

Canada and the OECD: 50 years of productive partnership

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Why do some businesses, organisations, economies and even countries succeed in achieving their objectives while others do not? Important insights are provided if we treat each of these entities as a complex adaptive system, subject to the same processes as biological evolution.

Recent literature suggests that the secret of success is a capacity to master the current operating environment while maintaining a capacity to adapt to changes in that environment. Both Canada and the OECD have been remarkably successful in both regards, due in part to the values they share.

One fundamentally important shared belief is in the efficiency of competitive markets, not only to provide currently demanded goods and services but also to adapt to changing requirements. However, the OECD and Canada also share the view that markets must work within a framework of cooperatively determined rules and agreed norms about what constitutes “fair” behaviour. As the Canadian novelist, Margaret Atwood, recently pointed out in the CBC Massey Lectures, the need for “fairness” seems to have been hard-wired by evolution into our genetic material. It constitutes a necessary condition for trust and the ongoing cooperation needed if both individuals and countries are to adapt successfully to a fast-changing world.

Canada seems well adapted to the world in which it currently operates. In various polls, it consistently ranks at or near the top as “the best country in which to live”. Its long history of democracy, strong property rights, good governance and a reputation for fairness surely play a big role in this positive assessment. Furthermore, its economic performance has, in recent decades, allowed it to provide one of the world’s highest standards of living as well as employment opportunities sufficient to attract an unusually high number of immigrants from all over the world.

Canada’s capacity to adapt to potential future changes is attested by its successful adaptations in the past. Whereas it was once almost entirely dependent on commodity production, not least farming, high tech manufacturing and services now constitute a much larger share of both production and exports. Whereas trade with the US was once totally dominant, new markets are being established in emerging market economies, not least in Asia. Whereas Canada’s financial markets were once very tightly controlled, they have now been largely deregulated, though subject to careful supervision. Looking forward, the generally high quality of Canada’s education system, and the variety and qualifications of its many skilled immigrants give further grounds to believe in Canada’s capacity to cope with changes arising from an uncertain and evolving world economy.

For fifty years now, Canada and the OECD have interacted in ways that have supported Canada's successful economic record. But it is important to note that, while Canada has benefitted from the help of the OECD, the OECD has also benefitted from the help of Canada.

As to the flow of benefits to Canada, virtually all of the OECD's work has been of material use to a wide variety of governmental and private agencies, as well as to NGOs. Perhaps highest on the list would be the OECD databases and statistical sources that allow cross-country comparisons. Next would be the research work that tries to establish "best practice" with respect to government and other policies, and the (process of) negotiations that take place at the OECD to set global norms and standards. Peer review, to share cross country experiences and to build trust in the negotiating process, is also a procedure from which Canada has benefited enormously over the years.

As chair of the OECD Economic Development and Review Committee, which comments on the macroeconomic and structural policies of individual countries, I perhaps know more about this aspect of OECD peer review than any other. Generally speaking, the OECD's recommendations with respect to macroeconomic policies have not been much different from those which the Canadian authorities have chosen to implement. This is certainly true of the process of fiscal consolidation which began in the late 1980s and was intensified through the 1990s. Canada's success in that regard is now being closely studied around the world by countries whose fiscal sustainability is increasingly threatened.

As for structural policies, many of the liberalising reforms that have been carried out in Canada were consistent with OECD recommendations. That said, a number of suggested reforms having to do with labour markets, the environment, and other areas have not found total favour with the Canadian authorities. In this context, the need to find some accommodation with authorities in the US has often played a central role. At the very least, however, OECD initiatives continue to spark useful debate within Canada about important policy issues.

As noted above, Canada has contributed as much to the OECD (and the global community it supports) as the OECD has contributed to Canada. This support has been provided in many ways. In addition to funding, where Canada is the seventh largest contributor to the organisation, Canada's main support for the work of the OECD has come in the form of expertise. Over 200 committees assemble at the OECD, and Canada has provided knowledgeable (and sometimes outstanding) delegates to most, if not all of them. Indeed, at present, 17 of these committees (including my own) are chaired by Canadians. Since these committees are at the centre of negotiations concerning international standards of various sorts, and often the research underlying them, this contribution is not inconsequential.

Finally, it must be noted that Canadians have been chosen to fill many more staff positions at the OECD than might have been expected, given the relative size of Canada's population. This attests to their competence as well as the traditional interest of Canadians in playing the role of

the “honest broker” in international affairs. The fact that Donald Johnston, the previous secretary general of the OECD, was Canadian is, of course, a bonus.

The future holds many challenges: the need for a sustainable recovery from the recent financial and economic crisis; the need for institutional changes to reflect the growing relative importance of emerging market economies; and the need for increased attention to environmental degradation. The OECD will continue to be there to help Canada meet these challenges and Canada, hopefully, will continue to be there to support the OECD.

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