

Transcript 5: Organisation for Economic Cooperation and Development

Conversation with Mari Kiviniemi. Recorded 26 March 2024, online.

00:00:00 JE

Could you please, just to begin our interview, state your name for the record and then briefly summarize what you do, and maybe tell us in your own words why thinking about global shocks matters from your point of view?

00:00:11 MK

Yes, I'm Mari Kiviniemi from Finland. And for the last five years, I have been working as the managing director of the Finnish Commerce Federation, which is a nationwide commerce sector lobbying organization. And it also negotiates the commerce sector's collective labour agreements and undertakes research. And I'm also the chair of the Vaasa University Board and a member of the board of Metsä Board, which is a leading European producer of premium fresh fiber paper boards. And before this position, I worked a bit more than four years as the Deputy Secretary General of the OECD. I held the position from 2014 to 2019, and I oversaw the directorates of public governance, trade and agriculture, and local and regional governments and SMEs. And before that, I held various positions in the Finnish government, including Minister of Public Administration and Local Government, Minister for Foreign Trade and Development, and Minister for European Affairs. And I was Prime Minister of Finland from 2010 to 2011. And I was elected to the Finnish Parliament for the first time in 1995, and I served my country there until 2014. And I have a Master's degree in Economics from the University of Helsinki. I'm married and I have two children.

And when it comes to the question of yours, why thinking about global shocks matters, yes, I think the answer is obvious. Of course, they matter. And nowadays, it's a bit difficult to kind of find any shocks which are not global because the world is very interconnected. When it comes to economies, societies and systems worldwide, the globalization has increased the interconnectedness so heavily. So, shocks very seldom stay in one country, and they can have very cascading effects impacting other regions and nations. So whatever shock we are talking about, economic crisis, pandemics, natural disasters, or geopolitical events, or shocks related to climate change. And shocks are very multi-dimensional and complex, and they can have environmental, economic, social and political consequences. And for example, when you think about the most recent ones, they are kind of excellent examples of multi-dimensional global shocks like COVID-19 and also the Russian total war against Ukraine.

And when it comes to the reasons why I think global shocks matter, another one is that every government have to [sic] be prepared. Anticipating and preparing for global shocks is crucial. Governments have really the responsibility to manage complex crises and shocks. So, risk management is needed, not only from governments, but also other organizations and companies, and then analyzing and strategizing for the potential shocks that help institutions and governments and businesses also then develop resilient and adaptive systems. And it's utmost important in order to manage risks to

work together. You have to coordinate with the private and voluntary sectors, but also international collaboration is needed.

And there, international organizations play a crucial role. And I have seen as Minister and as Prime Minister how a country prepares and manages and governs shocks and been involved in crisis management. I would say that managing risk, that is everyday work for everyone.

00:04:22 JE

Right. So, you've got a very special perspective since you've worked as a Prime Minister and you've also worked very closely at the heart of a very important international organization, the OECD. So, you just told us that global shocks matter since they're multi-dimensional. They affect so many different parts of social and political and economic life. And on the other hand, the responses to global shocks need to be multi-dimensional in equal measure, in a sense.

So, let's zoom in on the OECD as an organization that deals with shocks in some way or another. In your own words, could you just tell us a little bit about what does the OECD do exactly and what might be its role in a world that faces global shocks?

00:05:08 MK

Yes, first of all, I would like to tell something about what the OECD really is, because I'm a bit irritated about the definition, which I hear very often, that the OECD is a group of rich countries, and it's so much more. So, of course, economy and wealth plays a role, but in order to become a member of the OECD, you have to fulfill certain criteria. You have to be a stable and developed economy. You have to support open markets, free trade and investment, liberalization. And you should have democratic political system, respect for human rights, rule of law, and good governance principles. And that includes, of course, having transparent and accountable institutions and independent judiciary.

And then It's important also that members implement market-oriented economic policies and that they promote competition, innovation, entrepreneurship and efficient allocation of resources. And they are expected also to align their policies and practices with OECD standards in various areas. And in order to implement and enforce OECD standards and recommendations effectively, you should have legal and administrative capacity to do that. So that is really what the OECD is via its membership.

And the OECD is a think tank. It's a high-level policy designer. It creates evidence-based analysis and research in order to help governments to make better policies for better lives. And it gives recommendations in most relevant policy areas. I would say that it covers everything except defense policy. And so, it helps countries to tackle the social, economic and environmental challenges, including risks and global shocks. And really the aim of the OECD is to help the member countries.

And it's not only a think tank, it's also a "do tank," because I think that the peer review reviewing process and the way the OECD kind of produces its advice is partly also very hands-on recommendations. So, all that those policy recommendations which are then

produced by the OECD should be also implementable and, in that sense, really in a rather concrete manner to help governments to tackle the challenges of today and future.

And then OECD is a global standards setter and supporter of the international cooperation. It has more than 400 legal instruments which have been adopted by the organization. And some of them are binding international law, but mostly they are softer instruments like recommendations. So also, in the area of risk governance, OECD does a lot by helping the member countries.

00:08:16 JE

What would you say, given your particular background – you studied economics, you worked as a prime minister, and then you entered this organization – from your point of view, what was the most challenging global shock that you had to face, that you and your colleagues had to face? And what would you say were its consequences for the work of the organization, of the OECD?

00:08:36 MK

So, definitely it was the financial crisis. Maybe a bit funny to say so because the financial crisis happened in 2008 and 2009, [but] the effects and consequences of it were still felt and they were there during my years at the OECD. The aftermath of the crisis really had a lasting impact on various aspects of the global economic landscape and via that to the work of the OECD. And what the OECD wanted to do was to support governments in tackling the problems they faced after the financial crisis.

As we remember, [inaudible] growth, high levels of public and private debt, persistently low interest rates, which was a totally new world for most of the countries. Also questions like how to balance stimulus measures with long-term fiscal sustainability, how to manage the Euro crisis. And also, I think that the crisis prompted a re-evaluation of economic models and assumptions. There were discussions like on secular stagnation, the role of globalization, the impact of technology and labor markets, inclusive growth and so on.

So, policymakers and economists, they address the underlying causes of the crisis and also the consequences too. That discussion at the OECD produced a lot of material, research and surveys, evaluation and reviews. So, I would say that the financial crisis affected in a profound way the work and agenda of the organization. To a certain extent, you could even say that it set the agenda. And it's very obvious when you think about that, what the OECD does and what is it does in its name too, the Organization for Economic Cooperation and Development.

And also, to give some concrete examples, what happened and what was created during those years, all of the countries almost in the global sphere, not all, but most of them were struggling with balancing their budgets. There was low growth, challenges in the financial sector, so it was necessary for them to find more funding for the budget. Right. So, efforts to curb tax deviation gained momentum. And many remember the G20 leaders meeting in 2009, which stated that the era of banking secrecy is over.

So, the Global Forum on Transparency and Exchange of Information for Tax Purposes was established, and now the forum has more than 170 members, and it has achieved massive progress in implementing the international tax transparency and exchange of information standards. And also, part of that work was so-called PETS project, which started at year 2013. It was an OECD G20 project to set up an international framework to combat tax avoidance by multinational enterprises. So, the financial crisis really elevated the cooperation of key economic powers in meetings of the G20 countries. And for those meetings, the G20 meetings, the OECD prepared reports together with WTO and UNCTAD and similar collaborations we're also undertaking with other organizations.

But then I want to mention also another, a bit more limited crisis, and it was the migrant and refugee crisis in 2015, 2016, when the number of migrants and refugees seeking asylum surge in Europe and created a humanitarian crisis. And it raised questions about immigration and integration, also sparked political debates on a global scale. And the OECD had worked in this policy area for decades. So, the organization's help was asked when it comes to special integration policies, how to manage such a big flow of migrants and refugees.

And the OECD, during those years and after that, undertook country reviews and also made recommendations, which is kind of a normal procedure and what it had done earlier to several countries, but also fast-track reviews were produced. But we also have to remember that the OECD is not a rapid response force. When it comes to its reviews and in-depth analysis, it always takes some time to produce those. But the good thing is that there is already a lot a lot of work done on which you can base your support to governments. And also, when you think about the recommendations and then the actual implementation work, which will be then done by the governments to which that advice is given, that takes also time.

00:13:25 JE

If I may just take you up on that last point on the OECD not being a rapid response force, I think that's very interesting. If we take your insider perspective into the inner workings of the organization, what does it actually look like for the OECD to respond to a global shock like the financial crisis, like the refugee crisis? Is it a process of monitoring, observing, and then slowly digesting and analyzing what the situation actually is, what the priorities need to be for the organization? What are the steps that are being followed? And I mean, if you could just give us a bit of a concrete example of how the organization faces the global shock at hand, what happens within the organization once a shock hits, as it were?

00:14:05 MK

Yes, of course, much depends on that. So, to a certain extent, yes, the OECD can be a rapid response force because maybe there are already recommendations set which can be used by the government which have been hit by the crisis. But then if you really need kind of in-depth analysis of the situation, then you need some time. But that is also based on the work earlier done. And it depended on that, was it so that it was a government who asked for the support, what kind of work we were able to offer?

Sometimes there were requests to kind of produce a report very quickly, and that was possible then when, as was always almost the case, because the government knew that we had done something in this area. So, they relied on that by knowing that we have some previous work recommendations concerning the current situation.

00:15:08 JE

Right. So, [here] at the Oxford Martin Programme on Changing Global Orders, we're interested in historical lessons and the past. And I'm curious to hear from your point of view in this process that you just described of how the OECD analyzes and contextualizes particular challenges that occur. Do historical analogies play any role? Does it matter to the OECD to put a particular governance problem into longer term perspective? Or is that more of a background aspect to its work?

00:15:35 MK

Yes, of course, because in many policy areas, OECD has decades of experience in conducting surveys, research and analysis on various crises. So, it's clear that you have learned from past and you can use those lessons. So, I think that historical analogies really help recognize similarities in the underlying causes and responses and consequences of past and present situation and helps identifying lessons learned from past experiences.

But of course, it's essential to approach historical analogies with caution because each historical context is unique and direct comparisons may not always be appropriate. It really depends on the crisis which we are handling.

00:16:24 JE

If you think back to the financial crisis and the migrant crisis, was there a discussion of, "have we seen this before? Does this bear any resemblances to past crises that the OECD faces?" Did that kind of conversation happen?

00:16:37 MK

Yes, definitely. In both crises, our experts or economists were thinking about the past crisis to, is [sic] there any analogies? Have we seen this earlier? And especially when it comes to migration crisis, that was more like a crisis where you can really benefit from earlier experiences because they are a bit more like them, or they have more similarities than the financial crisis had with earlier crises.

00:17:06 JE

There is, of course, a lot of debate as to what actually a crisis is, what counts as a crisis, when something becomes a crisis, when it becomes a sort of emergency that an organization like the OECD needs to respond to, and why something is a crisis and to whom. So, I'm curious to hear how the OECD actually goes about determining what counts as a sort of urgent enough crisis to respond to. How does that matter to the OECD's work?

00:17:30 MK

Yeah, I think that the first question which was asked at the OECD was, is this a crisis where our expertise is needed? Can we offer something to the governments or regional

governments of the countries which had been hit by the crisis? And is this something where we have knowledge and high-level expertise? And the answer was obvious. It definitely was the OECD's piece of cake. And I think that it's the interaction between Secretary General's office and the whole Secretariat, as well as the Council with its permanent representatives, they all played a role defining the answer and also the committees.

And of course, then the member countries, they had a say when kind of analyzing that, is this something where we could contribute and by which way? And sometimes really it was so that the particular government asked for help, that they wanted us to produce a survey and wanted us to give some advice. And sometimes we also as an organization where we knew that we have a something to offer, we offered to governments that we could maybe undertake a review on this policy area in order to help you. But then when kind of the answer was yes, definitely this is something where we should be active, then we had a look if there is work already done and what kind of new material is then needed. Let's take it as an example, the migrant crisis. Yeah.

00:18:59 JE

Was the perception one of, this is potentially a threat to the stability in our member states, this is a problem that we need to solve, or was it also kind of seen as an opportunity for the OECD to learn to find new ways of responding to complex problems such as a migrant crisis, a refugee crisis? Was the perception one of a threat or of an opportunity, or was it a bit of both?

00:19:22 MK

A bit of both. So, when it comes to those shocks, the migration flow, many of the member countries of the OECD were seen to be in a certain danger in a way that how to handle the situation. So, it really was so that the OECD wanted to offer its support in order to stabilize the situation. But also, there were also opportunities for the organization to develop its work to a new level.

00:19:53 JE

So, right at the beginning of our conversation, you mentioned how global shocks connect different policy domains and spread across different areas of social, economic, political life. And of course, in recent months, over the past year maybe, "polycrisis" has been the kind of big buzzword that policymakers and public commentators have been talking about, trying to capture how every crisis is always connected to other crises actually and other issue areas.

And of course, I can imagine from your point of view as an economist, that is a very clear aspect to you, that an economic crisis is going to have social consequences, is going to have political consequences. Does this term "polycrisis" make sense from your OECD point of view?

00:20:36 MK

Yes, definitely it does. The interconnectedness of global challenges is really so, high that you have to find multi-dimensional solutions also.

00:20:49 JE

And during your time working at the OECD, you mentioned that the OECD at some points needed to coordinate its policies and its actions with other organizations, like you mentioned UNCTAD and the WTO. Is this part of dealing with a world in which crises intersect with other crises? Is that what's required for the OECD, to coordinate its action with other organizations working on adjacent areas?

00:21:11 MK

Yes, I think it's essential to coordinate and cooperate, but I would use the word cooperation more than coordination, because I think that every organization when it comes to international ones, they have their own rather well-defined roles among the international organizations, so each of them knows what to do and where they limits, where they can go.

But of course, you can always raise the question that is the number of organizations the right one, are there too many? But in any case, international organizations, they cooperate and they also to a certain extent, the work is coordinated well. And this occurs through discussions between organizations, but primarily I would say through the political decisions made by member countries and in the organization. So, the long-term agenda of each organization is set in collaboration with the organization's secretariat and member countries.

And this then largely determines the agenda for each of them, and where to go, in which areas to be active, in which policy areas to be active, and in which crisis the organization is going to be one of the problem solvers. Yeah, and that has set this interaction with member countries, with Secretariat, and also discussions with other organizations, then kind of defined the limits of actions.

00:22:37 JE

If we think about how the OECD relates to other organizations, would you say how international organizations relate to one another, is it kind of division of labor, or is it trying to secure your own mandate and to make sure that the OECD is the one organization that works on X? How does that play out in your perspective?

00:22:54 MK

Sometimes there is competition that organizations want to state that we are so important, we have to be active in this policy area too. So, it's a bit challenging, to try to get out of this complex system certain limits to every organization's work. But I think that so far, kind of the member countries which should be in lead than in defining where the limits are for each organization have managed rather well. But also, the international organizations are not the only players in this field. We have also NGOs in the field. So that makes the situation even a bit more complex.

00:23:40 JE

We live in a world where there are many geopolitical shifts happening. Who gets a seat at the table has changed dramatically. And so, the OECD in this context, I think, is quite interesting. Its roots are geopolitical in the sense that the organization was founded to administer the Marshall Plan. And at that time, the

Soviet Union and its satellite states rejected that. But then over the longer run in the post-Cold War world, OECD membership has globalized in a way, right? So countries like Colombia, Costa Rica, Chile are just a few examples of new OECD members. Membership has changed a lot, and arguably that has an effect for the fundamental purpose and identity and mission of the OECD. How would you say does the OECD relate to these kinds of longer-term changes, and how have its changes in membership affected the organization's work?

00:24:29 MK

Yes, as you mentioned, really, geopolitical shifts really affected the work of the OECD. And you can see it in the composition of the OECD's membership. Former Eastern Bloc countries are now they're more in the line. But [during] my years at the OECD, Latvia and Lithuania became members. There are still a couple of EU countries which are not yet there, and Latin American countries, as you mentioned. And I think also what has happened and what can be seen because of these geopolitical shifts, that the OECD's work demand has been increased.

So, there are more countries and partners who want to cooperate with us, and there are quite many in line and in the accession process already. So, the OECD has become [a] more and more global organization. And it's not only the members, but also the OECD's cooperation with key partners, with China, Brazil, South Africa, India, Indonesia. It was something new a couple of decades ago. And also, with some regional economic organizations like Southeast Asia, G20, G7. So OECD is a more wanted organization all over the world. That has also increased the OECD's importance as a global standard setter. So, this really shows how much more important the organization is.

00:25:59 JE

Right. So, you're saying that the OECD has become more important. There's an increased demand for the OECD as an actor in global governance and that the OECD has also played a role or started to play a role as a kind of global standard setter in a way.

00:26:13 MK

Exactly, yes.

00:26:14 JE

Would you say that given that there are geopolitical conflicts, not only on the horizon, but we've seen many over the last decades, we're seeing many at the moment – these kinds of conflicts, of course, require that somehow we build resilience, not least through international organizations – would you say that the OECD can play a role in building this kind of resilience against geopolitical conflict?

00:26:37 MK

Definitely. And of course, I'm also worried about the fragmentation of global order and the geopolitical tensions which have been rising. But I think that OECD can really be quite a big player trying to solve and tackle this challenge. While getting more members, it can actively seek to expand its membership, as it has done, and then the OECD

should continue to foster partnerships and collaborations with key partners, with interested countries, regional organizations, and other stakeholders. So, the work it has been doing for decades already.

When the OECD is also continuing its work in building capacities and sharing knowledge, that is also important because we need more and more evidence and we need to promote the evidence base, which clearly shows how important for the economic growth and wealth of free trade is and how bad fragmentation is.

00:27:40 JE

We've talked about how the OECD does its work, how it responds to global shocks, what kinds of global shocks it responds to. We've spoken about the financial crisis as an example from your perspective and the migrant crisis as another example. If we think about all of this, what would you say, going forward, is the biggest challenge for the OECD as an organization and its role in regional economic governance in the future?

00:28:04 MK

I think that the biggest challenge is the geopolitical fragmentation. The OECD operates in a world where geopolitical fragmentation and power political divides are increasingly pronounced, and there are tensions between major powers, and also national security and resilience are prioritized over multilateralism, international cooperation, and rules-based global order nowadays in many countries. So, there is need for functional global rules and practices still in many areas. So, in that sense, I think that there's a lot of need for the work of the OECD in the long run.

The global opinion will understand the benefits of free trade and the global or multilateral rules-based system. So definitely, the OECD has an important place also in the future in promoting the multilateral cooperation.

00:29:00 JE

How would you say can the OECD learn from past shocks to improve its preparedness for the future?

00:29:06 MK

I think that the OECD should keep up the good work and continue its work. There's no silver bullet to change the public opinion, which to quite a big extent is against multilateralism. But when it comes to global shocks, the OECD has done actually also a lot of work in the field of risk governance policies. And the OECD has definitely learned from past experiences.

And I think that that is kind of internalized very well in the work of the OECD's Secretariat. And I would like to mention the OECD High-Level Risk Forum, which brings together policymakers, experts and stakeholders from member countries to discuss emerging risks, also share best practices and develop strategies to enhance resilience and improve risk governance at both national and international levels. And that forum also conducts research to help policymakers understand and identify critical risks.

And then there is also the OECD recommendations on the governance of critical risks, which was adopted 2014. And there has been also an assessment report which have been published in order to get an overview of countries' progress in implementing the recommendations. This work done by the OECD really can help the member countries to govern and the global risks. And also the strategic foresight work has to be mentioned too, which supports not only the OECD's own resilience, but also that of the member countries.

00:30:42 JE

That's really, really interesting and I think really connects the different dots here because we've talked about different ways for the institution to understand what's happening around it. Mari Kiviniemi, it's been a great pleasure having you today and talking to you. It's been a fascinating conversation. Thank you so much.

00:30:57 MK

Thank you.