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## **THE OECD AND THE G20: AN EVER CLOSER RELATIONSHIP?**

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## ABSTRACT

This contribution critically analyses the recent developments in the relationship between the G20 and the OECD. The OECD has been one of the key economic institutions ever since its establishment. Recently however, its limited membership and the engagement of other international organizations in its traditional issue fields increased the fear that the organization might become less relevant within the global economic architecture. In first instance, the emergence of the G20 reinforced this threat. However, thanks to the activism of its Secretary-General and the appealing pool of knowledge and expertise in its secretariat, the OECD was able to turn the latter threat into an opportunity to revive itself. The OECD increasingly performs operational, implementation and monitoring assignments for the G20, which itself lacks such capabilities. Recent G20 communiqués support the claim that both entities increasingly cooperate in order to solve their respective shortcomings. The increased cooperation allowed the OECD to regain its relevance within the global economic governance architecture, while the G20's functioning is strengthened thanks to the contributions of the OECD on a growing number of issues. However, the growing concrescence of both organization raises some concerns about the role and functioning of both entities in the global economic governance architecture.

## KEY WORDS

G20, OECD, international organizations

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## 1. INTRODUCTION

After the outbreak of the international financial crisis in 2008, the G20<sup>1</sup> achieved the status of “the premier forum for our international economic cooperation” according to its members.<sup>2</sup> However, notwithstanding its increasingly important role in global economic governance, the G20 remains, even after its ‘upgrade’ to a leaders’ forum, a rather embryonic<sup>3</sup> and informal body.<sup>4</sup> It has neither a charter<sup>5</sup> nor a voting mechanism,<sup>6</sup> and it does not produce legally binding decisions; characteristics which stand in firm contrast with the practice of formal international organizations.<sup>7</sup> More remarkably, the G20 has reiterated on several occasions that it does not aim to transform into such an international organization.<sup>8</sup> Consequently, its lack of operational, implementation and monitoring capabilities<sup>9</sup> raises concerns about its functioning.<sup>10</sup> Among these, the nonexistence of a secretariat to assist the G20 with its work is of particular concern. However, as this Article argues, the G20 may have found at least a partial answer to this shortcoming by delegating tasks to traditional international organizations and drawing upon their expertise. In particular, the G20 has cultivated a special relationship with the Organization for Economic Co-operation and Development (OECD).<sup>11</sup>

The objective of this Article is to shed light on the recent evolution of the relationship between the G20 and the OECD and to point to a number of issues which might

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<sup>1</sup> The G20 is an international organization consisting of representatives from 20 countries, established to bring together systemically important industrialized and developing economies to discuss key issues in the global economy.

<sup>2</sup> G20 Pittsburgh Summit Declaration, para. 50 (24-25 September 2009).

<sup>3</sup> PaaVo Värynen, Finnish Minister for Foreign Trade and Development, Keynote Speech at the Development Cooperation Forum (30 June 2010). <http://formin.finland.fi/public/default.aspx?contentid=195991> (last visited 9 June 2011).

<sup>4</sup> G20, *The Group of Twenty: a history*, p.5 (2008).

<sup>5</sup> John Kirton, *The G-8: Legacy, Limitations and Lessons* in *Towards the Consolidation of the G20: From Crisis Committee to Global Steering Committee* 17, p. 35 (Colin I. Bradford and Wonhyuk Lim eds, Korea Development Institute 2010).

<sup>6</sup> Ngaire Woods, *The G20 Leaders and Global Governance* p.4 (Global Economic Governance Programme Working Paper No. 57, 2010).

<sup>7</sup> *Supra* G20, note 4, p. 24.

<sup>8</sup> John Kirton, *From G7 to G20: Capacity, Leadership and Normative Diffusion in Global Financial Governance*. Paper prepared for a panel on Expanding Capacity and Leadership in Global Financial Governance: From G7 to G20. International Studies Association Annual Convention Hawaii. p.7, (1-5 March 2005).

<sup>9</sup> Mark Beeson and Stephen Bell, *The G20 and International Economic Governance: Hegemony, Collectivism or Both?* in *15 Global Governance*, 67, p. 77 (2009).

<sup>10</sup> Gordon Smith, *The G8 and the G20: What Relationship Now?* in *Towards the Consolidation of the G20: From Crisis Committee to Global Steering Committee* 80, p. 86 (Colin I. Bradford and Wonhyuk Lim eds, Korea Development Institute 2010).

<sup>11</sup> Angel Gurría, Secretary-General OECD, *The OECD and the G20: An evolving relationship*. Presentation at the Institute of International and European Affairs, Dublin (4 November 2009).

render the relationship problematic in the near future. The first section provides a short overview of the history of the OECD and explores the rationale for its openness toward working with the G20. The second section deals with the rise of the G20 and its need for operational and supportive capabilities. Building on this, the third section investigates the main reasons that both entities have increase and intensify their ties to each other. The fourth section analyzes whether both entities indeed cooperate more closely. In particular, this section explores how the relationship between the OECD and the G20 has been developing. G20 Communiqués clearly demonstrate the steep growth in contributions of the OECD to the G20. Moreover, they show that the range of issues in which the OECD supports the functioning of the G20 is broadening, which has both positive and negative implications. We end with a number of concluding remarks.

## 2. PAST WAVES WITHIN THE OECD

The OECD, established in 1960, is the successor organization to the Organization for European Economic Cooperation (OEEC), which was created in 1948 in order to administer the Marshall Plan for the reconstruction of Europe after World War II and to supervise the distribution of aid to war-torn Europe.<sup>12</sup> Quickly, the OEEC's attention shifted towards a more cohesive approach promoting economic integration and cooperation in Europe.<sup>13</sup> The importance of the OEEC deteriorated after the abrupt end of the Marshall Plan in 1952.<sup>14</sup> Soon after, the international community's debate about whether to bring economic issues under the mandate of the North Atlantic Treaty Organization (NATO) took off, which almost heralded the end of the OEEC.<sup>15</sup> In the end, the OEEC maintained its mandate of dealing with these economic questions. In particular, it started to focus on promoting economic cooperation and integration between the European countries, which resulted in a

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<sup>12</sup> Convention on the Organization for Economic Co-operation and Development done in Paris, 16 April 1948, Article 1, appeared in United Nations Treaty Series, vol. 888, p.141, see Robert O'Brien and Marc Williams, *Global Political Economy: Evolution and Dynamics*, Palgrave MacMillan, p.228 (2004); Richard W. Edwards Jr., *International Monetary Collaboration*, Transnational Publishers, p.68 (1985); Richard Green, *European Political Chronologies of the World: A Chronology of International Organizations*, Routledge, p. 256 (2008), Stephen, S. Goodspeed, *The Nature and Function of International Organization*, Oxford University Press, p.609 (1967).

<sup>13</sup> Although the OECD has since its establishment rather been an Atlantic organization than a European one (see Goodspeed, *supra* note 12, p. 609).

<sup>14</sup> Ludo Cuyvers and Bart Kerremans, *Internationale Economische Organisaties*, Garant Publishing, p. 89 (1999).

<sup>15</sup> Robert Wolfe, *From Reconstructing Europe to Constructing Globalization: The OECD in Historical Perspective* in *The OECD and Transnational Governance* 25, p. 26 (Rianne Mahon and Stephen McBride eds., University of Washington Press 2008).

framework for the establishment of a European Free Trade Area.<sup>16</sup> In the late 1950s, the objective of establishing a European Free Trade Area was, at least for six European countries, *de facto* surrendered to the European Economic Community (EEC) which was succeeded by the European Union (EU) later on.<sup>17</sup> Around the same time, the OEEC underwent a number of internal and external adjustments, resulting in its conversion to the OECD, an organization whose main objective consisted of monitoring the performance of its democratic and market-oriented member countries and promoting policies designed to achieve the highest levels of sustainable economic growth, employment, and living standards.<sup>18</sup> In the 1960s, the issue of development and development cooperation was put on the OECD agenda.<sup>19</sup> In the 1970s, the OECD mitigated the fallout of both the oil crisis (by putting energy on its agenda) and the collapse of the fixed exchange rate system.<sup>20</sup> Shortly after, the reform of the International Monetary Fund (IMF) and its Article IV four surveillances undermined the role of the OECD in the monetary field.<sup>21</sup> After the Cold War, the OECD engaged in a new undertaking; namely in assisting with the adaptation and transformation of the former communist countries in Eastern Europe to liberal democracies,<sup>22</sup> in particular through the OECD Partners in Transition Program.<sup>23</sup> As the EU enlarged, the need for OECD assistance declined. In this sense, the EU's enlargement posed a strong challenge for the OECD.

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<sup>16</sup> Organization for European Economic Cooperation, About the Organization for European Economic Co-operation [http://www.oecd.org/document/48/0,3343,en\\_2649\\_201185\\_1876912\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/48/0,3343,en_2649_201185_1876912_1_1_1_1,00.html) (last visited 9 June 2011). See Green, *supra* note 12, p.256.

<sup>17</sup> James Salzman and Julio Bacio Terracino, *Labor rights, globalization and institutions: the role and influence of the Organization for Economic Cooperation and Development* in Social Issues, Globalization and International Institutions: Labor Rights and the EU, ILO, OECD and WTO, p. 315 (Virginia A. Leary and Daniel Warner eds, Boston Martinus Nijhoff 2006); Wolfe, *supra* note 15, p. 32.

<sup>18</sup> Organization for Economic Cooperation and Development, About the Organization for Economic Co-operation and Development, [http://www.oecd.org/pages/0,3417,en\\_36734052\\_36734103\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/pages/0,3417,en_36734052_36734103_1_1_1_1,00.html) last visited 9 June 2011); Convention on the OECD done in Paris, 14 December 1960, United Nations Treaty Series, vol. 888, p. 179 (came into force on 30 September 1961); Paul Taylor and A.J.R. Groom, *International Institutions at Work*, Pinter Publishers London, p.56 (1988).

<sup>19</sup> Goran Ohlin. *The Organization for Economic Cooperation and Development*, 22(1) International Organization 231, p. 231. (1968)

<sup>20</sup> *International Organizations: Summary of Activities: III. Political and Regional Organizations: the Organization for Economic Cooperation and Development*, 22(4) International Organization 1007, p. 1007 (1968); Wolfe, *Supra* note 15, p. 28.

<sup>21</sup> Wolfe, *supra* note 15, p.35.

<sup>22</sup> Christopher Warren, *Revitalizing the OECD* in *In the stream of history: shaping foreign policy for a new era*. Stanford University Press, p.168 (1998); Green, *supra* note 12, p.256.

<sup>23</sup> Angel Gurría, Secretary-General OECD, Remarks by Angel Gurría at a seminar organized by the representatives of the Czech Republic, Hungary, Poland and the Slovak Republic to the OECD in Paris (20 November 2009).

The mission of the OECD has always been one of the least well-defined among international economic institutions.<sup>24</sup> Paradoxically, the absence of such a precisely defined mission has contributed to the organization's resilience.<sup>25</sup> Yet, it also renders the OECD more vulnerable to the duplication or acquisition of its functions by other institutions. In particular, after the accession of the former members of the Eastern Bloc to the EU (in particular the 2004 and 2007 EU enlargements), the OECD faced the serious threat of becoming less relevant within the global economic governance architecture.<sup>26</sup> Notwithstanding its cooperation with other institutions, the OECD became increasingly squeezed between other institutions, questioning its relevance within global economic governance.<sup>27</sup> This process was reinforced by the changing global economic landscape of the last decade(s). The absence of several important economic powers, such as China, India and Russia from OECD membership, provided a further threat undermining the relevance of the OECD.<sup>28</sup> In addition, the OECD and its member states became aware that the issues with which the OECD dealt were becoming increasingly global in scope.<sup>29</sup> Traditionally, the OECD has been a club of advanced economies committed to democracy and a market economy.<sup>30</sup> The OECD provided a forum for these 'like-minded' industrialized advanced economies to discuss and study their common problems.<sup>31</sup> Consequently, the organization was sometimes labeled a 'rich man's club'.<sup>32</sup> As a result, global adoption of its work was problematic as the OECD's Western-biased membership did not appeal to non-member countries. A drastic change of direction was needed in order to revitalize the OECD. If the OECD was to remain a relevant body within the changing global economy, it had to broaden its membership<sup>33</sup> and find itself a new comparative advantage vis-à-vis other economic institutions.<sup>34</sup> In

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<sup>24</sup> Richard Woodward, *The Organization for Economic Co-operation and Development: Meeting the challenges for the Twenty-First Century?* In Neo-Liberalism, State Power and Global Governance 231, p. 232 (Simon Lee and Stephen McBride eds., Springer 2007).

<sup>25</sup> *Ibid.*, p.236. see Cuyvers and Kerremans, *supra* note 14, p. 92.

<sup>26</sup> The current Secretary-General of the OECD, Mr. Angel Gurría uses the word 'relevance' remarkably often in speeches and press releases; Peter Carrol and Aynsley Kellow, *The OECD: A Study of Organisational Adaptation*, Edward Elgar Publishing, p.4 (2011)

<sup>27</sup> Woodward, *Supra* note 24, p.236.

<sup>28</sup> *Ibid*, p.237; Carrol and Kellow, *Supra* note 26, p.121.

<sup>29</sup> Jocelyne Bourgon, *Reform and Modernization of the OECD 1* (The Centre for International Governance Innovation Working Paper No. 42, 2009).

<sup>30</sup> *Ibid*, p. 3; O'Brien and Williams, *supra* note 12, p. 125; Joseph Stiglitz, *Globalization and its Discontents*, Penguin Publishing, p.94 (2002).

<sup>31</sup> Martin Marcussen, *The Organization for Economic Cooperation and Development as ideational artist and arbitrator: Reality or dream?*, in *Decision making Within International Organizations* 90, p.97 (Bob Reinalda and Bertjan Verbeek (eds) London and NY Routledge, 2004).

<sup>32</sup> Woodward, *supra* note 16, p.232. Dani Rodrik, *The Globalization Paradox: Democracy and the Future of the World Economy*, Norton Publishing, p.103 (2011).

<sup>33</sup> *Ibid*, p.5.

<sup>34</sup> It can be argued that the limited membership of the OECD used to be its comparative advantage towards other economic institutions. However, the changing global order eroded this.

order to allow an expansion of its membership, the OECD took a more pragmatic approach towards its accession requirements. This resulted in the accession of ten new member states since the 1990s, which brought its total membership to thirty-four countries. Its new members included eastern European countries as well as countries such as Israel, Mexico, South Korea, and Chile.<sup>35</sup> In the meantime, the OECD diversified the issues it handled. It engaged in developing guidelines, conventions, and agreements in several areas, ranging from taxation and education, to internet policy and standards for multinational enterprises. Currently, the OECD is involved in all areas of government policy, except for culture and defense.<sup>36</sup> By broadening both its membership and its issue range, the OECD further expanded its enormous pool of expertise and knowledge.<sup>37</sup> As a result of this expertise, the OECD has become an originator of best practices, many of which are later seen as mainstream, conventional wisdom.<sup>38</sup> The OECD's secretariat's high level of knowledge and expertise is one of the main defining characteristics of the organization.<sup>39</sup> The OECD secretariat enjoys a certain level of autonomy from other international organizations and the OECD member states.<sup>40</sup> As a forum for the construction, standardization, and dissemination of knowledge the OECD could offer significant contributions to the global economic governance system.<sup>41</sup>

However, both its enlargement in the last twenty years and valuable expertise pool did not ensure the OECD of a strong position within the global economic governance architecture. The acquisition of some of its functions by other organizations and its still limited membership remained important threats to the organization. These circumstances led to the declining interest in the OECD by some of its largest

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<sup>35</sup> These ten are: Mexico (May 18, 1994), Czech Republic (December 21, 1995), Hungary (May 7, 1996), Poland (November 22, 1996), South Korea (December 12, 1996), Slovak Republic (December 14, 2000), Chile (May 7, 2010), Slovenia (July 21, 2010), Israel (September 7, 2010), Estonia (December 9, 2010).  
[http://www.oecd.org/document/58/0,3746,en\\_2649\\_201185\\_1889402\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/58/0,3746,en_2649_201185_1889402_1_1_1_1,00.html) (last visited 12 Augustus 2011).

<sup>36</sup> Edward, *supra* note 12, p.77; Bourgon, *Supra* note 29, p.2; Jan Aart Scholte, *Global Trade and Finance in The Globalization of World Politics* 4<sup>th</sup> edition 450, 452 (John Baylis, Steve Smith and Patricia Owens (eds.) Oxford University Press, 2008).

<sup>37</sup> Fabricio Pagani, *Peer review as a tool for cooperation and change*, 11(4) *African security review* 15, 22 (2002).

<sup>38</sup> Woodward, *Supra* note 24, p.234; Rianne Mahon and Stephen McBride, *Introduction*, in *The OECD and Transnational Governance* 3, p.3 (Rianne Mahon and Stephen McBride (eds.) University of Washington Press, 2008).

<sup>39</sup> Bourgon, *Supra* note 29, p.2; Kenneth W. Abbott and Duncan Snidal, *Why states act through formal international organizations* in *The Politics of Global Governance: International Organization in an interdependent world*, second edition 3, p.19 (Paul F. Diehl, Lynne Rienner Publishers, 2001).

<sup>40</sup> Mahon and McBride, *supra* note 38, p.8.

<sup>41</sup> Rianne Mahon and Stephen McBride, *Standardizing and disseminating knowledge: the role of the OECD in global governance*, 1(1) *European Political Science Review* 83, p.84.

members and financial contributors in recent years.<sup>42</sup> Consequently, the OECD, and in particular its Secretary-General Mr. Angel Gurría, started looking for opportunities to restore the place of the OECD as a relevant organization within the global economy and to increase the impact of its work. As will be elaborated in the next section, the emergence of the G20 provided the OECD with such an opportunity.

### 3. THE RISE OF THE G20

The G20 emerged out of a debate within the G7<sup>43</sup> which stressed the need for a permanent forum for informal dialogue between advanced and emerging economies.<sup>44</sup> An equally important incentive to the creation of the G20 was the desire of the G7 to look for other countries with “the capacity to support the international financial system” by lending funds to the IMF in case of emergencies.<sup>45</sup> The G20 was discussed for the first time in 1999 at the G7 Cologne Summit.<sup>46</sup> Shortly thereafter, at the G7 Finance Ministers Meeting in Washington, D.C., the G20 was officially founded as a forum of finance ministers and central bank governors.<sup>47</sup> The newly established forum held its first meeting in Berlin in December of 1999.<sup>48</sup> The United States (US) and Canada, the G20’s original promoters, aimed to transform the G22 and G33 into a body which would be less *ad hoc* and more acceptable to the European countries<sup>49</sup> and which would have a more limited membership to make consensus more likely.<sup>50</sup> The more limited membership made it extremely important for the founding parties (US and Canada) to seriously consider and assess all possible candidates and ensure that the ‘right’ countries were sitting at the table.<sup>51</sup> At its foundation, 20 systemically important economies were taken on board (19 countries and the EU) reflecting the recent

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<sup>42</sup> Bourgon, *supra* note 29, p.6.

<sup>43</sup> The G7 (also known as the G-7) is the meeting of the finance ministers from a group of seven industrialized nations. It was formed in 1975. Its members are: France, Germany, Italy, Japan, United Kingdom, United States, and Canada. In 1997, the group added Russia, thus becoming the G8, although the G7 still continued to meet separately as well.

<sup>44</sup> Paul Martin, *The G20: From Global Crisis Responder to Global Steering Committee* in Towards the Consolidation of the G20: From Crisis Committee to Global Steering Committee 14, p. 15 (Colin I. Bradford and Wonhyuk Lim eds., Korea Development Institute, 2010); Kirton, *supra* note 5, p.19 and 30. For an extensive overview of the development of the G8 and the G20, see Peter Hajnal, *The G8 system and the G20: evolution, role and documentation* (2007).

<sup>45</sup> G7 Halifax Summit Communiqué, para. 18 (16 June 1995).

<sup>46</sup> G7 Report of G7 Finance Ministers to the Köln Economic Summit, para. 14b (18-20 June 1999).

<sup>47</sup> G7 Statement of G7 Ministers and Central Bank Governors, Washington D.C., para. 19 (25 September 1999).

<sup>48</sup> G20 Communiqué Finance Ministers and Central Banks Governors Meeting, Berlin, para 1 (15-16 December 1999).

<sup>49</sup> The European Union felt underrepresented in the G33 (*Supra* note 4, pg. 23)

<sup>50</sup> G20, *supra* note 4, pg. 21.

<sup>51</sup> Paul Martin, *A Global Answer to Global Problems: The Case for a New Leaders’ Forum* in 84(3), *Foreign Affairs*, p.2 (2005).

tectonic shifts in the global economy and its higher integration.<sup>52</sup> The premier goal of the G20 is to promote informal dialogue on a wide range of economic and financial issues among systemically important countries within the framework of the Bretton Woods institutions.<sup>53</sup> Equally important, the G20 aims to enhance the cooperation between its member countries in order to achieve stable and sustainable global economic growth that benefits all.<sup>54</sup> In this sense, the G20 superseded the G22 and the G33 as it was intended to do.<sup>55</sup>

Initially, the G20 was a response to the Asian financial crisis<sup>56</sup> and was consequently composed of the finance ministers and central bank governors of the member countries. In its early years, the G20 proved to be a valuable forum for financial crisis management, , the relevance of the Finance G20<sup>57</sup> dropped as the Asian countries slowly recovered from the Asian financial crisis.<sup>58</sup> When the global financial crisis hit the world in 2008, memories of the Asian financial crisis led to the rediscovery of the G20.<sup>59</sup> The direct involvement of the leaders of the G20's member countries was necessary to provide quick and strong answers to the global financial crisis.<sup>60</sup> Consequently, the G20 was elevated to the leaders' level. The G20's informal outlook and high global representativeness<sup>61</sup> (far more inclusive than the G7/8) made it the most suitable body to deal with the issues which emerged during the 2008 global financial crisis.<sup>62</sup> However, some authors argue that the G20 is no more than a continuation of the dominance of Western countries in global economic

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<sup>52</sup> G20, *supra* note 4, p.5-6.

<sup>53</sup> The Bretton Woods institutions are the institutions established in order to rebuild the economic system after WWII. The Bretton Woods agreements were signed in July 1944 in Bretton Woods and resulted in the establishment of the International Monetary Fund, the International Bank for Reconstruction and Development (now part of the World Bank) and planned the foundation of the International Trade Organization (whose charter never got approved by US Congress).

<sup>54</sup> G7, Statement of G7 Ministers and Central Bank Governors, Washington D.C., para. 19 (25 September 1999).

<sup>55</sup> For an overview of these groups, *see*: IMF, A Guide To Committees, Groups, And Clubs, <http://www.imf.org/external/np/exr/facts/groups.htm#G33> (last visited 9 June 2011).

<sup>56</sup> The Asian financial crisis emerged in 1997 in Thailand but quickly spread to the rest of Asia. The main cause was the decision to cut the fixed exchange rate of the Thai currency, the bath, to the US dollar, as a result of higher interests in the US and lower capital inflow in Thailand. However, the floating of the bath quickly resulted in its collapse and financial unrest in the region.

<sup>57</sup> Throughout the rest of the Article, a distinction will be made between the Finance G20, composed of finance ministers and central bank governors and the Leaders G20, which was founded in 2008 and gathers the government leaders.

<sup>58</sup> Woods, *supra* note 6, p. 4; Ngaire Woods, *The Impact of the G20 on Global Governance: A History and Prospective in Towards the Consolidation of the G20: From Crisis Committee to Global Steering Committee* 61, p. 62 (Colin I. Bradford and Wonhyuk Lim eds., Korea Development Institute, 2010);

<sup>59</sup> The Finance G20 has continued to meet on a regular basis as well, recently even three times a year.

<sup>60</sup> G20, *supra* note 4, p.4; Eric Helleiner and Stefano Pagliari, *Towards a new Bretton Woods? The first G20 Leaders summit and the regulation of global finance*, 14(2) *New Political Economy* 275, p.275 (2009).

<sup>61</sup> "The group [indeed] includes countries with very different levels of economic development and very different cultures, religions and races," as desired by Martin, *supra* note 51, p. 3.

<sup>62</sup> G20, *supra* note 4, p.4.

decision-making.<sup>63</sup> Other authors argued that the G20 enjoys a substantial level of legitimacy and efficiency which is rarely achieved by other international bodies.<sup>64</sup> At the very least, the G20 represents, due to its more inclusive membership than the G7/G8's<sup>65</sup>, a slow and incremental shift towards greater participation by emerging economies in global economic governance.<sup>66</sup> It is in a sense the first international body where emerging economies are on an equal footing with traditional ones.<sup>67</sup> As emerging economies are on par with advanced economies,<sup>68</sup> the G20 can be seen as a pioneer compared to the traditional international organizations.<sup>69</sup> Furthermore, because the G20 involves nation's leaders rather than technocrats to whom authority is usually delegated, it is able to provide quick answers to issues which arise suddenly and has an enhanced ability to overcome policy differences among its members.<sup>70</sup> Nowadays, the G20's agenda has broadened from its initial focus on crisis management to a greater focus on structural economic issues.<sup>71</sup> As indicated above, since its September 2009 Pittsburgh summit, the G20 has referred to itself as the premier forum for its members to discuss international economic and financial issues.<sup>72</sup> Despite this status, the G20 has failed to receive a particular mission, and rather works as both an emergency and agenda-setting group.<sup>73</sup> Some authors have argued that the G20 should become a council of Governors in global economic governance.<sup>74</sup> Indeed, the G20 has increasingly become a *de facto* executive forum which provides coordination and the much needed political authority to ensure

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<sup>63</sup> John Kirton, *What is the G20?* Adapted from 'the G7, China and the International financial System,' paper presented at the International think Tank Forum on 'China in the Twenty-First Century,' China Development Institute, (10-12 November 1999). During the presentation, Kirton spoke of the G7-isation of international decision-making rather than its genuine broadening.

<sup>64</sup> Beeson and Bell, *supra* note 9, p.74.

<sup>65</sup> It should be noted however, that the G8 has continued to meet.

<sup>66</sup> G20, *supra* note 4, p.7; Andrew F. Cooper, *The G20 as an improvised crisis committee and/or a contested 'steering committee' for the world*, 86(3) *International Affairs* 741, p.742 (2010).

<sup>67</sup> G20, *supra* note 4, p.5.

<sup>68</sup> Wongi Choe *The Role of Korea in the G20 Process and the Seoul Summit*. Paper presented at the conference on 'G20 Seoul Summit: from Crisis to Cooperation,' Korean Association of Negotiation Studies, p.1 (20 May 2010).

<sup>69</sup> Beeson and Bell, *supra* note 8, p.79

<sup>70</sup> Woods, *supra* note 6, p.5; Woods, *supra*, note 58, p.62 and Beeson and Bell, *supra* note 8, p.79.

<sup>71</sup> Pier Carlo Padoan. *The Political Economy of Global Rebalancing and the Role of Structural Reforms* in *Towards the Consolidation of the G20: From Crisis Committee to Global Steering Committee* 186, p.195 (Colin I. Bradford and Wonhyuk Lim eds, Korea Development Institute 2010).

<sup>72</sup> G20 Pittsburgh Summit Declaration, 24-25 September 2009, para. 50; for a more detailed overview of the policy consequences, see Rebecca M. Nelson, *The G20 and International Economic Cooperation: Background and Implications for Congress*. CRS Report for Congress, p.2 (2010). However, it should be noted that some countries, such as Chile and Thailand expressed annoyance about this statement (see Woods, *supra*, note 58, p.67).

<sup>73</sup> G20, *supra* note 4, p.42 and Paul Heinbecker, *The Future of the G20 and its Place in Global Governance* p.3 (CIGI G20 Papers, No.5, 2011).

<sup>74</sup> Jennifer Hillman. *Saving Multilateralism. Renovating the house of global economic governance for the 21<sup>st</sup> century*. Brussels Forum Paper Series, The German Marshall Fund of the States, p.28 (2010).

decisive global responses to economic issues as the financial crisis has shown.<sup>75</sup> It is increasingly becoming the global playmaker in economic issues,<sup>76</sup> setting the agenda for the traditional global economic governance institutions.<sup>77</sup> As a result, the G20 dominates, to some extent, these traditional organizations' agendas and weakens these organizations' ability to allocate attention according to their respective preferences.

As a recent addition to the global economic governance architecture, the G20 faces a number of constraints and problems, in particular related to its institutional weaknesses. The first constraint on the G20's functioning is the fact that its member states do not delegate power to the G20. It thus remains an informal, network-oriented, atypical and, in a sense, weak organization. The second constraint is its lack of important technical expertise and knowledge in preparing meetings and implementing its decisions in the national agenda of its member states. As it lacks a secretariat to perform these much-needed functions<sup>78</sup> it needs to have the support of other international organizations or member states to realize its agenda.<sup>79</sup> To enable the G20 to make the shift from a crisis committee to a global steering committee and to enhance its capabilities in dealing with multifaceted, complex problems, a secretariat is of utmost importance. Today, these 'secretarial' assignments are increasingly delegated by the G20 to other international organizations.<sup>80</sup> Evidence for this remarkable development can be found in the communiqués, as discussed in the fourth section of this contribution. As will be discussed below, the G20 is increasingly relying upon the OECD to assist its functioning and has cultivated strong relations with the OECD to achieve its goals.

#### **4. RATIONALE FOR THE GROWING COOPERATION BETWEEN THE OECD AND THE G20**

As the premier forum for its members' international economic cooperation, the G20 has cultivated special relationships with the traditional global economic governance institutions and is increasingly calling upon these organizations to support its functioning. The OECD in particular has contributed greatly to the G20's work. The

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<sup>75</sup> Richard Eccleston, Peter Carroll and Aynsley Kellow, *Handmaidens to the G20? The OECD's evolving role in global economic governance*, paper presented to the 2010 Australian Political Studies Association Conference, Melbourne, p.3 (2010).

<sup>76</sup> Jan Wouters, Steven Sterkx and Tim Corthaut, *The international financial crisis, global financial reform and the European Union* in Antoniadis, A., Schuetze, R. and Spaventa, E. (eds.), *The European Union and Global Emergencies: Law and Policy Analysis*, p. 141-166, Hart Publishing, 141, at 147; Heinbecker, *supra* note 73, p.5.

<sup>77</sup> Woods, *supra* note 6, p.8.

<sup>78</sup> Beeson and Bell, *supra* note 8, p.77.

<sup>79</sup> Woods, *supra* note 6, p.6.

<sup>80</sup> John Kirton, *The G20 and broader multilateral reform*. Paper prepared for conference on 'What role for the G20 in a post-crisis world?' Club of Madrid and FRIDE, Seoul, p. 2 (15-16 July 2010).

advantage of the OECD vis-à-vis other international organizations is the enormous pool of expertise and knowledge of its secretariat in a wide variety of issue areas. The other international organizations on whose experience the G20 draws, such as IMF and International Labor Organization (ILO) are often more narrowly focused. By contributing broadly to the G20, the OECD has been able to strengthen and revive its declining role within the global economic governance architecture. The G20 gratefully accepts the assistance of the OECD as it lacks operational and implementation capabilities itself. As a knowledge and experience driven organization, the OECD has much a lot to offer to the G20. The OECD has been in existence for five decades and has gathered enormous knowledge in a wide range of economic and financial issues. The G20 often deals with similar issues but does not yet have the knowledge and expertise to deal with the complex and often technical details of these issues. Consequently, since the September 2009 Pittsburgh Summit, the OECD has been invited to the recent G20 summits. Moreover, the current Secretary-General of the OECD, Mr. Angel Gurría, has been actively engaged in putting his organization forward as a useful complement to the work of the G20.<sup>81</sup>

The strengthening of the relationship between the G20 and the OECD can be better understood from a historical perspective. The OECD previously cooperated intensively with the G7/G8,<sup>82</sup> after overcoming its initial resistance to the G7 meetings due to its overlap with OECD work.<sup>83</sup> The G7, similarly to the G20, always resisted the temptation to institute a secretariat.<sup>84</sup> The OECD performed as a *de facto* secretariat for the G7 by responding to specific requests for work or by providing intellectual foundations for the G7's work.<sup>85</sup> The OECD often fulfilled the unglamorous task of maintaining the momentum and keeping track of developments between the G7's meetings. In this sense, the OECD has been described as the 'Cinderella' among international organizations: "[I]t does not always go to the balls like its grander sisters, though it often runs up their dresses and sometimes clears up their mess after the party."<sup>86</sup> The OECD has been invited to the G7/G8 meetings

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<sup>81</sup> Gurría, *supra* note 23, p.2; Mahon and McBride, *supra* note 38, p.84.

<sup>82</sup> The cooperation between the G7 and the OECD was easier and less problematic than the relationship between the OECD and the G20 because all members of the G7 were also members of the OECD.

<sup>83</sup> Andrea De Guttry, *The Institutional Configuration of the G7 in the New International Scenario* in 29(2) *The International Spectator*, p. 70 (1994); G7/G8 references to the work of the OECD: [http://www.oecd.org/document/19/0,3746,en\\_2649\\_37465\\_2512403\\_1\\_1\\_1\\_37465,00.html](http://www.oecd.org/document/19/0,3746,en_2649_37465_2512403_1_1_1_37465,00.html) (last visited 23 June 2011); Wolfe, *supra* note 15, p.35.

<sup>84</sup> Kirton, *supra* note 5, p.25.

<sup>85</sup> Woodward, *supra* note 24, p. 235.

<sup>86</sup> Nicholas Bayne, *Making sense of Western Economic Policies: the Role of the OECD* in 43(2) *World Today*, 27, p.30 (1987).

since 2007.<sup>87</sup> The highest point of the G7/G8 relations with the OECD was the Heiligendamm and L'Aquila summits.<sup>88</sup> The G-8 invited the so-called G5 emerging countries (Brazil, India, China, Mexico and South Africa) to these summits (Heiligendamm in 2007 and L'Aquila in 2009). In doing so, it recognized both the growing global interdependence and the rise of the emerging economies. The OECD provided the platform for this dialogue and the Heiligendamm/ L'Aquila Support Unit was housed in the OECD under the direct supervision of the OECD Secretary-General.<sup>89</sup> While the emergence of the G20 decreased the relevance of this process, the cooperation which arose during these summits between the OECD and the G8 has been an important incentive for further collaboration under the G20 umbrella.

Another reason for the strong cultivation of the G20/OECD relationship is that their respective memberships are becoming increasingly similar. This makes the OECD for the G20 an excellent venue to support its functioning. Eleven members of the G20 are members of the OECD.<sup>90</sup> Moreover, thanks to the inclusion of the EU as the twentieth member of the G20, seventeen more members of the OECD are indirectly represented in the G20.<sup>91</sup> The expansion of the OECD since the 1990s is the main driving force between both bodies' increasingly similar outlook.<sup>92</sup> Since 2007, the OECD strengthened its cooperation with six other G20 members.<sup>93</sup> Such a swift change in membership is noteworthy as the OECD used to be a club of Western countries committed to the furthering of the market economy and

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<sup>87</sup> Wonyuk Lim and Yumi Park, *Institutional Innovations for Consultation and Outreach: Making the G20 more responsive and effective*. Paper prepared for the Presidential Committee for the G20 Summit, KDI, p. 32 (November 2010)

<sup>88</sup> The Heiligendamm process has been referred to as a transition phase between the G8 and the G20 (see Smith, *supra* note 10, p.5).

<sup>89</sup> Lim and Park, *supra* note 87, p. 26.

<sup>90</sup> Namely: Australia, Canada, Germany, France, Italy, Japan, Mexico, Turkey, United Kingdom, United States, South Korea.

<sup>91</sup> Namely: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Ireland, Luxembourg, the Netherlands, Poland, Slovak Republic, Slovenia, Portugal, Spain and Sweden. The EU is not a member of the OECD, although the European Commission has its own delegation in Paris and is allowed to participate in the work of the OECD, but the Commission has no vote in the adoption of OECD acts and makes no financial contributions to the general budget (Supplementary Protocol No. 1 to the Convention on the OECD of 14 December 1960).

<sup>92</sup> e.g. the accession of Mexico (1994) and the Republic of Korea (1996). Both countries are members of the G20 (although the G20 still needed to be established when they entered the OECD). The growing similarity in membership is thus driven by the shared desire of both organizations to include emerging economies.

<sup>93</sup> Namely: the Russian Federation as accession candidate country. Brazil, China, India, Indonesia and South Africa as enhanced engagement countries. However, the role and influence exercised by these enhanced cooperation partners remains very unclear, the clarifications of their role are at best vague, see e.g. OECD, *the OECD's Global Relations Programme*. Centre for Cooperation with non-members (2010).

democracy.<sup>94</sup> Due to this expansion and enhanced cooperation, all countries of the G20, except for Saudi Arabia and Argentina, are currently strongly involved in the OECD, either as members or due to enhanced cooperation agreements. The same argument can be made for the OECD as well, where only six members (Switzerland, New Zealand, Iceland, Chile, Norway and Israel) are not directly, or indirectly through the EU, represented in the G20. The involvement of the same countries in both bodies is a strong incentive for their growing cooperation. In addition, the OECD's limited membership is an advantage for its efficiency vis-à-vis other international organizations. Indeed, with only thirty-four relatively likeminded countries as members, the OECD remains a relatively workable and efficient organization. The OECD is quite dependent on G20 members for its budget. OECD members' financial contributions mirror the size of each member's economy. The G20 members of the OECD accounted for 78,1% of the OECD's total (general) funding in 2010, which may be augmented up to 96,1% if one considers that all EU member states are indirectly also represented at the G20.<sup>95</sup>

To conclude, several factors explain the strengthening of the relationship between the OECD and the G20. First, the OECD has much to offer to the G20 in terms of experience and knowledge, whereas the G20 can provide a high level of political commitment to the OECD's agenda thereby increasing the relevance of the OECD within the global economic governance architecture. Second, the active involvement of OECD Secretary-General Mr. Angel Gurría has further enhanced their cooperation. Third, the growing similarity in membership of both organizations and the financial dependency of the OECD from the G20 members' contributions provides another reason for the growing ties between both entities. In the remainder of this Article, we explore this growing cooperation in more detail while considering both the benefits and the risks of stronger ties between both organizations.

## **5. THE EVOLVING RELATIONSHIP BETWEEN THE G20 AND THE OECD**

### **5.1. OUTLOOK OF THE RELATIONSHIP**

Traditionally, the OECD has been strongly embedded in the network of international organizations. In 2010, it identified more than sixty organizations with which it collaborates on different issues.<sup>96</sup> The OECD encounters numerous international organizations and issues a result of the broad and ever-changing agenda the OECD

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<sup>94</sup> See *supra* note 30 en *supra* note 32.

<sup>95</sup> Switzerland (1,6%), Norway (1,4%) and New Zealand (0,6%) are the only contributors of the OECD who are not represented in the G20.

<sup>96</sup> OECD global relations programme, *supra* note 93.

has pursued since its establishment. It cooperates with almost all organizations in a horizontal manner. However, the G20/OECD relationship appears to have a more vertical super-ordinate outlook. While being very cautious toward other universal international organizations such as the United Nations (UN) and the World Trade Organization (WTO), the G20 has taken another approach with regard to the OECD. To a certain extent, the G20 has been able to direct the OECD's agenda. In this sense, the G20 has established some kind of hierarchical relationship with the OECD.<sup>97</sup> However, the OECD has also been able to influence the G20's agenda to some extent. As discussed later, the G20 has indeed endorsed the work of the OECD in a growing number of issues areas. These endorsements have resulted in a more global adoption of OECD work, revitalizing the OECD as a global economic institution. In this sense, the precise relationship between both entities remains blurred.

It is clear that the two organizations are increasingly cooperating. Evidence of the growing cooperation between both entities can be observed in the G20 communiqués which are released at the end of each of the G20 summits. The growing presence of the OECD is evident in the G20 communiqués. Furthermore, these communiqués signal the growing issues in which the G20 calls for the support of the OECD.

## 5.2. THE OECD IN THE G20 COMMUNIQUÉS

### ***G20 Finance Meeting***

The OECD was not invited to the first G20 Finance Ministerials. In the communiqués of the Ministerials of Berlin 1999,<sup>98</sup> Montreal 2000,<sup>99</sup> Ottawa 2001<sup>100</sup> and New Delhi 2002,<sup>101</sup> no reference to the OECD or its work could be discovered. The OECD was referred to for the first time at the end of the meeting of Finance ministers and Central Bank Governors in the communiqué of the meeting in Morelia in 2003.<sup>102</sup> In this first instance, the OECD and its member countries were asked to address tax

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<sup>97</sup> See, Eccleston *et al*, *supra*, note 75, p.7; Kirton, *supra*, note 80, p.3 and De Guttery, *supra*, note 83, p.4.

<sup>98</sup> G20 Communiqué Finance Ministers and Central Banks Governors Meeting, Berlin (15-16 December 1999).

<sup>99</sup> G20 Communiqué Finance Ministers and Central Banks Governors Meeting, Montreal (24-25 October 2000).

<sup>100</sup> G20 Communiqué Finance Ministers and Central Banks Governors Meeting, Ottawa (16-17 November 2001).

<sup>101</sup> G20 Communiqué Finance Ministers and Central Banks Governors Meeting, 22-23 November 2002, New Delhi.

<sup>102</sup> G20 Communiqué Finance Ministers and Central Banks Governors Meeting, Morelia, para. 6 (26-27 October 2003).

evasion. By the next G20 meeting in 2004 in Berlin, the OECD has drafted standards on this issue.<sup>103</sup> The G20 Finance Ministers then committed themselves to these OECD standards.<sup>104</sup> Moreover, both non-OECD and non-G20 countries were invited to adopt the OECD standards regarding tax evasion.<sup>105</sup> This was the first time the OECD performed a real supporting function for the G20. The commitment to tax evasion standards was reaffirmed at the G20's 2005 Xianghe meeting. At the Xianghe meeting, the G20 explicitly lauded the efforts of the OECD Global Forum on Taxation in promoting high standards of transparency and the exchange of information among countries for tax purposes.<sup>106</sup> Although the meetings of the finance ministers continued, the G20 Ministerials did not refer to the OECD again until the 2009 meeting in St. Andrews. The OECD was not mentioned in the communiqués of the 2006 meeting in Melbourne, the 2007 meeting in Cape Town, the 2008 meeting in Brazil, nor the 2009 meetings in Horsham and London. From 2008 onward, the G20 emerged as a forum for global leaders while the Finance G20 Ministerials continued. At the St. Andrews meeting in 2009, the G20 called upon the OECD to provide a joint report on energy subsidies with the International Energy Agency (IEA), the Organization of the Petroleum Exporting Countries (OPEC) and the World Bank. Furthermore, the G20 praised the OECD's Global Forum on Tax Transparency and Exchange of Information for its progress.<sup>107</sup> At the 2010 Washington, D.C., meeting, the OECD provided the Finance G20 with the requested report on energy subsidies and the G20 again applauded the work and progress of the Global Forum on Tax Transparency and the Exchange of Information.<sup>108</sup> More striking however, was the remark in the final communiqué of the Washington meeting, stipulating that "OECD contributions are invited and needed when appropriate."<sup>109</sup> In response to this statement, the OECD started providing a growing number of contributions on a widening range of issues to the G20. This strongly differed from its earlier, rather limited involvement dealing solely with tax and energy issues. At the 2010 G20 Finance meetings in Busan and Gyeongju, the communiqués encouraged the involvement of the OECD in the

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<sup>103</sup> OECD, *Model Agreement on Exchange of Information on Tax Matters* (2002).

<sup>104</sup> G20 Communiqué Finance Ministers and Central Banks Governors Meeting, Berlin, para. 9 (20-21 November 2004).

<sup>105</sup> G20 Statement on Transparency and Exchange of Information for Tax Purposes, para. 1 (21 November 2004).

<sup>106</sup> G20 Communiqué Finance Ministers and Central Banks Governors Meeting, Xianghe, para. 9 (15-16 October 2005).

<sup>107</sup> G20 Communiqué Finance Ministers and Central Banks Governors Meeting, St. Andrews, para. 5 and 6 (7 November 2009).

<sup>108</sup> G20 Communiqué Finance Ministers and Central Banks Governors Meeting, Washington D.C., para. 4, 5 (23 April 2010).

<sup>109</sup> G20 Framework for Strong, sustainable and Balanced Growth, as annexed to the Communiqué Finance Ministers and Central Banks Governors Meeting, Washington D.C., p.3 (23 April 2010).

Framework for Strong, Sustainable and Balanced Growth<sup>110</sup>. Moreover, the G20 praised the Global Forum on Tax Transparency and the Exchange of Information and the report of the OECD on energy subsidies.<sup>111</sup> The finance G20 Ministerial in Paris on February 18-19, 2011 assigned the OECD (together with the Financial Stability Board (FSB)) the task of developing common principles in the field of financial services. At this time, the G20 also stated that the work of the OECD on capital flows greatly enhanced the strengthening of the international monetary system.<sup>112</sup> The G20 Finance Ministerial in Washington, which took place on April 15, 2011, praised the ongoing work of the OECD and the FSB in developing common principles on consumer protection in financial services. Moreover, the G20 decided at this meeting to maintain the momentum in the fight against global corruption and asked the Global Forum on Tax Transparency and the Exchange of Information to report on ways to improve the effectiveness of exchange of tax information.<sup>113</sup>

On April 21, 2010, the G20's labor and employment ministers met for the first time in Washington and invited the OECD Secretary-General Angel Gurría to the meeting.<sup>114</sup> The Labor and Employment ministers called upon the Leaders G20 to consider the policy recommendations of the International Labor Organization (ILO) and the OECD.<sup>115</sup> In preparation of the 2011 G20 Summit of the Leaders, the agriculture ministers of the G20 members met on June 22 and 23, 2011 in Paris. The G20 agriculture ministers acknowledged the policy report on *Price Volatility in Food and Agricultural Markets: Policy Responses*<sup>116</sup> which was drafted jointly by the United Nations' Food and Agriculture Organization (FAO), the OECD, the World Bank Group, the International Fund for Agricultural Development (IFAD), the United Nations Conference on Trade and Development (UNCTAD), World Food Programme (WFP), the WTO, the IMF, the International Food Policy Research Institute (IFPRI), and the United Nations High Level Task Force on the Global Food Security Crisis (UN HLTF). The OECD was particularly involved in the coordination and preparation

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<sup>110</sup> Annex 1: The Framework for Strong, Sustainable and Balanced Growth, as annexed to the G20 Pittsburgh Summit Declaration, para. 5, 14, 17, 29, 30, 42, 47 and 48 (24-25 September 2009).

<sup>111</sup> G20 Communiqué Finance Ministers and Central Banks Governors Meeting, Gyengju, para. 3 (23 October 2010) and G20 Communiqué Finance Ministers and Central Banks Governors Meeting, Busan, para. 3, 4 and 9 (5 June 2010).

<sup>112</sup> G20 Communiqué Finance Ministers and Central Bank Governors Meeting, Paris, para. 4 and 6 (18-19 February 2011).

<sup>113</sup> G20 Communiqué Finance Ministers and Central Bank Governors Meeting, Washington DC, para. 7 and 8 (15 April 2011).

<sup>114</sup> US Labor Department and Secretary Hilda L. Solis to host G20 Labor and Employment Ministers' Meeting on April 20 and 21, Bureau of International Labor Affairs (ILAB) News Release, United States Department of Labor (19 April 2010).

<sup>115</sup> G20 Labor and employment Ministers' Recommendations to the G20 Leaders, Washington (21 April 2010).

<sup>116</sup> FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank, the WTO, IFPRI and the UN HLTF. *Price Volatility in Food and Agricultural Markets: Policy Responses*. (2 June 2011).

of the report.<sup>117</sup> This meeting further resulted in the establishment of the Agricultural Market Information System (AMIS) which was designed to enhance the quality, reliability, accuracy, comparability, and timeliness of food market outlook information. The secretariat of the AMIS will include the OECD as well as other international organizations.<sup>118</sup>

The growing role of the OECD as a provider of information and supporter of the G20 Ministerials is remarkable, especially considering the broadening number of issues the OECD supports. The G20 Leaders' Summit Declarations demonstrates this growing role even more clearly.

### **G20 Leaders Meetings**

The G20 met for the first time at the level of government leaders in Washington in mid-November 2008.<sup>119</sup> At this meeting the G20 encouraged the OECD to continue its work on the promotion of the Exchange of Information on Tax.<sup>120</sup> At the London summit in April 2009, the G20 on its opening day lauded the creation of a black list of tax haven by the OECD issued the very same day by the OECD. The G20 made tax havens one of its priorities at that meeting.<sup>121</sup> From the September 2009 Pittsburgh summit onward, the OECD Secretary-General, Mr. Angel Gurría, has been invited to the G20 summits, once more indicating the growing interaction between both bodies.<sup>122</sup> At the Pittsburgh summit, the G20 urged the OECD to further its work on energy subsidies. Moreover, to prevent illicit capital outflow, the G20 called for the adoption of the OECD Anti-Bribery Convention by all the G20 members and non-members, once more drawing upon the work and expertise of the OECD. The G20 further endorsed OECD assistance in the fields of employment policy, particularly its contribution to the drafting of the ILO's Pittsburgh Summit background report on *Protecting People, Promoting Jobs*<sup>123</sup> and international trade. The G20 Leaders encouraged the OECD to continue its work on these matters, thereby further broadening the range of issues in which the OECD is involved. At the June 2010 summit in Toronto, the G20 praised the OECD's recommendations

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<sup>117</sup> G20 Declaration of the Agriculture Ministers Meeting, Paris, para. 8 (22 and 23 June 2011).

<sup>118</sup> Annex 2: Agricultural Market Information System, G20 Declaration of the Agriculture Ministers Meeting, Paris, (22 and 23 June 2011).

<sup>119</sup> G20 Washington Summit Declaration, para. 1 (15 November 2008).

<sup>120</sup> Action Plan to Implement Principles for Reform, as annexed to the G20 Washington Summit Declaration (15 November 2008).

<sup>121</sup> G20 London Summit Declaration, para. 15 (2 April 2009).

<sup>122</sup> Kirton, *supra* note 80, p. 9.

<sup>123</sup> International Labour Organization, *Protecting people, promoting jobs: a survey of country employment and social protection policy responses to the global economic crisis*. ILO report to the G20 Leaders' Summit Pittsburgh (25 September 2009).

concerning job growth and employment policy.<sup>124</sup> At the same summit, the G20 called upon the OECD to monitor and report on trade and protectionism (in collaboration with the WTO and UNCTAD).<sup>125</sup> This report was subsequently submitted by the OECD to the G20 Leaders at the Seoul Summit. In the context of the Framework for Strong, Sustainable and Balanced growth, the G20 requested that the OECD support and assess this framework.<sup>126</sup> At the Toronto summit, the G20 formally announced that it would further draw upon the expertise of the OECD.<sup>127</sup> Recently, at the November 2010 Seoul Summit,<sup>128</sup> the G20 applauded the expertise and the contributions of the OECD on issues related to the Framework for Strong, Sustainable and Balanced Growth, free trade, fossil fuel subsidies and structural reforms. Moreover, the G20 called for the continuous support of the OECD in these matters.<sup>129</sup> The G20 further called upon the OECD, together with the FSB, to explore the options available to advance consumer finance protection.<sup>130</sup> Moreover, the G20 asked the OECD to support the Global Marine Environment Protection group (GMEP) in drafting a report on best practices to protect the marine environment.<sup>131</sup> The main new feature of the Seoul Summit was the emergence of the issue of development on the G20 agenda. The OECD is providing support in this matter as well.<sup>132</sup> The OECD joined the G20 working group on development and provided support to member countries as they were drafting the G20 Multi Year Action Plan on Development which was adopted in Seoul.<sup>133</sup> The Multi Year Action Plan consists of nine pillars, six of which, namely domestic resource mobilization, human resource development, food security, trade, investment and job creation, and knowledge sharing, the OECD has been explicitly asked to contribute to.<sup>134</sup> However, the OECD will also provide input regarding the other three pillars (infrastructure, financial inclusion and growth with resilience).

The foregoing amply demonstrates the quickly evolving relationship between the G20 and the OECD. Although the broad involvement of the OECD in the G20's work

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<sup>124</sup> G20 Toronto Summit Declaration, 26-27 June 2010, para. 5.

<sup>125</sup> G20 Toronto Summit Declaration, 26-27 June 2010, para. 36.

<sup>126</sup> Annex 1: The Framework for Strong, Sustainable and Balanced Growth, as annexed to the G20 Pittsburgh Summit Declaration, para. 5, 14, 17, 29, 30, 42, 47 and 48 (24-25 September 2009).

<sup>127</sup> G20 Toronto Summit Declaration, 26-27 June 2010, para. 5, 8, 36.

<sup>128</sup> Annex 1: The Framework for Strong, Sustainable and Balanced Growth, as annexed to the G20 Seoul Summit Declaration, para. 10, 42, 59 (12 November 2010).

<sup>129</sup> G20 Seoul Summit Document, para. 10, 42, 59 (12 November 2010).

<sup>130</sup> *Ibid*, para. 41.

<sup>131</sup> *Ibid*, para. 65.

<sup>132</sup> Simon Maxwell, *Laying the Foundations for a Long-Term G20 Work Program on Development in Towards the Consolidation of the G20: From Crisis Committee to Global Steering Committee*, 226, 229-248 (Colin I. Bradford and Wonyuk Lim eds., Korea Development Institute, 2010).

<sup>133</sup> G20 Seoul Summit Declaration, para. 9 (12 November 2010).

<sup>134</sup> Annex 2: Multi-Year Action Plan on Development, as annexed to the G20 Seoul Summit Declaration (12 November 2010).

is relatively recently, it has steeply risen since. This indicates that the G20 has a strong need for the expertise of the OECD and is increasingly drawing upon this expertise. The involvement of the OECD is strongly linked to the G20's evolution. As the G20 gradually moves from being a crisis committee to becoming a global steering committee, the kinds of issues it addresses have shifted accordingly.<sup>135</sup> Indeed, after initially dealing with the single issue of organizing an urgent internal coordinated response to constrain the negative effects of the global financial crisis, the G20's issue coverage has expanded to a diverse set of more structural global issues.<sup>136</sup> The OECD's increasing role in relation to the G20 is partly a result of the OECD's experience with many of the issues to which the G20 is broadening its attention to. The G20 communiqués support the argument that the OECD is progressively performing a secretarial function for the G20.

### 5.3. POSITIVE IMPLICATIONS OF THE CHANGING RELATIONSHIP

The OECD's and G20's growing relationship has positive implications for both organizations. The main positive implication of the changing relationship is that the growing cooperation between the two entities provides an answer to the needs of both the OECD and the G20. On one hand, the G20 cannot replicate, but needs, the expertise and the work of the OECD. On the other hand, the OECD has failed to attract the high-level attention of the G20 summits, attention it needs to remain relevant.

First, the G20 found a solution for its lack of secretariat and knowledge pool in the OECD. Nonetheless, the G20's emergence as a prime discussion forum for global economic issues created some problems for the OECD in first instance. The rise of yet another international body dealing with global economic issues fueled the OECD's fears of becoming completely obsolete.<sup>137</sup> However, such fears have largely been unrealized. In order to become a real competitor to a well-established knowledge institution such as the OECD, the G20 would require a structural modification and the establishment of some kind of permanent working secretariat. The G20 however has stated that it is not looking for such an expansion.<sup>138</sup> Moreover, the G20 (and previously the G7) has always reiterated that it is not looking to replace other international organizations, but is rather looking to cooperate with them,<sup>139</sup> although notably the French President Sarkozy has recently

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<sup>135</sup> Padoan, *supra* note 71, p.195 and Cooper, *supra*, note 61, p.742.

<sup>136</sup> Choe, *supra* note 68, p.6.

<sup>137</sup> Woodward, *supra* note 24, p.234 and Eccleston et al. *supra*, note 75, p.4.

<sup>138</sup> Beeson and Bell, *supra* note 9, p.77 and G20, *supra* note 4, p.24 and p.28

<sup>139</sup> G20, *supra* note 4, p.27

voiced the need to set up a separate G20 secretariat.<sup>140</sup> However, it is still unclear whether he would like to see the establishment of a separate secretariat to the G20, which the organization has iterated on several occasions as being undesirable, or whether seeks to draw further upon the expertise of existing organizations, in particular the OECD. Other proposals to address the G20's lack of a secretariat have been voiced as well. One author has argued in favor of the establishment of a G20 'non-secretariat.' This role would consist of a temporary secretariat, consisting of officials originating from a 3-year presidency troika. The non-secretariat would relocate every year to the presiding country.<sup>141</sup> It is unclear, however, if this idea is a feasible one. Even under this proposal, the author sees an important role for the OECD, which would be called upon to provide support and intellectual background to the functioning of the 'non-secretariat.'<sup>142</sup>

In addition, Second, the OECD has been able to augment its influence by increasing its ties with the G20. Whereas before, the OECD was unable to enforce its standards outside of its membership, the G20 has provided high-level political attention and commitment to the OECD's agenda.<sup>143</sup> In this sense, the OECD has changed from a political forum to a more analytical support organization.<sup>144</sup> The recent surge in global attention on tax havens is a prime example of this evolving relationship. While tax havens had been on the OECD's agenda since 1998, <sup>145</sup> the international community had not made the issue a strong priority.<sup>146</sup> However, in the wake of the 2008 financial crisis, the G20 responded firmly and added tax havens as one of the issues which should be addressed in order to prevent further crises.<sup>147</sup> As one author has noted :“The G20 endorsement of the OECD's position on tax havens has elevated this issue to the center of attention.”<sup>148</sup> As a result of the G20's endorsement of the OECD's position, the number of countries signing the Tax Information Exchange Agreements (TIEAs) rose steeply. Whereas only forty-

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<sup>140</sup> Barry Carin, *A G20 Non-Secretariat?* in *Towards the Consolidation of the G20: From Crisis Committee to Global Steering Committee* 383, p. 383 (Colin I. Bradford and Wonhyuk Lim eds, Korea Development Institute 2010).

<sup>141</sup> *Ibid*, p. 386.

<sup>142</sup> *Ibid*, p.388.

<sup>143</sup> Eccleston et al. *supra* note 75, p.3 and Woodward, *supra* note 24, p.238.

<sup>144</sup> Wolfe, *supra* note 15, p.40.

<sup>145</sup> Green, *supra* note 12, p.257, for more information regarding the OECD and tax havens and on the campaign against tax havens more generally, see Brittain-Catlin William: *Offshore: the dark side of the economy*. New York (2005) and Ronan Palan, Richard Murphy and Christian Chavagneux. *Tax Havens: How globalization really works*. Cornell Press, Ithaca (2010). Reuven S. Avi-Yonah. *The OECD Harmful Tax Competition Report: A Retrospective after a Decade*, 34 Brooklyn J. Int'l L. 783 (2009).

<sup>146</sup> Allison Christians, *Taxation in a Time of Crisis: Policy Leadership from the OECD to the G20* In 5 Nw. J. Int'l L. & S.P., (2010), p.8.

<sup>147</sup> G20 London Summit Declaration, para. 15 (2 April, 2009).

<sup>148</sup> Christians, *supra* note 146, p.8

six agreements were signed by 2008, the political endorsement of the G20 resulted in 374 signed Tax Information Exchange Agreements by 2010.<sup>149</sup> The G20's endorsement allowed the OECD to advance its agenda.<sup>150</sup> At the same time, the G20 has requested that the OECD deliver reports and monitor progress on the issues in question, further enhancing the capabilities of the OECD in the matter.<sup>151</sup> The mutual reinforcement of both organizations' agendas is certainly an important benefit of their stronger cooperation.

#### 5.4. PROBLEMS AND CONCERNS OF THE CHANGING RELATIONSHIP

The evolving relationship between the G20 and the OECD raises some important concerns as well. Most importantly, the growing number of contributions by the OECD and its secretariat to the G20 has shifted the main mandate of the OECD. The OECD has not been founded with a mandate to support the G20, although its contributions to the G20 are taking up a growing amount of its time and resources. While the high level of endorsement of the OECD's work by the G20 provides the OECD with more certainty regarding budgetary contributions,<sup>152</sup> this growing emphasis on G20 work is especially problematic for the OECD's non-G20 members, who seem unsatisfied with this evolution. The time and resources devoted to the OECD's to the G20 are covered by the OECD's budget which is sponsored in part by non-G20 OECD members. Moreover, the G20/OECD rapprochement was never formally recognized by the Council of the OECD.

A related important concern emerging from the OECD's and the G20's growing cooperation has to do with the legitimacy of the OECD. The assignments delegated by the G20 to the OECD bypass the OECD's formal decision-making process. Consequently, an important part of the OECD's work is no longer under the scrutiny of its complete membership. This issue is again of particular relevance to the non-G20 OECD members. The OECD has already once acted against the interests of some of its members while carrying out a G20 assignment. At the first G20 Leaders

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<sup>149</sup> OECD - Tax Information Exchange Agreements (TIEAs) [http://www.oecd.org/document/7/0,3746,en\\_2649\\_33767\\_38312839\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/7/0,3746,en_2649_33767_38312839_1_1_1_1,00.html) (last visited 23/06/2011). / Annex 2: 2009 Year of the G20 : Impact on Implementation as annexed to OECD-Promoting transparency and exchange of information for tax purposes: A background brief (19 January 2010). <http://www.oecd.org/dataoecd/26/28/44431965.pdf> (last visited on 24 June 2011) and Eccleston et al., *supra* note 75, p.9; Carroll and Kellow, *supra* note 26, p.144-145.

<sup>150</sup> Gurria, *supra* note 23, p.3.

<sup>151</sup> As published on the OECD website: "Following the G20 OECD delivers on tax pledge. Following the G20 meeting and communiqué, the OECD secretariat has provided a detailed report on progress by financial centers around the world towards implementation of an internationally agreed standard on exchange of information for tax purposes". [http://www.oecd.org/document/57/0,3343,en\\_2649\\_34487\\_42496569\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/57/0,3343,en_2649_34487_42496569_1_1_1_1,00.html) (last visited 9 June 2011)

<sup>152</sup> Eccleston et al., *supra* note 75, p. 8.

Summit, the G20 asked the OECD to draft a black list of tax havens, which the OECD presented for the April 2009 London Summit.<sup>153</sup> The grey list<sup>154</sup> included some of the OECD's members although it spared some G20 members.<sup>155</sup> For example, OECD members Switzerland, Belgium, Austria, and Luxembourg were included on the list, although they had already announced that they would adhere to the OECD's standards.<sup>156</sup> These countries were consequently displeased, raising important questions about the G20's delegation of assignments to the OECD when these assignments can obstruct the OECD's functioning and increase the dissatisfaction of OECD members. Nonetheless, by the September 2009 Pittsburgh summit, these nations were already cleared from the grey list. The example of the tax havens demonstrates that the increasing cooperation of both organizations is not without risks. The OECD Secretary-General, Mr. Angel Gurría, has cast a different view on the bodies' relationship, declaring that the growing collaboration benefits the non-G20 OECD members as well, as the growing involvement of the OECD within the G20 provides the non-G20 OECD members with more influence over, and better information on, the latter.<sup>157</sup> To date it is unclear, though, whether this really is the case. Paradoxically, if Mr. Gurría's assertions proved to be true, the legitimacy of the G20's decisions could be called into question. The influence of non-G20 OECD members over the G20 could weaken the G20's claim that it includes only systemically relevant countries and could lead to resentment of other non-G20 members. These non-G20 members will be unhappy with the privileged status of the OECD and the OECD members. This is particularly problematic when the G20 brings and endorses the OECD's agenda or the OECD's work to a broad global audience. In these instances, the principles and work drafted by the OECD, with its limited and more exclusive membership, are being imposed upon many countries and stakeholders which did not take part in their drafting. As one author has argued: "the respective institutional capacities and roles of the G20 and the OECD suggest that the latter has a far greater role to play in developing tax policy ideas and bringing them to the consensus position while the role of the former is in effect to

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<sup>153</sup> OECD. *A progress report on the jurisdictions surveyed by the OECD Global Forum implementing the internationally agreed tax standard. Progress made as of 2<sup>nd</sup> April 2009* (2009).

<sup>154</sup> The grey list consisted of countries failing to satisfy all conditions needed in order to promote from the list, but who were making good progress and were broadly expected not to be on the list anymore in the near future.

<sup>155</sup> Before the G20 endorsement, OECD members such as Luxembourg and Switzerland were deliberately excluded from the OECD's list of tax havens (Dries Lesage, *The G20 and tax havens: maintaining the momentum?* Paper Prepared for conference "Governing the global economy: the role of the G20". University of Toronto (18 June 2010).

<sup>156</sup> *Ibid*, Lesage, p. 5

<sup>157</sup> Gurría, *supra* note 23, p.3.

syndicate those positions to a larger audience.”<sup>158</sup> Another author, in studying the OECD’s work on tax havens, also provides some useful insights on the problems which might arise out of their growing cooperation: In the matter of tax havens, the OECD did not take into account the preferences of non-G20 member countries, in particular the preferences of the targeted countries: the small tax haven islands. Thus the author concludes, the OECD can never be the right forum to discuss this kind of global problems.<sup>159</sup> The G20 should consequently be wary of endorsing the OECD’s position to a global audience.

The further expansion of the OECD could provide a solution to this problem. However, the expansion of the OECD is not without risks. Adding more members, in particular less ‘like-minded’ ones, threatens the functioning and possibly even the *raison d’être* of the OECD. Promoting best practices and bringing these to consensus has always been one of the OECD’s major goals. This goal may be obstructed by the further expansion of the OECD as the ‘like-mindedness’ of its members would decline.<sup>160</sup> Admittedly, the accession of less ‘like-minded’ autocratic regimes, such as Spain and Portugal in 1961, and Greece in 1967, did not obstruct the functioning of the organization.<sup>161</sup> Still, the question arises whether bringing in Brazil, Russia, India or China would be of an entirely different scale and challenge to the organization. In the current OECD approach, individual accession roadmaps for countries seeking membership help to bring new members in line. The accession roadmap describes the complete process of accession: it lists the policy reviews to be undertaken, the committees to be consulted, and stipulates the steps that the candidate country should take in order to conclude the process.<sup>162</sup> The accession roadmaps ensure that new members adhere to, and meet, OECD standards and guidelines.<sup>163</sup> These standards and guidelines are mainly related to the promotion of economic development and trade.<sup>164</sup> Although the Convention on the OECD does not refer to democracy as a prerequisite for membership, the organization’s initial members shared not only a prosperous economy but were also functioning

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<sup>158</sup> Christians, *supra* note 146, p.17.

<sup>159</sup> Kimberley A. Carlson, *When cows have wings: an analysis of the OECD’s tax haven work as it relates to globalization, sovereignty and privacy*. 35 J. Marshall L. Rev, 163, p. 186 (2002).

<sup>160</sup> As argued in section I: the OECD became more pragmatic in its accession requirements as it needed to increase its membership to remain a relevant economic institution, *see* Woodward, *supra* note 24, p.237 and Carroll and Kellow, *supra* note 26, p.121.

<sup>161</sup> Carrol and Kellow, *supra* note 26, p. 123.

<sup>162</sup> Council of the OECD: A General Procedure for future accessions, (adopted by the Council at its 1155th session of 10-13 May 2007), C(2007)31/FINAL

<sup>163</sup> OECD enlargement:

[http://www.oecd.org/document/42/0,3343,en\\_2649\\_201185\\_38598698\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/42/0,3343,en_2649_201185_38598698_1_1_1_1,00.html) (last visted 23 June 2011).

<sup>164</sup> Convention on the Organisation for Economic Co-operation and Development, 14 December 1960, Paris, Art. 1 and Article 2.

democracies. The current OECD membership still shares such a commitment to democracy.<sup>165</sup> Any OECD expansion strategy will have to seriously consider this important element.

## 6. CONCLUDING REMARKS

The OECD, traditionally one of the most important economic institutions, was fiercely challenged by the acquisition of some of its functions by other international organizations. This development was reinforced by the declining economic power of its membership over the last decades. To avoid losing its relevance within the global economic governance architecture, the OECD overcame its initial resistance to the emergence of the G20. Increasingly, it provides intellectual support and operational capabilities to the G20. This support - and the support of other international organizations is warmly welcomed by the G20, an international forum which itself lacks such capabilities. The OECD has an enormous pool of knowledge and expertise in many different issue areas and the G20, as a global playmaker, increasingly taps from this pool. Currently, the OECD supports the G20 on matters related to bribery, development, employment, environment and energy, financial sector reform, green growth, international monetary system, investment and trade, taxation, and consumer protection. Accordingly, G20 communiqués and declarations increasingly refer to, and call upon, the OECD. The OECD's Secretary-General, Mr. Angel Gurría, has been invited to recent G20 summits. These developments clearly show the growing cooperation between both entities. As a forum for the creation and dissemination of best practices, the OECD is particularly well-placed for such contributions. Historically, it already supported the functioning of the G7/G8. Moreover the G20 and the OECD have an increasingly similar membership outlook. The enlargement of the membership of both the OECD and the evolution from G7 to G8 to G20 is indeed driven by the shared need for both the OECD and the G7 to include emerging economies in their debates.

The changing relationship between the OECD and the G20 has positive and negative implications for both entities. The OECD provides numerous intellectual contributions to the G20. In turn, the G20's endorsement of the OECD's work has increased the relevance of the OECD within the global economic governance architecture. As the G20 calls upon the OECD to provide detailed support on a broadening variety of issues, the OECD can further expand its knowledge pool as

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<sup>165</sup> Patrick Love, *Democracy: what future?* OECD observer , No. 246/247; OECD International Futures Programme Seminar on Power and Democracy in Denmark and Norway, 25th October 2004, OECD Headquarters, Paris, p.1: <http://www.oecd.org/dataoecd/43/62/33964005.pdf> (last visited 19 July 2011).

well. An important benefit of the evolution in their relationship is the mutual reinforcement of both entities' agendas. However, important questions arise as well. Non-G20 OECD members are concerned that the G20 assignments bypass the OECD's formal rules and decision-making procedures. Moreover, the OECD has acted against the interests of some of its members on the issue of tax havens at the request of the G20. In addition, many G20 members are not convinced of the necessity of the growing involvement of the OECD.

Given the very recent and on-going nature of developments in the OECD's and the G20's relationship, the present Article does not intend to provide a final conclusion on the matter. However, it is clear that these developments deserve to be monitored closely and that more research on them is needed.

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