

# An Overview on Organization for Economic Co-operation & Development

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## Abstract

The Organization for Economic Co-operation and Development (OECD; French: Organization de co-operation ET de development economies, OCDE) is an intergovernmental economic organization with 36 member countries, founded in 1961 to stimulate economic progress and world trade. It is a forum of countries describing themselves as committed to democracy and the market economy, providing a platform to compare policy experiences, seeking answers to common problems, identify good practices and coordinate domestic and international policies of its members. Most OECD members are high-income economies with a very high Human Development Index (HDI) and are regarded as developed countries. As of 2017, the OECD member states collectively comprised 62.2% of global nominal GDP (US\$49.6 trillion) and 42.8% of global GDP (Int\$54.2 trillion) at purchasing power parity. OECD is an official United Nations observer.

**Keywords:** OECD; Foundation; History; Role in Economy; Economic Development.

## **1. Introduction**

In 1948, the OECD originated as the Organization for European Economic Co-operation (OEEC), led by Robert Marjolin of France, to help administer the Marshall Plan (which was rejected by the Soviet Union and its satellite states). This would be achieved by allocating United States financial aid and implementing economic programs for the reconstruction of Europe after World War II. (Similar reconstruction aid was sent to the war-torn Republic of China and post-war Korea, but not under the name "Marshall Plan".)

In 1961, the OEEC was reformed into the Organization for Economic Co-operation and Development by the Convention on the Organization for Economic Co-operation and Development and membership was extended to non-European states. The OECD's headquarters are at the Château de la Muette in Paris, France. The OECD is funded by contributions from member states at varying rates and had a total budget of €374 million in 2017.

## **2. History**

The Organization for European Economic Co-operation (OEEC) was formed in 1948 to administer American and Canadian aid in the framework of the Marshall Plan for the reconstruction of Europe after World War II. It started its operations on 16 April 1948, and originated from the work done by the Committee of European Economic Co-operation in 1947 in preparation for the Marshall Plan. Since 1949, it was headquartered in the Château de la Muette in Paris, France. After the Marshall Plan ended, the OEEC focused on economic issues. According to Yanis Varoufakis, the OEEC can be seen as a continental planning commission established by the victorious United States following the successful model of their planning commissions of the New Deal. The economic philosophy these commission followed can be characterized as Keynesian. The lead in the organization should be in French hands, with a strong integration of the Germans.

In the 1950s, the OEEC provided the framework for negotiations aimed at determining conditions for setting up a European Free Trade Area, to bring the European Economic Community of the six and the other OEEC members together on a multilateral basis. In 1958, a European Nuclear Energy Agency was set up under the OEEC.

By the end of the 1950s, with the job of rebuilding Europe effectively done, some leading countries felt that the OEEC had outlived its purpose, but could be adapted to fulfill a more global mission. It would be a hard-fought task, and after several sometimes fractious meetings at the Hotel Majestic in Paris starting in January 1960, a resolution was reached to create a body that would deal not only with European and Atlantic economic issues, but devise policies to assist less developed countries. This reconstituted organization would bring the US and Canada, who were already OEEC observers, on board as full members. It would also set to work straight away on bringing in Japan.

### 3. Founding

Following the 1957 Rome Treaties to launch the European Economic Community, the Convention on the Organization for Economic Co-operation and Development was drawn up to reform the OEEC. The Convention was signed in December 1960 and the OECD officially superseded the OEEC in September 1961. It consisted of the European founder countries of the OEEC plus the United States and Canada, with Japan joining three years later. The official founding members are:

- 1) Austria
- 2) Belgium
- 3) Canada
- 4) Denmark
- 5) France
- 6) West Germany
- 7) Greece
- 8) Iceland
- 9) Ireland
- 10) Italy
- 11) Luxembourg
- 12) The Netherlands
- 13) Norway
- 14) Portugal
- 15) Spain
- 16) Sweden
- 17) Switzerland
- 18) Turkey
- 19) United Kingdom
- 20) United States

During the next 12 years Japan, Finland, Australia, and New Zealand also joined the organization. Yugoslavia had observer status in the organization starting with the establishment of the OECD until its dissolution as a country.

#### **4. Enlargement to Central Europe**

In 1989, after the Revolutions of 1989, the OECD started to assist countries in Central Europe (especially the Visegrád Group) to prepare market economy reforms. In 1990, the Centre for Co-operation with European Economies in Transition (now succeeded by the Centre for Cooperation with Non-Members) was established, and in 1991, the Program "Partners in Transition" was launched for the benefit of Czechoslovakia, Hungary, and Poland. This program also included a membership option for these countries. As a result of this, Poland, Hungary, the Czech Republic, and Slovakia, as well as Mexico and South Korea became members of the OECD between 1994 and 2000.

#### **5. Reform and Further Enlargement**

In the 1990s, a number of European countries, now members of the European Union, expressed their willingness to join the organization. In 1995, Cyprus applied for membership, but, according to the Cypriot government, it was vetoed by Turkey. In 1996, Estonia, Latvia, and Lithuania signed a Joint Declaration expressing willingness to become full members of the OECD. Slovenia also applied for membership that same year. In 2005, Malta applied to join the organization. The EU is lobbying for admission of all EU member states. Romania reaffirmed in 2012 its intention to become a member of the organization through the letter addressed by the Romanian Prime Minister Victor Ponta to OECD Secretary-General José Ángel Gurría. In September 2012, the government of Bulgaria confirmed it will apply for full membership before the OECD Secretariat.

In 2003, the OECD established a working group headed by Japan's Ambassador to the OECD Seiichiro Noboru to work out a strategy for the enlargement and co-operation with non-members. The working group proposed that the selection of candidate countries to be based on four criteria: "like-mindedness", "significant player", "mutual benefit" and "global considerations". The working group's recommendations were presented at the OECD Ministerial Council Meeting on 13 and 14 May 2004. Based on these recommendations work, the meeting adopted an agreement on operationalization of the proposed guidelines and on the drafting of a list of countries suitable as potential candidates for membership. As a result of this work, on 16 May 2007, the OECD Ministerial Council decided to open accession discussions with Chile, Estonia, Israel, Russia and Slovenia and to strengthen co-operation with Brazil, China, India, Indonesia and South Africa through a process of enhanced engagement. Chile, Slovenia, Israel and Estonia all became members in 2010. In March 2014, the OECD halted membership talks with Russia in response to its role in the 2014 Crimean crisis.

In 2013, the OECD decided to open membership talks with Colombia and Latvia. In 2015, it opened talks with Costa Rica and Lithuania. Latvia became a full member on 1 July 2016 and Lithuania on 5 July 2018. Colombia

signed the accession agreement on 30 May 2018 and will become full member after the ratification of the accession agreement and the deposition of the ratification document.

Other countries that have expressed interest in OECD membership are Argentina, Peru, Malaysia, Brazil and Croatia.

## **6. Payroll and Income Tax by OECD Country**

The OECD publishes and updates a model tax convention that serves as a template for bilateral negotiations regarding tax coordination and cooperation. This model is accompanied by a set of commentaries that reflect OECD-level interpretation of the content of the model convention provisions. In general, this model allocates the primary right to tax to the country from which capital investment originates (i.e., the home, or resident country) rather than the country in which the investment is made (the host, or source country). As a result, it is most effective as between two countries with reciprocal investment flows (such as among the OECD member countries), but can be very unbalanced when one of the signatory countries is economically weaker than the other (such as between OECD and non-OECD pairings).

## **7. Magazine**

OECD Observer, an award-winning magazine launched in 1962. [38] The magazine appeared six times a year until 2010, and became quarterly in 2011 with the introduction of the OECD Yearbook, launched for the 50th anniversary of the organization. The online and mobile editions are updated regularly. News, analysis, reviews, commentaries and data on global economic, social and environmental challenges. Contains listing of the latest OECD books, plus ordering information. An OECD Observer Crossword was introduced in Q2 2013.

## **8. Statistics**

The OECD is known as a statistical agency, as it publishes comparable statistics on a wide number of subjects. In July 2014, the OECD publicly released its main statistical databases through the OECD Data Portal, an online platform that allows visitors to create custom charts based on official OECD indicators.

OECD statistics are available in several forms

- I. as interactive charts on the OECD Data Portal,
- II. as interactive databases on i-Library together with key comparative and country tables,
- III. as static files or dynamic database views on the OECD Statistics portal,
- IV. As Stat-Links (in most OECD books, there is a URL that links to the underlying data).

## **9. Structure**

The OECD's structure consists of three main elements

1. The OECD member countries, each represented by a delegation led by an ambassador. Together, they form the OECD Council. Member countries act collectively through Council (and its Standing Committees) to provide direction and guidance to the work of Organization.
2. The OECD Substantive Committees, one for each work area of the OECD, plus their variety of subsidiary bodies. Committee members are typically subject-matter experts from member and non-member governments. The Committees oversee all the work on each theme (publications, task forces, conferences, and so on). Committee members then relay the conclusions to their capitals.
3. The OECD Secretariat, led by the Secretary-General (currently Ángel Gurría), provides support to Standing and Substantive Committees. It is organized into Directorates, which include about 2,500 staff.

## **10. The main entrance to the OECD Conference Centre in Paris**

Delegates from the member countries attend committees' and other meetings. Former Deputy Secretary-General Pierre Vinde estimated in 1997 that the cost borne by the member countries, such as sending their officials to OECD meetings and maintaining permanent delegations, is equivalent to the cost of running the secretariat. This ratio is unique among inter-governmental organizations. In other words, the OECD is more a persistent forum or network of officials and experts than an administration.

The OECD regularly holds minister-level meetings and forums as platforms for a discussion on a broad spectrum of thematic issues relevant to the OECD charter, members and non-member states.

## **11. Conclusion**

The Organization for Economic Co-operation and Development (OECD) is a group of 34 member countries that discuss and develop economic and social policy. OECD members are democratic countries that support free market economies. The Organization for Economic Co-operation and Development (OECD) is variously referred to as a think tank or monitoring group. Its stated goals include fostering economic development and cooperation; fighting poverty; and ensuring the environmental impact of growth and social development is

Always considered. Over the years, it has dealt with a range of issues, including raising the standard of living in member countries, contributing to the expansion of world trade and promoting economic stability.

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