

III. Governance and Other Issues

The Case for Closer Cooperation between India and the OECD

For an outsider, India sets a remarkable example in many respects. India's economy has performed well despite the global downturn and delivered high growth rates over the past decades. Important reforms have been undertaken. The livelihood has improved for millions of people in the world's largest democracy. In addition, India has transformed into a global economic leader, an influential G-20 member, a key partner and player in international affairs. Yet, millions of Indian citizens still lead lives in poverty. Hence, additional progress is needed.

The domestic challenges are considerable. India, like most other democracies, faces internal challenges of governance. Economic activity is slowing down. At the same time, global governance has weakened in the wake of the financial crisis and, dramatic and rapid shifts in economic power between countries. New and better methods for international collaboration are needed, especially since India requires a supportive international environment more than ever before.

In this setting, India's relation to the Organisation for Economic Co-operation and Development (OECD) becomes increasingly important. And a few reasons for India-OECD cooperation and discussed below.

First, amongst international organisations, none matches OECD's expertise in economic analysis of public policy in almost all areas of governance (except security, culture and sports). Through 'peer reviews' of national policies, that are built on solid statistics

and robust evidence-based analysis, the OECD helps countries to improve national performance, be it in consumer policy or competition (where CUTS, under Pradeep's leadership excels), labour markets, education, environment, taxation or other areas of OECD expertise. In this work, OECD has recently improved its analysis in terms of putting emphasis on distribution and equality.

Second, the OECD is unique in terms of being able to use its resources to perform cross-cutting horizontal projects which take 'the whole-of-government-view'. Its strategies on skills and green growth are two recent examples in this regard.

A third reason is that the OECD is still open for the multilateral making of soft to hard law at a point in time when many other organisations seem to be closed for business of this kind. In the acute phase after the breakout of the financial crisis in 2008, the G-20, with strong Indian participation, performed well as an informal crisis management body. But since then it has not helped to deliver much progress in either thorny climate talks or stalled trade negotiations.

In this context it is worth recalling that the OECD has quite an impressive record as standard setter, well beyond its membership. The 'OECD Acts' encompasses about 30 legally binding decisions and treaties as well as some 170 recommendations and declarations that constitute soft law. It is not always the politically most visible agreements that are struck, but they are nevertheless important in an increasingly integrated global economy.

A fourth cause for more cooperation relates to the "D" in OECD. The organisation recently adopted a new development strategy and it plays an important role in the new partnership for effective development cooperation in which India is a key partner.

Fifth, and finally, the OECD is now mobilising its resources in a project on New Approaches to Economic Challenges, the purpose of which is to assess what has recently gone wrong and resulted in the financial and economic crisis with a view to look forward in order to do what is possible to prevent anything similar from happening again.

These are all good reasons for India-OECD cooperation. Or, rather, reasons for even closer cooperation. India is already cooperating actively, closely and constructively with OECD in many areas. It is a much appreciated and privileged ‘key partner’, together with Brazil, China, Indonesia and South Africa.

Formalised cooperation between India and OECD began in 1995. A resolution by the OECD Ministerial Council in 2007 strengthened the relation by setting up a scheme for enhanced engagement, which been further developed into cooperation between the OECD and its key partners, most recently by the OECD Ministerial Council Meeting in May 2012.

India’s economy has been subject to review in OECD’s Economic and Development Review Committee 2007 and 2011. The latter concluded, *inter alia*, that broad reforms and investment had “...lifted potential growth to almost 9 per cent, the highest in Indian history, helped by improvements in infrastructure.” However, the review also noted the present economic challenges and that more needs to be done. It contained further recommendations on how to reduce poverty through inclusive growth. The need for additional efforts to restructure public expenditure, reduce the fiscal deficits and promote international integration, were highlighted.

India’s investment policy was examined by the OECD in 2009, and India’s health data were recently compared to OECD.

Within the OECD family, India participates fully in the Development Centre, the International Transport Forum and the OECD Network on Fiscal Relations. It has participated in the Programme for International Student Assessment (PISA). In addition, it accepts the data of the Chemicals Committee. India is a formal observer in seven OECD committees, and an *ad hoc* observer in several others. In addition, the Indian perspective is present through constructive participation by non-governmental organisations (NGOs), among which CUTS International stands out as a leader, and other independent experts and academics.

When it comes to standard setting and international norms, India is a highly valued member of the successful Global Forum on

Transparency and Exchange of Information for Tax Purposes, and heads its secretariat through Ms Monica Bhatia.

India has also adopted some of OECD's agricultural schemes, its tractor standard and chemicals data, declarations on the internet economy and on Small and Medium Sized Enterprises.

But more could be done. For instance, closer cooperation on anti-corruption would be welcome, and hopefully mutually beneficial. OECD is the home of the strongest legally binding instrument to combat bribery in international business through its Anti-Bribery Convention. Brazil and South Africa are signatories. What about India?

India obviously has to assess its interest and evaluate its own options domestically, but the interest from the OECD side should be made clear.

In the rapidly evolving global economy, the OECD has stepped up its efforts regarding development and poverty alleviation. In May, OECD ministers adopted a new development strategy, which has been elaborated in close contact with India and other key partners. It outlines a more comprehensive and inclusive approach to development and stresses the need for coherence between policy areas in order to foster global sustainable growth.

Through the strategy OECD seeks to deepen its contribution to the emerging new development architecture. It plays a key role in the global partnership for effective development cooperation that was set up in Busan in late 2011 by a broad range of countries, including India. New partners and new methods in development co-operation will be a central theme for the years to come, and therefore an important area for cooperation between India, OECD and OECD-member countries. India's membership of the OECD Development Centre is an important asset in this regard.

The project on New Approaches to Economic Challenges (NAEC) constitutes an important part of present OECD activities. It will analyse the root causes of the economic crisis, draw lessons from it and, if needed, adjust OECD recommendations to the results achieved. Hopefully India, and other key partners, will participate

actively in this work. A first progress report will be submitted to the 2013 ministerial meeting.

The OECD strives to become a ‘global and inclusive policy network’. It stands ready to welcome India in other areas as well. The OECD Ministerial meeting in May 2012 underlined that cooperation with key partners is of “strategic importance and mutual benefit.” It is of importance for the OECD to stay relevant, and it ought to be of equal interest to India and other Key Partners.

But is it?

The hesitation by non-OECD G-20 members to accept contributions from OECD to the key informal body has hopefully been overcome. While key partners did not participate on full ministerial level in the May meeting, cooperation is wide and increasing.

It could be argued that CUTS, through its cooperations with the OECD as an NGO and its frequent participation in OECD processes is showing the way.

At their most recent meeting OECD ministers tasked Angel Gurría, the Mexican Secretary-General of the organisation, to “... look at practical ways to facilitate and deepen the relationship....” This can be done through various means: framework agreements, participation in committees, better communication and dedicated contact points in key partner capitals.

India stands to gain a lot from stepping up cooperation of this sort, without letting possible overarching political consideration stand in the way.

