undersupply of qualified candidates interested in working in the OECD: in 2011, only 459 applications were received from Japan, similar to the number from Poland (491). There are two reasons for Japanese candidates' lack of interest in OECD jobs: First, there are better opportunities for civil service promotion than the OECD route; second, there are language difficulties.[6] France is the opposite: there is an oversupply of applicants due to geographical, cultural, and linguistic proximity.

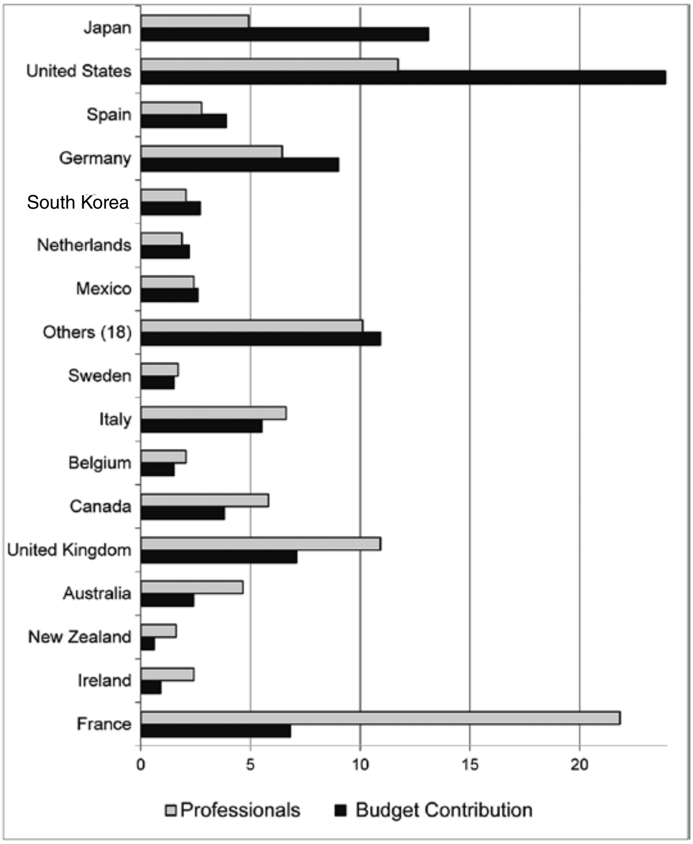

Figure 1. OECD budget contribution and professional staff in 2010 (percent)
Source: OECD (2010b, 2012).

Our analysis of staff nationality suggests that cultural and linguistic ties continue to be of key importance for OECD jobs: candidates from countries based on Anglo-Saxon and French cultures are very successful at getting jobs in that organization. This bias has its roots in the OEEC. OECD senior officers have stated that the cultural domination of Anglo-American and French staff constitutes a challenge, particularly when the OECD decided to engage China and other emerging economies.[7] The OECD wishes to broaden its appeal; for example, it increasingly publishes reports in other languages, including Spanish and Mandarin Chinese, on an increasingly broader range of (nonmember) economies. However, this requires different skill sets, not just linguistic and cultural understanding but also a profound understanding of the workings of diverse kinds of economies. A fresh approach to recruitment is required to break this circle and increase participation of Asian staff.

Policy by the West, for the West

The way the OECD produces policy also exhibits path dependency and allows Western countries to remain in control. The key purpose of the OECD is to facilitate cooperation and coordination among its members on diverse areas of policy, with the aim of achieving economic growth and employment, raised standards of living, and financial stability (OECD 1961). This it achieves through enabling and shaping discussion, deliberation, peer review, and peer pressure (Pal 2012). These techniques have been recognized as efficient in stimulating open, frank discussion among policy makers, garnering consensus, and diffusing "best practice" policy solutions. Policy diffusion and transfer is thought to work well precisely because it is not imposed but, rather, debated and then designed after consultations between national policy makers and technical experts. The OECD has three main organs: the Council, the Committees, and the Secretariat. The Council, its highest body, comprises one ambassador from each member state plus one from the European Commission. Permanent country representatives meet regularly, and decisions are taken by consensus. The Council holds an annual meeting at ministerial level to decide the future budget and work plan.[8] The Committee structure consists of around 250 committees, whose meetings are attended by thousands of national experts. The Secretariat, which is almost wholly based in Paris, is composed of professionals who carry out work as instructed by the Council. This work is then discussed and implemented by the Committees. The secretary general of the Secretariat is also chairman of the Council. Thus, the thrust of OECD work is driven by the Council, developed by the Secretariat, and examined and implemented through the Committees.

Path dependency is clear: policy emanating from the OECD is promoted and designed by national policy makers and staff professionals from Western countries—with their interests in mind—and then promoted and implemented in those same countries. The resulting Western-oriented nature of OECD policy constitutes another barrier the organization faces in its efforts to attract the participation of emerging economies. Nonmembers have sometimes stated they are hesitant to sign agreements they played no part in designing, especially if they perceive that the policy in question was designed with Western economies in mind and does not "fit" or necessarily "help" their economy. One illustration is the recent open letter by the Indian Ministry of Finance to the United Nations stating that India prefers the United Nations to the OECD Tax Model Convention because the former better represents the interests of the developing world, while the latter prioritizes the needs of OECD members (www.un.org/esa/ffd/tax/2012ICTM/LetterIndia.pdf).

The OECD and China: Evaluating Progress

The OECD's relationship with China was formalized in 1995 when, under Secretary General Jean-Claude Paye (1984–96), the Council announced its decision to establish a country collaboration program with China (OECD 2005b). To allay China's concern about the status of Taiwan in the organization, Paye sent an internal instruction to staff in 1996 not to use national symbols for Taiwan and noted that work on that country would be limited to the technical level. The OECD strategy to attract China was to offer collaboration in one area of its work in which China had openly demonstrated keen interest: taxation. Taxation was a vitally important issue confronting the Chinese government: total fiscal revenue had fallen from 31 percent of gross domestic product in 1978 to 10 percent in 1995. Maddison (2007) identified taxation as one of the three most urgent issues facing the government at the time. Reform of China's tax system had begun in the early 1980s as part of the process of opening up, starting with a transition from a highly centralized fiscal system to relative decentralization (Lin and Liu 2000). At the same time, China looked outward and began to sign bilateral tax treaties (BTTs) in order to avoid the issue of double taxation, prevent fiscal evasion, and send a signal to the world community of its readiness to participate in the established rules of international taxation. China signed twenty-two BTTs in the 1980s, fourteen with OECD members (Japan 1983; France, the United Kingdom, and the United States1984; Belgium and Germany 1985; Canada, Denmark, Italy, New Zealand, Norway, and Sweden 1986; the Netherlands 1987; Australia 1988), four with developing countries (Malaysia 1985; Thailand 1986; Kuwait and Pakistan 1989) and three with Eastern European countries (Czechoslovakia 1987; Poland 1988; Bulgaria 1989).[9] During the 1990s, China signed additional BTTs with thirty-seven countries, and by 2010, nearly 100 were in place. Legal analysis of the content of these BTTs shows that China's government was heavily influenced by both the OECD and the U.N. Tax Models in the design of these BTTs (Li 2012). Seizing this opportunity, the OECD Centre for Tax Policy commenced collaboration with the Yangzhou Tax Institute, as well as with other tax centers in Beijing. OECD experts helped train Chinese tax officials from the State Administration for Taxation in international taxation methods both in China and Paris.

The OECD interpreted the Chinese government's initial collaboration as evidence of success, and assumed that other strands of OECD policy would be similarly attractive, with the end result of getting China fully on board as an active participant or even a member. At the personal level, OECD-China dialogue was excelling through rapport with Bo Xilai, China's minister of commerce between 2004 and 2007. Bo publicly stated his intention to increase China's participation in the organization when he attended the OECD Ministerial Council meeting in 2005, the first time a Chinese delegate had participated in such a high-profile OECD event (OECD 2005b). The OECD, in response, published a report that celebrated what it perceived as a blossoming relationship (OECD 2005b). The report outlined how China had increased its participation in OECD policy work to nineteen fields, numbered the OECD reports published on China over the decade, and claimed "no policy area seems to be out of reach of the co-operation" (OECD 2005b, p. 3).

The OECD expected that its decision to embark on the so-called Enhanced Engagement program in 2007 would further improve its relationship with China. This program planned for increasing contact between the OECD and the five emerging economies at all levels, from periodic high-level meetings between the secretary general and top national officials to regular committee and subcommittee meetings between policy experts from emerging economies with OECD staff and policy makers from OECD member countries in Paris. Signaling its prioritization of China, the OECD sent a permanent envoy to Beijing. The bulk of the reform effort however was concentrated on changing the day-to-day practice and outlook of staff concerning what they did, why, and for whom. The idea was to ensure that OECD policy work became relevant to all economies, including China, not just its members. From 2004, funds that had previously been directed toward targeted policy work on nonmembers were decentralized and destined to mainstream OECD committees. In turn, committees were required to integrate topics of interest to nonmembers into their daily work. This meant that OECD-constructed indicators on member countries would also be used to measure activities in nonmember countries. Committees were requested by the Council to report the ways in which nonmembers were participating in their work through data sharing, meeting attendance, and common projects (OECD 2004a). Committees could offer emerging economies three levels of participation: (1) an ad hoc invitation to attend one or more specific meetings; (2) a regular observer invitation, where the invitee is expected to attend and participate fully in a series of meetings; (3) a full participant invitation, where the invitee could participate as other members for the duration of the invitation. By 2010, the Council had stepped this up, recommending that committees offer full participant status (equal treatment) whenever possible and encouraging them to seek out informal, tailored solutions to better capture the interests of the five emerging markets (OECD 2010a).

Intensified relations between the OECD and China were not always smooth. At times, China could find OECD structures difficult to engage in. For instance, China proved reticent to get more involved in participating in the subcommittee Working Party No. 3 (WP3) on Economic Policy as an observer, as it often had to listen to long speeches by members with small economies, such as the Netherlands, while being unable to meaningfully contribute itself. Later, OECD-China tensions were strained during a conflict over the OECD's tax havens work. When the organization produced a list of noncooperative tax havens in 2009, with a view to "name and shame," China responded furiously to the inclusion of Hong Kong and Macau on the provisional list and stated the selection was biased against non-OECD members. Despite the removal of these two countries from the blacklist, China blocked the OECD from participating in the G20 summit in London in April 2009.

Since then, the relationship has improved again, particularly when China became involved in discussions on sovereign wealth funds, strengthening the link between China's minister of finance and the OECD. In addition, several ongoing microprojects, such as China's agreement to work on urban planning initiatives and its continued interest in the OECD's work on science and technology, statistics, and corporate governance, keep the relationship alive. The OECD's commitment to China was again evident when it was forced to yield to further pressure by reiterating its policy on the Taiwan question, though this remains an unwritten agreement.

Five years after establishing the Enhanced Engagement program, OECD officials started to acknowledge that early euphoria with the apparently growing relationship with China was premature. Indeed, this relationship was much more complex and slow to develop than had first been thought. From the OECD perspective, China has not come on board—particularly in *formal* terms—in as many policy areas as the OECD had at first hoped; with the major exception of taxation, many OECD senior officials remain somewhat frustrated by China's seeming reticence to increase its formal participation, both horizontally, by getting involved in a large number of issues, and vertically, by limiting its participation to the most "superficial" or noncommittal of engagement options.

China in the OECD

In this section, we comparatively analyze China's formal and informal participation in the OECD. China's engagement with the OECD has been slower and narrower than that of the other four key partners (see Table 1).

Formal participation in the OECD can be examined through country participation in committees, subcommittees, and agreements. Around 80 percent of China's activity in the OECD is centered on taxation issues. China is alone among the five emerging economies to accept a vice chair on a matter of substantive policy: WP10 on the Exchange of Information and Tax Compliance. China also stands as vice chair on the Global Forum on Transparency and Exchange of Information for Tax Purposes. In addition, China enjoys full participation on the WP10 Subgroup on Mutual Administrative Assistance in Tax Matters. Beyond this, China has extensive observer status, including in the Committee on Fiscal Affairs and a number of its subgroups: WP1 on Tax Conventions; WP2 on Tax Policy Analysis and Tax Statistics; WP6 on Taxation of Multinational Corporations;

Table 1. Participation by OECD key partners in forums, working parties, and committees in 2012

	Brazil	China	India	Indonesia	South Africa
Chair or vice chair	1	2	1	1	4
Global Forum Steering and Peer Review Groups		1	1		1
Working Party no. 10 on Exchange of Information and Tax Compliance		1			
Development Centre—Governing Board	1			1	1
Others					2
Member/full participant	22	4	15	4	18
Global Forum Peer Review Group	1	1			1
Advisory Group for Co-operation with Non-OECD Economies	1	1	1	1	1
Member of Committees, Forums, Schemes, etc.					
Tax and Fiscal Policies	1	1	2		1
Agriculture and Forestry Products and Standards	5	1	6		6
Others	14		6	3	9
Observer classified by activities in Committees, Forums, Schemes, etc.	38	25	29	4	66
Tax and fiscal policies		14	13		14
Science and technology	8	9	5		10
Statistics	5	1	3	1	5
Education	1	1			
Others	24		8	3	37

Source: On-line Guide to OECD Intergovernmental Activity (http://webnet.oecd.org/oecdgroups/).

WP8 on Tax Information Exchange Systems; WP9 on Consumption Taxes; and WP10 on Exchange of Information and Tax Compliance. It is also observer on two forums: Harmful Tax Practices and Tax Administration (and its two subgroups: Forum on Tax Administration Compliance Subgroup and Forum on Tax Administration Taxpayer Services).

China participates in other OECD policy forums but, in general, in an ad hoc capacity, which is the lowest level of commitment. In economic policy, China participates only as an observer, including the prestigious WP3. China also is a full participant on the Advisory Task Force on the OECD Codes of Liberalization and on OECD Standard Codes for the Official Testing of Agriculture and Forestry Tractors. It has not taken up observer status on other trade or development organs.

China shows some interest in OECD Science and Technology (S&T) policy and assumed observer status on various bodies, including the Committee for S&T Policy; the Global Science Forum; the Steering Group on Governance of International Co-operation on S&T and Innovation for Global Challenges; the Task Force on Industrial Biotechnology; and five WPs: National Experts on S&T Indicators; Biotechnology; Innovation and Technology Policy; Nanotechnology; and Research Institutions and Human Resources.

China also shows an interest in statistics policy through its status as observer on the Committee on Statistics and the WP on National Accounts. China is also a member of the Joint OECD/ITF (International Transport Forum) Transport Research Committee. China is an observer in the Network on Early Childhood Education and Care and has not participated formally in environmental, public governance, or territorial policy arenas.

Comparing China's formal participation in the OECD with the other four emerging economies shows that China is the least active of the group, with the exception of Indonesia. Between 2007 and 2012, India became a member of fifteen committees (aid, taxation, standards, transportation, and laboratory practice), and accepted twenty-nine ad hoc positions (mostly taxation, but also competition, science and technology, and statistics). Indonesia's participation in the OECD started from a low level in 2007, but once its political situation became more favorable, participation grew quickly. At present, Indonesia is vice chair (of one committee), full member of four committees (Development Aid and Transportation), and ad hoc on four forums related to competition. South Africa has proved the most active emerging economy to date, across a broad number of policy areas. It has assumed one chair and two vice chairs (Development and International Standards), is a full participant in eighteen forums, and is ad hoc in sixty-six forums. Brazil's initial contact with the OECD dates from 1994, when it joined the OECD Development Centre. After South Africa, Brazil is the most active of the five. It participates as vice chair (one) and full participant (twenty-two) and has ad hoc status in thirty-eight forums.

Another way of examining China's participation in the OECD is to consider less-institutionalized means of involvement. Progress is ongoing in Beijing, where Chinese policy makers are involved in a range of OECD initiatives, including territorial development, and where OECD policy documents are translated into Chinese. OECD reports on China have increased in number and diversity, and Shanghai participated in the Program for International Student Assessment survey for the first time in 2009.

Beyond describing the ongoing OECD-China relationship through activities, some of the inherent complexities and contradictions in the relationship need to be explained. Neither the OECD nor China is a homogeneous category. From the OECD perspective, forces for change are led by Gurría and a circle of senior professionals: getting China on board is their strategic priority (Gurría 2011). However, national interests and bureaucratic inertia mean that not all OECD members agree with these plans. In addition, path dependency means that many OECD members and staff do not know how to interpret China's ongoing relationship. For instance, what is perceived as a breakthrough in the relationship according to an expert in Chinese diplomacy may not be recognized as of much significance to an expert accustomed to dealings with Westerners. OECD high-level staff point out that, on the positive side, China is applying some of the knowledge derived from OECD policy to domestic rules, even though China may not want to be *seen* as committing to OECD standards. Some high-level staff are somewhat disappointed China does not prioritize signing up to OECD policies and agreements: there is a perception that China participates in the areas it wishes to learn from but backs away from committing itself formally. For many OECD high-level staff, it is important that China be seen to be converging formally with OECD standards. One of the practical problems for OECD reformers is that China's government does not set aside a budget for OECD cooperation, so the OECD is in competition with other international organizations seeking to woo China.

Neither is China homogeneous. Although many Chinese intellectuals acknowledge that the OECD has much to offer in policy expertise, China's patterns of cooperation can best be explained by genuine Chinese interest in specific areas of technical expertise. Above all, the Chinese have proved interested in OECD taxation work but are put off where they perceive OECD policies are designed for Western-style market economies and unsuitable (and undesirable) for China. A case in point is capital liberalization, which many Chinese intellectuals perceive as a major cause of the financial crisis.[10] Similarly, China has exhibited different levels of interest in participating in OECD-related agencies: it joined the Financial Action Task Force on Money Laundering but showed less interest in joining the International Energy Agency (Lesage and Van de Graaf 2013). Overall, the Ministry of Foreign Affairs (which decides on which organizations to join and therefore fund) does not see the OECD as a top priority. For instance, China has not given the OECD permission to install an office in Beijing, so the OECD shares installations with the Dutch Embassy. The government's explanation for this is that it only permits installation of international organizations of which China is a member (though the OECD points out that the European Patent Office enjoys a delegation in Beijing).

Conclusion: Policy Options for a More Inclusive OECD

Though much thinking and some bold action have occurred and a change in mind set has partially come about, reform toward more global relevance and inclusion has been limited at the OECD to date due to a lack of courage and collective vision. A number of senior officials are convinced that the OECD must transform itself into a more inclusive style of organization if it is to remain globally relevant (Clifton and Díaz-Fuentes 2014; Gurria 2011). But the organizational design of the OECD, dogged by path dependency, means that the organization remains dominated by Western countries. This path dependency needs to be overcome if China and the other emerging economies are to be better engaged.

To do so, the OECD needs to clarify and communicate *whom* and *what* the transforming organization aspires to represent. On membership, the OECD should separate formal rules governing entry from mere perceptions about or norms on accession. The so-called OECD *acquis* exists: according to OECD (2004a), discussions of the acquis came about during debate on enlargement policy, and the OECD acquis seems to represent a copy of the EU acquis. During discussion about what the acquis should consist of, the outcome was (vague: the OECD seeks members that are like-minded key players and with which enlargement is of mutual benefit (OECD 2004b). But OECD communication is confusing. For instance, on the official Web site under "About us," the OECD claims the organization brings together "countries committed to democracy and the market economy" (www.oecd.org/internet/innovation/aboutus.htm). Indeed, many observers still perceive the OECD is a club of Western countries, with traditions of multiparty political systems and a market economy. Historically, the OECD has included countries ruled by dictatorships, while members were not always high income. Clarity is needed. The OECD claims it is becoming more open and inclusive and less dogmatic in its approach to "best practice" economic policy, but unless that translates into more relaxed criteria for enlargement, its claim to inclusiveness is muddled. Will the OECD change its definition of who, and what, it stands for? And, if not, how can the OECD really expand into countries "not like" the OECD? The fundamental contradictions at the heart of the OECD's efforts to reform have not yet been resolved.

Several bold policy decisions would help break the OECD's path dependency on the West, and though these policy decisions represent a challenge, they would free up the organization to become more global. First, OECD membership criteria must be relaxed concerning prerequisites for entry and adjustments required from the interested party. Though the entrance of dozens of new members is a prospect most OECD representatives have not previously encouraged, a realignment toward greater legitimacy through enlargement is the only way that the OECD can genuinely open up. This would have a clear precedent in the GATT enlargement. In 1948, GATT had eighteen signatories, doubling by the end of the 1950s, reaching seventy-four during the 1960s, eighty-four during the 1970s, and 128 signatories by 1994 (WTO 2012). In 2013, the WTO had 159 members, a near-universal organization. The WTO's opening up has made it more resistant to claims of obsolescence such as those that face the OECD. Whether the OECD moves incrementally, or more universally, it will need to redefine itself and what it stands for. Second, the current rules and practices on the recruitment of OECD professionals need radical reform. More effort should be made to keep up with recruitment policy favoring diversity, such as those policies already in place in other major international organizations. This concerns not only nationality, but also the educational profiles of candidates, to ensure that new staff has globally relevant linguistic, scientific, and diplomatic attributes that would help the OECD understand nonmembers. For instance, for the first time, a speaker of Mandarin Chinese was appointed deputy secretary general of the OECD in 2009. More work translating OECD work into non-OECD languages should be promoted.

These are all straightforward and noncontroversial steps, and they are necessary if the OECD is to finally overcome path dependency and avoid the criticism of being a sunset organization (Mahbubani 2012), thus preparing itself properly with the architecture required for future global economic governance.

Notes

1. Share of world trade as measured in current U.S. dollars.

2. Material for this paper was obtained through fieldwork at the OECD in Paris and Beijing between 2010 and 2013; field work included visits to the archive and interviews with senior officials. Acknowledgment is due to Angus Maddison, Stephen Marris, Jean-Claude Paye, Eric Burgeat, David Henderson, Nicholas Bray, Irène Hors, and Richard Boucher.

3. From interviews with OECD officials, Paris, July 2010.

4. Calculated in 1990 international Geary-Khamis dollars.

5. For more on the selection process, see www.oecd.org/document/17/0,3746,en_2649_201185_35062801_1_1_1_1,00.html.

6. From authors' interviews with senior Japanese OECD staff in Paris, June 2010.

7. From authors' interviews with senior OECD officials in Paris (June 2010) and Beijing (November 2012).

8. The OECD budget is divided into two parts. Part I, amounting to around half its consolidated annual budget, is derived from national contributions calculated on a scale associated with the size of the economy. In 2012, the top contributor, the United States, provided nearly 22 percent of Part I, followed by Japan, which contributed nearly 13 percent. Part II funds projects that are of interest to some of the members and are not covered in Part I and is funded after extensive annual negotiations among members.

9. See State Administration of Taxation of the People's Republic of China, Effective Tax Treaties, www.chinatax.gov.cn/n6669073/n6669103/11810819.html.

10. From an interview with Justin Lin, Beijing, November 2012.

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