

DEMOCRATIZING GLOBAL ECONOMIC GOVERNANCE

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Introduction

This policy option paper explores ways to increase the influence of the poor in global economic governance. Global economic governance is the set of norms and institutions along which rules are generated to manage the global economy. It involves four categories of actors: intergovernmental organizations (IGOs), states, non-governmental organizations (NGOs)² and businesses. Among these, Southern states and NGOs are the most likely to reflect the interests of the poor. This note therefore focuses on proposals to increase the power of Southern states vis-à-vis Northern states within IGOs. The last section also briefly discusses ways to increase the influence of NGOs within IGOs.³ Although emphasis is placed on economic issues, examples are borrowed from governance mechanisms existing in other policy areas when relevant.

This paper is structured around the four stages of the policy process: (i) agenda setting, (ii) policy options definition, (iii) decision, and (iv) implementation. Emphasis is put on the decision stage, which is discussed first, because power imbalances at that stage severely constrain the agenda and policy options, and undermine implementation.

This note covers formal institutions (i.e., legal statutes) as well as institutional culture (i.e., customs or practice) and political reality (i.e., the balance of power behind the veil of statutes and institutional culture).

Decision stage

Northern states collectively have the capacity to veto all decisions of all IGOs.⁴ Given that the global *status quo* is broadly in the interest of the North in a short to medium-term perspective,

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² NGOs here encompass any type of national or international non-governmental and not-for-profit organizations.

³ Southern states and NGOs, like Northern states and businesses, can also generate global economic rules outside of the framework of IGOs, but this is not analyzed here.

⁴ The United States has that capacity on her own most of the time. However, initiatives that have strong European support can go through without American endorsement and participation (e.g., Kyoto protocol, International Criminal Court). On the other hand, American initiatives that do not have European support typically happen outside of the framework of IGOs. Individual Southern states very rarely have the capacity to veto IGO decisions (e.g., Chinese veto right at the Security Council). That capacity increases when they unite, but such coalition is much harder to achieve given the greater heterogeneity of their interests compared to the North.

this veto capacity is a major stumbling block to cope with the global scourges of poverty and environmental degradation.

The North's veto capacity at the decision stage reverberates throughout the policy process. Upstream, it curtails the agenda and especially the policy options, since it is not worth spending time debating reforms that will eventually be vetoed anyway. In some IGOs, particularly those dealing with finance, this fact of life has generated a culture where it is not appropriate to raise policy options that are not "politically feasible". Downstream, the North's veto capacity at the decision stage sometimes jeopardizes the implementation of policies that have been adopted. In some IGOs, particularly the UN, the agenda is much more opened and the North is often unwilling to completely veto action on issues for which public opinion strongly supports the notion that "something ought to be done". Hence decisions are taken with high objectives but few resources, such that their implementation is bound to fail.

The way Northern states control decisions, and hence the whole policy process, varies across IGOs. The table in annex summarizes decision-making rules for different groups of IGOs. The next sub-section explains the concepts of this table. The following sub-sections address reform proposals.

How it all works now

The secession right (last column) is the right for a state to quit the organization and hence free itself from any obligations and rights. It exists in all IGOs with the notable exception of the Security Council when it acts under Chapter VII of the UN Charter.⁵ Put simply, even if Iraq had officially quit the UN prior to invading Kuwait in 1990, she would still have been legally bound by the Security Council resolutions demanding her withdrawal, in virtue of the universal jurisdiction of Chapter VII.

By contrast, the opt out right (penultimate column) is the right not to implement decisions of an IGO while remaining member of it. The veto right (sixth column) is of course the formal right for individual states to veto an organization's decisions. The table proposes a taxonomy of IGOs based on the combination of these two rights (second column). Weak confederations are IGOs in which member-states have an opt out right but no veto rights. States may not be forced to follow a global rule but they may not prevent others from adopting it for themselves. Strong confederations are the opposite. States may prevent a rule from being adopted (veto right), but once adopted, they must all follow it (no opt out right). Strong confederations have therefore the advantage of discipline but the disadvantage of inflexibility, and are best suited for relatively small groups of states with a common sense of purpose (e.g., European Communities at their inception vs. United Nations). Finally, federations are IGOs in which states have neither opt out nor veto rights, and hence are forced to follow rules that they do not approve whenever they find

⁵ Chapter VII is the one that gives the Security Council authority to authorize the use of force to restore international peace.

themselves in minority.⁶ As we shall see, some IGOs combine these three ideal types for different member-states or different types of decisions.

The remaining columns (third to fifth) pertain to the representation of states and voting rules. All IGOs listed in the table are world organizations, except the OECD, BIS, FSF and G7, which include only a self-selected set of Northern states but which wield worldwide influence and which are here called selective IGOs.⁷ Even in world organizations, however, member-states do not always have a seat in executive bodies. In both rotating and constituency systems, represented states are elected within groups of member-states roughly defined by geography. In a system of rotating membership (e.g., Security Council), states that do have a seat represent themselves only. By contrast, states that have a seat in the executive boards of the Bretton Woods institutions are supposed to represent the interests of all members of their constituency, and they can use their combined votes. As to voting rules, they are pretty straightforward: either ‘one state, one vote’ or ‘one dollar, one vote’. Decisions often require more than a simple majority of votes in IGOs, with majority thresholds often increasing with the importance of decisions. The table only mentions the lower and some upper bounds of these thresholds.

Equipped with these concepts, it is now possible to analyze the decision-making rules of the main IGOs. With the exception of the Security Council, the UN is a typical weak confederation, with ubiquitous opt out rights. The General Assembly has developed a culture of votes. Its resolutions serve as “opinion polls” on a wide range of global issues. But they are not legally binding, which is a form of opt out right.⁸ By contrast, a culture of consensus reigns in most other UN bodies. UN conferences and panels negotiating new treaties are usually fairly inclusive and not necessarily punctuated by votes, since dissenting states may simply abstain from signing or ratifying treaties. Passing a UN treaty does not require a 50% majority of states, although treaties come into force only after a critical mass of states ratify them in order to give them some substance. Budgets are also often adopted by consensus, but states may simply ignore fundraising drives for development aid and peacekeeping, another form of opt out right.⁹ This illustrates an important point for assessing reform proposals: voting, and hence the votes’ distribution, does not matter much in IGOs where opt out rights are available.

⁶ Other attributes are usually associated with the concept of federation, such as sovereignty, lack of secession right, or generality (i.e., covering all policy areas, like the United Nations, as opposed to being specialized in one area, like trade for the WTO). However, these attributes are really separate concepts. The key distinction between a federation and a confederation is that member-states may be forced to follow rules they do not endorse in the former but not in the latter.

⁷ This memorandum does not cover regional organizations, although the analysis would be similar in many respects. Note that world organizations may be universal, that is, actually including all or nearly all sovereign states, like the United Nations, or only aspiring to universality, like the WTO.

⁸ They are morally binding, however, and some legal scholars argue that they are legally binding when adopted repeatedly by a very large majority of states. Nevertheless, they are closer to what I will call “codes and standards” than to treaties.

⁹ There is no opt out right for administrative budgets, nor for any other internal or procedural decisions such as staff appointments, which are ignored here.

The contrast between the UN and the WTO is stark. States may pick and choose environmental, human rights, disarmament or other UN treaties. But they must adopt all multilateral trade treaties in their integrity or else secede from the WTO (or fail to join), lose their place at the negotiating table, and forfeit valuable advantages such as the Most Favored Nation status and the trade dispute settlement system. The lack of opt out rights is what makes the WTO so much more powerful than most other IGOs. Moreover, according to its statutes, a two-third majority of states may impose amendments to existing treaties onto the dissenting third.¹⁰ Institutional practice has been considerably milder, however, as a culture of consensus has developed at the WTO. Consensus means that states have a veto right on any decision, suggesting that the WTO is a strong confederation. But the reality is not so commendable. Each state's real veto capacity is directly proportional to its weight in world trade. The United States, the European Union and Japan have the capacity to veto anything at the WTO, even though their negotiating positions can be severely affected by intransigence. That is because these three markets are so big that secession by any one of them would create huge competitive imbalances that global business could not tolerate. Votes do not take place at the WTO because if, say, the United States were put in minority on a treaty amendment, she would secede and the WTO would collapse. Trade treaties would then be generated by regional IGOs and bilateral negotiations, or they would be partly replaced by "codes and standards" emanating from selective IGOs such as the OECD, all of which would create a situation of relative anarchy that would harm everybody but the South more than the North – the law of the jungle is not good for the weak. By contrast, if "small economies"¹¹ were to reject treaty amendments, global business would not be overly disturbed and the WTO would move on, possibly expelling dissenting states in order to maintain the discipline that underpins its success. (Such scenarios are rarely mentioned publicly, but they are the big elephant in the middle of the WTO's negotiating room.) Hence, when a round of WTO negotiations comes to an end and it is clear that most states support a proposed deal, each Quad member faces two alternatives: accept the new deal or impose the *status quo* on everybody. The alternatives faced by any individual developing country are quite different: accept the new deal or be prepared to be pushed out of the WTO. Given that economic isolation can be enormously costly, the latter alternative is hardly an option.¹² By depriving Southern states from the effective ability of either blocking or opting out of trade treaties, the WTO has achieved world federalism by stealth!

¹⁰ Once amendments have been adopted by the two-third majority, a majority of three fourth may decide that dissenting states "shall be free to withdraw from the WTO or to remain a member with the consent" of the majority while opting out of the amendments they oppose. Note that the adoption of new treaties require a strict consensus.

¹¹ China was not a member of the WTO until recently. Global business could accommodate this fact although some industries were bothered by it (for example due to China's violation of copyrights). Pressures by these industries eventually opened the door to China's WTO membership. This episode gives an idea of the size you need to be to count at the WTO table.

¹² Some critiques of globalization would contest that claim and urge Southern governments to leave the WTO. That is simply not what most of them choose to do. The fact that Southern governments formally endorse trade treaties is often used to legitimize the WTO. But the WTO's legitimacy depends upon your reference point. If your reference point is the law of the jungle where bilateral balance of power determines the outcome, then the WTO is indeed helpful to the South. If your reference point is democratic decision-making, then the WTO is wholly illegitimate. WTO institutions reflect the balance of power between nations, assuage it in some respects, and reinforce it in others.

Opt out rights are not available at the Bretton-Woods institutions either, as far as loan activities are concerned. Borrowing states must comply with IMF and World Bank conditionality or face funding cuts.¹³ Like at the WTO, a culture of consensus reigns within these institutions, with votes rarely called for. Behind that veil, Northern dominance is assured by the “one dollar, one vote” voting rule.

Besides multilateral trade agreements and multilateral lending, global economic policy involves numerous “codes and standards” emanating from the Bretton Woods institutions, the G7, the OECD, the BIS, the FSF, and some UN agencies, as well as from international professional associations (i.e., global business). Many of these organizations, particularly in the financial area, are selective clubs of Northern states that function with a strong culture of consensus. The global regulations they develop are all subject to opt out rights, and indeed they are often not even enshrined in treaties. But there is a strong peer pressure among Northern states to actually comply with them, supported by pressure from global business but also from domestic business since, as mentioned earlier, economic isolation from global norms can hurt domestic enterprises. These organizations can therefore arguably be described as strong confederations. States that are not members of these exclusive clubs are also expected to embrace the regulations they generate, but they benefit from a real opt out capacity. Many of them exercise that capacity,¹⁴ but others adopt codes and standards to comply with IMF conditionality or because of pressures from credit rating agencies or other private financial actors.

In summary, the North benefits from a veto capacity in all IGOs in subtle and less subtle ways. Besides the obvious formal veto rights at the Security Council and the “one dollar, one vote” rule at the Bretton Woods institutions, the present analysis has underscored the role of sovereignty as manifested in opt out and secession rights. Southern states revere sovereignty as a defense against Northern dominance, which is understandable as the colonial era remains fresh in memories. But this is a misconception. Given that most global policies are unworkable without Northern participation and that isolation from global economic rules is generally detrimental, the exercise of opt out rights or the implicit threat of secession are the means by which the North lowers expectations and imposes its preferences. This analysis points to another misconception, on the part of some anti-globalization activists who advocate both a “preference for the local” and the democratization of global governance according to the “one person, one vote” rule. Changing the voting rule will not by itself shift the balance of power in a system with widespread opt out rights. But eliminating opt out rights in order to transform voting power into real power seriously undermines the “preference for the local”. It is by no means guaranteed that a majority of humankind will prefer local markets over global ones, and nations where a majority of people do have such preferences will be unable to enact them in the absence of widespread opt out rights.

¹³ One could argue that forfeiting loans in the first place is a form of opt out. But since lending and borrowing is the chief activity of the Bretton Woods institutions, opting out in this way would be tantamount to secession.

¹⁴ Isolation from global private finance is less detrimental than from global trade, and Southern states are probably advised to opt out of some financial “codes and standards” (see the accompanying memorandum on capital controls by Ilene Grabel). Note that IMF loan conditionality may suppress opt out rights.

Options for reform in the long term

An implication of the foregoing analysis is that one needs to talk about opt out rights before talking about voting rights.¹⁵ The key concept to assess the appropriate extent of opt out rights is the subsidiarity principle. It states that decisions ought to be left at the lowest level of government that can efficiently deal with the issue at hand. In some policy areas, such as the environment, determining that level of government is fairly straightforward. For instance, pond management should be left at the city level, but ocean management is a global issue. In most other areas, the application of the subsidiarity principle raises philosophical debates and depends upon the degree of international solidarity. For instance, international peace is best dealt with at the global level, implying the need to die to defend foreigners, which is controversial. If the subsidiarity principle were uncontroversial, the question of opt out rights would be quickly resolved. Only issues that are efficiently dealt with at the global level would be assigned to the global level, and no opt out rights would be available. But there is simply no good solution to resolve situations where only a majority of states, not unanimity, agrees that a given issue would best be transferred to the global level. Opt out rights always harm the majority, as free riding states decrease the effectiveness of global initiatives. But lack of opt out rights always harms the minority, as it is obliged to adapt to social change that it deems unacceptable.

A compromise solution would involve the requirement of a relatively large majority of states to move decision-making over an issue from the national to the global level, as well as the adoption of authorized and built in opt out rights instead of plain opt out rights. The plain opt out rights discussed so far may be unilaterally exercised by any member-state. By contrast, authorized opt out rights may be exercised by dissenting states only with the approval of the majority of member-states.¹⁶ Built in opt out rights are decisions that affect different categories of states differently, possibly leaving some categories completely unaffected. These distinctions are important. Generalizing plain opt out rights would greatly impair global economic governance, rendering it as ineffective as the UN has been in other policy areas, which would harm everyone but especially the poor who have less negotiating power in an unruly world.

The WTO model actually conforms well with these recommendations. WTO statutes require unanimity to adopt new treaties and a two third majority to amend existing ones,¹⁷ and it includes provisions for both authorized and built in opt out rights. As to the former, a majority of three

¹⁵ One could also talk about veto rights instead of opt out rights, but veto rights are impractical at the global level due to the large number of states. And the selective attribution of veto rights like in the Security Council is simply unethical.

¹⁶ A well-known example of authorized opt out right can be found in the European context, as some European Union members were allowed to opt out of the European Monetary Union.

¹⁷ The distinction between new treaties and amendments to existing ones is porous to some extent. For example, some public services could fall under WTO jurisdiction by amending the GATS treaty, which would require a two-third majority, instead of by adopting a new treaty, which would require unanimity. Instead of that distinction, one might want to distinguish new trade rules that expand the WTO mandate in hitherto untouched industries (e.g., public services) or types of regulation (e.g., labor rights) and those that do not. The former would require a higher majority threshold than the latter (say, three fourth vs. two third). Finding the right legal language to make that distinction may however not be easy.

fourth can exempt any member-state from endorsing specified treaty provisions, albeit only temporarily and under exceptional circumstances. For the latter, special and preferential treatments give some room for opt out to least developed, developing, and transition countries, while safeguard provisions allow all members to opt out of certain rules when they face certain circumstances and comply with certain procedures. The problem is that authorized opt out rights are not used at all,¹⁸ and built in ones could be used more.

That problem is directly linked to the more important concern of the balance of power within the WTO, as Northern states push for global business' agenda of uniform global economic rules. As explained in the previous sub-section, the WTO's culture of consensus is deceptive. Genuine consensus would mean that all countries have the actual capacity to block decisions. Clearly, only the big economic powers have that capacity, which gives them a crucial leverage in negotiations. Consensus therefore institutionalizes inequalities instead of redressing them, which is wrong even if Southern states may prefer institutionalized inequality over the law of the jungle. Decisions are also much harder to reach by consensus than by simple majority, especially when member-states are numerous and diverse. The culture of consensus therefore needs to be replaced by a culture of votes. Big powers need to accept being put in minority, just as France and Germany accept to be occasionally outvoted in the European Union Council. The secession right could subsist, but the system would be fair only if big powers reserve their implicit and explicit secession threats for truly exceptional situations. Shifting to a culture of votes and promoting built in and authorized opt out rights would redress the balance of power while preserving some minority rights. Interestingly, such change of practice would not require any statutory amendment as far as the WTO is concerned. It would nevertheless amount to a revolution. For Northern states, being forced to implement decisions that they do not endorse would be traumatic. Even for Southern states that are regularly compelled to do things they do not like by the WTO or the Bretton Woods institutions, consensus is a veil of decency that allows politicians to save face: they can always argue, sincerely or not, that they got sufficient trade concessions or finance to justify sacrifices.

The one – major – statutory amendment that would be required at the WTO under this scenario is a change in the voting rule. The “one state, one vote” rule carries very little legitimacy, and that is why it is not used. Clearly, nobody wants small states of a few thousands inhabitants to have the same weight on global decisions as China and India. Although prevalent in the statutes of many IGOs, the “one state, one vote” rule is actually used for substantial decisions only at the UN General Assembly and Security Council. In the former, we have seen that voting is little

¹⁸ Under the GATT, authorized opt out rights were exercised in the form of “plurilateral” agreements. GATT members had to endorse all multilateral trade treaties but were free to opt out from the “plurilateral” ones. This strange word “plurilateral” reveals the nature of the WTO. In all other contexts, “multilateral” is the opposite of “bilateral” and refers to treaties or organizations that bind more than two states. Hence, what are called “multilateral” and “plurilateral” treaties in the trade context would be indiscriminately called “multilateral” in other contexts. The word “plurilateral” was invented to give a special meaning to the word “multilateral” in the trade context. That meaning is “federal”, that is, the absence of both opt out and veto rights. Note that the WTO has inherited a few plurilateral treaties from the GATT, but an amendment to its statutes would be necessary to adopt new ones in the future. Relying more on plurilateral treaties would be a way to expand authorized opt out rights in future rounds, and is a promising avenue for reform.

more than opinion polling. In the latter, rotating representation ensures rough geographic representativity and prevents small states from being over-represented, and the veto rights skew the “one state, one vote” rule in favor of big powers. Alternatives to the “one state, one vote” rule are the “one dollar, one vote” or the “one person, one vote” rules,¹⁹ or variants thereof. The former is simply unethical. The latter corresponds to what centuries of Western political philosophy have determined is the just way to conduct public affairs. The key word in the previous sentence is “public”. The “one dollar, one vote” rule is wrongly justified for the Bretton Woods institutions with the analogy of shareholders’ voting power in private companies. But the Bretton Woods institutions, unlike private banks, make public policy. More generally, the whole literature on globalization and global governance now acknowledges that there are issues of global public interest, which affect all human beings. If we are to salvage centuries of slow humanist progress, all human beings should have an equal vote in shaping policies dealing with those issues.

The standard argument against the “one person, one vote” rule is that it would transfer power to a handful of populous Asian countries. But the current system is also dominated by a handful of countries – the United States, the European Union and Japan – which together represent less than 15% of the world population. Besides, the West would preserve an influence incommensurate with its voting power thanks to its wealth and access to information, which would give it an edge in shaping the agenda, policy options, and policy implementation.

Nevertheless, there are two real, though by no means insurmountable, problems with the “one person, one vote” rule. The first one is that the rationale of that rule is to represent every person equally, an aim that would not be achieved if national governments failed to represent their people adequately. This problem could be solved in two ways. First, the voting power of a handful of blatantly dictatorial governments such as that of Iraq could be suspended, a decision that would require a high majority threshold. Second, “democratic tests” could be built in global decisions. Again taking the WTO case, this could mean for instance requiring compliance with the ILO’s labor rights of non-discrimination, freedom of association, and collective bargaining as prerequisite for membership.

The second problem arises if the “one state, one seat” representation rule is preserved in parallel with the “one person, one vote” voting rule. In other words, decisions would still be taken by assemblies consisting of one representative of each member-state government, but their voting power would be weighted in proportion to their population. That would be an awkward way to aggregate preferences. Indian farmers of isolated rural areas may share more interests with Brazilian farmers living in similar areas than with middle-class urban Indians. Moreover, the current debate between globalization supporters and opponents highlights that ideological affinities are also increasingly transnational. Therefore, it would be wise to complement the “one state, one seat” representation rule with a global parliament directly elected by the people, creating a legislative system with two chambers. International monitoring of global elections

¹⁹ The “one person, one vote” rule does not currently exist in any world IGO, but it exist in the European Council, which is the European Union’s organ composed of representatives of national governments, although populous countries are underrepresented and small countries overrepresented.

would serve as an additional built in “democratic test”. As a result, instead of having a G7 or A5²⁰ defining the broad lines of global economic policy, hundreds of parliamentarians would represent diverse views and form transnational alliances. The World Federalist Movement already advocates the convening of a global parliament in several stages, along the model of the European Parliament. In a first stage, the global parliament would have only consultative powers and its representatives would be co-opted by national parliaments instead of being directly elected. Its powers would then be progressively expanded to the full range of global decisions, and it would become directly elected at some point. The proposal locates that parliament in the UN, which is not necessarily the best choice given that the UN includes the most dictatorial governments, which would render the shift to direct elections impossible and therefore the progressive expansion of power problematic. One could very well imagine various parliaments in various IGOs, some co-opted and perhaps one directly elected, again along the European model.²¹

The long-term vision presented in the preceding paragraphs – federal organizations with authorized and built in opt out rights to protect minorities, high majority thresholds to move issues to the global level but not to take decisions that are already located at that level, a culture of votes, the “one person, one vote” voting rule with built in democratic tests, and the combination of the “one state, one seat” representation rule with a global parliament – has been illustrated with the example of the WTO because it already contains some of these core elements. But it could apply to all IGOs, and these core elements could be developed in various IGOs at different paces. However, there is a major difference between the economic and security (excluding disarmament) policy areas on the one hand, and the environment, human rights and disarmament areas on the other. A World Environment Organization modeled after the WTO – that is, requiring member-states to adopt all global environmental treaties in their integrity – would not work because all states would face a very compelling incentive to secede from it. Isolation from global trade rules is harmful to the domestic economy. But isolation from global environmental rules is beneficial, because seceding states benefit from the efforts made by others without contributing anything themselves. The long-term solution here would be to link all environmental rules not only among themselves, but also with trade, development aid or security rules, such that states free riding the global environmental efforts would forfeit real benefits of global cooperation in other policy areas.

Options for reform in the short and medium term

The vision of democratic global governance outlined in the previous sub-section is obviously one that can be achieved only in the span of several decades. Some details need to be fleshed out, especially the list of adequate authorized and built in opt out rights in each IGO and of

²⁰ A5 for “Asian 5”, as China, India, Indonesia, Bangladesh and Pakistan together host about half of the world population. Note that the rivalries and diversity of interests between these countries sheds some doubts about a strong Asian alliance.

²¹ Besides the European parliament itself, which is the directly elected organ of the European Union, national parliaments co-opt parliamentary assemblies in the European Council and OSCE, and used to do so for the now-defunct Western European Organization.

appropriate democratic tests. But what blocks this vision from becoming reality is clearly not its vagueness but the unwillingness of rich nations to share power fairly, which will not wane soon.

A first way to move in the direction of that vision is to shame Northern governments into defending Southern interests. No one imagines that the United States and Japan would agree calling the next WTO negotiation round the “euro round” and pledge to pay special attention to European trade interests. Yet Quad countries have agreed calling it the “development round” and have committed to defend not just their national interests, but also that of Southern states. That is a major change in an organization where the name of the game has hitherto been to tailor global rules to national profits. It can only be explained as a move designed to diffuse criticism of “democratic deficit” and compensate for past agreements that logically favored those in power. The development round may turn out to be window dressing, but expectations have already been raised high enough that a complete deceit would spark a fatal crisis of the WTO. Shaming the North for global governance’s “democratic deficit” can not only produce concessions in the short term, but also change expectations such as to prepare the ground for deep institutional reforms in the long term. If they are harassed on moral grounds to the point of being unable to exploit their asymmetric power, Northern states will be more inclined to democratize global governance.

There is room to increase the moral pressure. It is already conventional wisdom that IGOs are “undemocratic”. But what does “undemocratic” mean if not “dictatorial”? Comparing global governance to national dictatorial regimes would be an exaggeration. A better comparison is with nineteenth century Britain. Britain was at that time a fairly open society, with freedom of speech and association allowing for contested political debates, and a strong rule of law. But lack of universal suffrage was instrumental to reinforcing and perpetuating class inequalities. Likewise, current global governance allows for contested political debates, but lack of universal suffrage along the “one person, one vote” rule, as well as a very weak rule of law, is instrumental to reinforcing and perpetuating national inequalities. Current global governance is thus better than the typical one-man tyranny, but it is at par with apartheid and the most glaring forms of classism and sexism. That should be told bluntly and repeated *ad nauseam* in order to preempt rich nations from using their unfair power in IGOs. And such moral assault would carry much more weight if NGOs could reach a consensus on the broad lines of an alternative system of global governance such as that outlined in the previous sub-section. In particular, NGOs should establish the “one person, one vote” rule as the yardstick by which to measure the legitimacy of global decision-making processes, just as the Millennium goals have become the yardstick for the content of global economic decisions.

A second way in which global economic governance can be made more democratic without actually reforming institutions is the natural growth of Southern influence that will follow the South’s rising economic power. Whether at the WTO or at the Bretton Woods institutions, influence is directly proportional to income and wealth, and “emerging countries” are set to carve themselves a better place at the negotiating table. But that would still leave the poorest countries marginalized, which is why institutions must eventually be reformed.

A third way to improve global economic governance within existing institutions is for the South to unite and formulate an alternative policy agenda. Southern states could gain effective veto

capacity and counterbalance the Quad if they acted collectively. Strengthening regional organizations is a step in that direction. But Southern states' national interests are so diverse that one should doubt that this strategy would work for any but a few major issues. Hence, this is no substitute to institutional reforms either.

Considering this diversity of interest, a fourth avenue to mitigate the North-South imbalance of power while keeping existing institutions is to make more use of existing opt out rights of all sorts, which can be achieved through the shaming strategy, the growing influence of emerging countries, or coalitions. Harvard University Professor Dani Rodrik has sketched a compelling argument to make more use of built in opt out rights at the WTO.²² Least developed countries would benefit from the rights but would not be constrained by the obligations of WTO membership. Other Southern states as well as Northern states would be allowed to opt out from WTO rules if they follow certain policies or face certain circumstances, and they would be bound to comply with certain procedures protecting the interests of other states whenever they exercise their opt out rights.²³ Rodrik argues that such practice would empower countries to follow development strategies that are best suited to their circumstances. But the integration of the global economy is likely to increase despite a partial re-nationalization of economic regulation, such that this strategy, too, is no substitute for eventual institutional reform.

There are also some institutional reforms that are achievable in the medium term. For the Bretton Woods institutions, they include:²⁴

- Reform of constituencies: The Executive Board should include more Directors from Southern states, which can be done either by reducing the number of European Directors, or by increasing the number of Directors, who would then represent fewer countries. In particular, more than two Directors should represent the almost fifty African countries. This reform of the constituency system would not affect voting power, but discussions can take different turns when the diversity of opinions represented at the table increases.
- Reform of the voting rule: The voting distribution is based on a complex formula including different economic variables, plus some discretion. This formula is revised

²² Dani Rodrik (April 2001) "The Governance of Trade as if Development Really Mattered", paper prepared for the United Nations Development Program, Cambridge: *Harvard University*.

²³ There is a tension between the medium-term goal of increasing built in opt out rights and the long-term goal of shifting to a culture of votes at the WTO. The combination of these two reforms would not be acceptable to Northern states, because Southern states would be able not only to set the rules thanks to their voting majority, but also to exempt themselves from the rules thanks to built in opt out rights. This tension should be resolved by eventually forfeiting built in opt out rights that differentiate categories of countries (e.g., least developed, developing, transition, and industrialized countries). Only built in opt out rights differentiating countries according to the policies they choose to pursue or to objective circumstances they face would be preserved (e.g., opt out rights linked to countries' PRSPs). Another way to introduce flexibility in global rules is to differentiate them not by country, but by type of enterprise. For example, small farmers could be treated differently from large estates in all countries.

²⁴ More details on these proposals can be found in Wood, Angela (January 2001) "Structural Adjustment for the IMF: Options for Reforming the IMF's Governance Structure" London: *Bretton Woods Project*, and in Griffith-Jones, Stephany and Jenny Kimmis (2001) "The Reform of Global Financial Governance Arrangements" Report prepared for the Commonwealth Secretariat, Brighton: *Institute of Development Studies*

periodically, which creates a real opportunity for advocacy. There is a potential to substantially increase the weight of Southern states within the parameters of the formula, notably by increasing the basic vote that each country gets in virtue of membership and by measuring GDP with exchange rates adjusted for purchasing power parity. Nevertheless, the fundamental link between economic power and voting power is very unlikely to be severed in the medium term.

For the BIS and the FSF, medium-term reform proposals focus on increasing the South's representation.²⁵ The inclusion of Southern states would change the negotiation dynamics within those hitherto selective organizations. Consensus would be harder to reach not just because of the increased number of negotiators, which could be reduced if a system of rotating representation were adopted, but also because of the increased diversity of interests. Opened BIS and FSF may start functioning as weak instead of strong confederations, which would have consequences in terms of the cohesion of international financial regulation that are hard to anticipate.

The main reform proposal that has been floated for the decision stage at the WTO is to switch to a constituency representation system, that is, to create an executive board along the model of the Bretton Woods institutions.²⁶ The rationale is both to increase the efficiency of negotiations by decreasing the number of players and to enhance the effective participation of Southern states that are now left out of negotiations (see the section on Policy options definition). But a constituency system would actually defeat both of these purposes. It would create a two-stage negotiation process, in which executive directors would first have to consult their constituents before negotiating with their colleagues. That is what the European Union has done so far, to the great irritation of the United States because of the resulting inflexibility of its negotiating positions. Of course, the problem would not arise if executive directors failed to consult their constituents. But then the second purpose would be defeated. More generally, the WTO is essentially a rule-setting organization, contrasting with the Bretton Woods institutions that are

²⁵ These proposals are from Griffith-Jones and Kimmis (Op. cit.). The BIS is the IGO that coordinates central banks. Only a few large Southern states are members, and none are presented in the board. The BIS has set up the Basle committees on Banking Supervision, on the Global Financial System and on Payment and Settlement Systems. Membership is restricted to Northern states, and only the Committee on Banking Supervision consults with the biggest Southern states. That committee is producing a new Basle Capital Accord, which regulates how banks must manage their exposure to different financial risks. These regulations involve high stakes for Southern states, including reduced access to international bank lending due to higher risk protection, increased pro-cyclicality of such lending, and the competitive edge that multinational banks may gain over small banks as they will be able to develop their own risk management rules. The FSF was set up by the G7 to coordinate agencies in charge of global financial stability, including national agencies, the IMF, the World Bank, the BIS, the Basle Committee on Banking Supervision, the International Organization of Securities Commissions, and the International Association of Insurance Supervisors. Its membership excludes Southern states, but some of them have been included in the five FSF working groups on hedge funds, off-shore centers, capital flows, insurance deposit schemes, and implementation of international standards. Due to its Northern bias, recommendations have focused on regulatory changes at the national level, requiring upgrading from Southern states' regulators to Northern states' standards. Recommendations on global hedge funds have not been implemented due to opposition from the US Congress.

²⁶ This proposal is examined in Narlikar, Amrita (November 2001) "WTO Decision-Making and Southern states" Trade-Related Agenda, Development and Equity (TRADE) Working Papers 11, Geneva: *South Center*.

lending institutions. It is just unrealistic to expect states to endorse treaties in the negotiation of which they have not fully participated. This reform option is therefore not recommendable, and the best way to improve decision-making at the WTO in the short and medium term is to focus on the other stages of the policy process, to which we now turn.

Agenda setting stage

The agenda setting phase is the beginning of the policy process. The ability of determining which issues must be addressed in priority is an important source of power.

Virtually all issues of global interest are on the agenda of at least one committee of the UN, and even small countries have the ability of launching a process to deal with their pet issues. Together with setting high objectives for global public policies, such as the Millennium goals, raising issues on the global political agenda is the function that the UN serves best. But too many issues linger at a low priority level and the UN is too often unable to deliver on its grand objectives.

By contrast, the G7 has a big influence on setting the priorities of global economic policies, and can also set boundaries within which debates on a new agenda item will take place – typically narrow boundaries, contrary to the UN. Thanks to the clout of its members in all IGOs, the G7 has the ability to choose which IGO is best suited to deal with a new situation, or even to create new institutions. For example, it reacted to the Asian financial crisis by creating the FSF and the G20. Another current example is the sovereign bankruptcy court. While there have been debates about it for a long time, the blessing of the G7 has been necessary to open the issue for serious deliberations at the level of IMF executive directors, but also to narrow it down to “politically feasible” options.

The G20 or an alternative “Economic Security Council” are promising institutions to replace the G7 as more democratic steering committees of the global economy. The G20 includes G7 countries as well as a number of large Southern states. Although it started with a narrow agenda similar to that of the FSF (i.e., putting the onus of reform on Southern states), it has also initiated broader policy debates and Southern states appreciate it as a forum to defend their own reform ideas. Gerald Helleiner proposes the following reforms of the G20 to fulfill its promises:²⁷

- Balance its membership by adding some least developed countries and constitute a constituency system to ensure full representativity
- Link it formally to the UN, IMF, World Bank and WTO
- Expand its agenda to the full range of global economic issues

²⁷ Helleiner, Gerald Karl (October 2000) “Markets, Politics and Globalization: Can the Global Economy Be Civilized?” 10th Raul Prebisch Lecture, Geneva: *United Nations Conference on Trade And Development*. The reformed G20 overlaps to a large extent the proposal for an “Economic Security Council”, an idea launched by the Commission on Global Governance and detailed in Stewart, Frances and Sam Daws (2001) “An Economic and Social Security Council at the United Nations”, Oxford: Queen Elizabeth House *Working Paper Series* 68

- Make all its documents available to the public and encourage national parliaments to debate them

One should not place too much hope in what a reformed G20 or an Economic Security Council could achieve. Either it would adopt a conformist culture mixing “political realism” and neo-liberal ideology, in which case it would not make much of a difference. Or Southern states would assert themselves vis-à-vis G7 countries with a truly alternative agenda, in which case the new institution would risk to be marginalized in global economic governance just as ECOSOC has been in the past fifty years. Between these two extremes, however, there is room for incremental change, with Southern states exercising just the right amount of pressure on G7 countries to keep them engaged on a mildly progressive agenda. That is why strengthening the G20 or creating an Economic Security Council is a promising medium-term reform option, though not a panacea.

Policy options definition stage

Once an issue is on the agenda, the decision that will eventually be taken is heavily influenced by the filtering of many policy options. It is at this stage that “knowledge is power”. There are three requirements to influence policy options:

- Have a seat at the negotiating table
- Realize what one’s national interests are
- Have the capacity of formulating highly technical policy options to defend those interests

At the WTO, many Southern states do not meet any of these requirements. The filtering of policy options takes the shape of thousands of formal and informal meetings between representatives of national governments in Geneva. Some Southern states do not have any delegation in Geneva at all. Those that have one do typically not have enough people to physically attend all the meetings, many of which occur simultaneously. Even if they did, many of them are simply not invited to most informal meetings. Even when present at the table, the issues are so complex that it is often hard for small delegations to figure out what are the national interests at stake, let alone which proposals best fulfill those interests. Decisions are taken only after many compromises have been made across issues in numerous technical informal meetings. It is very hard for a delegation that has not participated in this process to voice objections at that stage.

The transparency of informal meetings has already improved since the Seattle fiasco, but there is room for further improvement.²⁸ There could be a directory of informal meetings, with their schedule, agenda and chair announced to all delegations in advance, and their minutes released promptly. Any delegation should be allowed to invite itself to informal meetings by claiming an important interest in the discussion. The meetings should be streamlined by themes with clear mandates and timeline. Finally, Southern states would be encouraged to form coalitions around specific interests to enhance their capacity to shape policy options, instead of being assigned to

²⁸ The following proposals are developed in Narlikar (Op.Cit.).

fixed constituencies as in the Bretton Woods institutions. (However, since WTO negotiations often involve compromises across issues, such *ad hoc* coalitions may be weakened by conflicts of interests across issues.)

Were they better represented at the BIS, FSF and their various committees, Southern states would face the same barriers to effective participation as at the WTO, and similar remedies would be necessary.

The process of policy options formulation is very different at the Bretton Woods institutions.²⁹ The IMF and World Bank staff dominate that stage of the policy process, in relative secrecy. Even the executive boards are ill-equipped to scrutinize important details of each project or country program. There is a high degree of intellectual conformism among staff, and the staff speaks with one voice to the board even when disagreements do exist in order to preserve influence. Hence it is not surprising that votes rarely take place in the executive boards. Reforms are needed to stimulate internal debate, which could include:

- Creating board sub-committees that would examine country programs in more depth, each Executive Director focusing on a more limited set of countries
- Inviting representatives of the countries of which the programs are discussed to the board. But borrowing governments may be unlikely to raise complaints about the negotiations they underwent with the staff if they fear that it could postpone decisions. Hence the feedback of external actors such as NGOs is important here (see last section).
- Adopting a culture of votes to increase the sense of responsibility of the Executive Directors
- Releasing the minutes of executive boards more promptly
- Depoliticizing the hiring process of top management, which is now based on nationality rather than competence with certain posts reserved to Americans and others to Europeans.

Together with these changes in process, the best way to increase the influence of Southern states at the policy options definition stage is of course to boost the technical competency of their delegations. The key ingredient here is money, to train a critical mass of national experts in each policy area. That is certainly an area where progress can be achieved in the short term. North-South technical cooperation is already being organized at the WTO, but there are fears that they address mostly the implementation of past agreements instead of preparing Southern delegations to negotiate emerging issues, and that they represent a vehicle to transmit the dominant free trade ideology. For the Bretton Woods institutions, the goal would be to increase the proportion of the staff hired from Southern states, since it is the staff that plays a key role in policy formulation. But this also raises the concern of intellectual uniformity, as well as that of brain drain since it would divert competencies from national governments, which are the counterparts of IMF or World Bank staff in loan negotiations.

²⁹ The following discussion is based on Wood (Op.Cit.).

Implementation stage

The last stage of the policy process is the one over which Southern states currently have the most influence, for most IGOs leave implementation of their decisions in the hands of national governments. That allows Southern states to resist decisions that have been taken at the global level without their full consent. For example, many structural adjustment programs packaged by the IMF have been poorly implemented due to the lack of real commitment by recipient governments.

Defending the interest of the poor at the implementation stage means ensuring that actions on the ground fulfil the global policies' ultimate objectives, which are usually formulated using the language of human rights. That entails two broad groups of measures: (i) commissioning independent evaluations of the impact of global policies and programs on universal economic and social rights, and (ii) offering independent judicial or quasi-judicial forums to examine complaints of harm due to global policies and programs.

The WTO direly lacks the first type of measure, a process to thoroughly review how its free trade agenda fits into the various development strategies of its member-states. Shaping that process is certainly a venue for advocacy in the medium term.³⁰ On the other hand, it has a powerful quasi-judicial body to settle trade dispute. But the process is biased against the poorest countries because of the high costs of litigation and the asymmetric battery of retaliatory measures available to Northern and Southern states. To address the first problem, Gerald Helleiner proposes an international fund to finance the litigation costs of Southern states when they are defendants, as well as the creation of a non-profit organization "Lawyers Without Borders" which would consist of lawyers and economists dispensing *pro bono* advice to the least developed countries on any trade-related questions. No satisfactory solution to the problem of asymmetric retaliatory measures has yet been advanced.

Independent evaluation units exist at the Bretton Woods institutions, although their actual independence is being questioned (at least as far as the World Bank is concerned, the IMF's unit being too new to make a judgment). There is no forum to examine disputes among states in neither the IMF nor the World Bank. But there is probably little need for one because the main accountability mechanism rests upon NGOs, to which we now turn.

The roles of NGOs in global governance

This note has focused on increasing the influence of Southern states in global economic governance. It concludes with a brief discussion of how NGOs fit the picture.

³⁰ Center of Concern (2001) "Addressing Systemic Issues: Enhancing the coherence and Consistency of the International Monetary, Financial and Trading System in Support of Development" Submission to the Preparatory Committee of the United Nations Conference on Financing for Development, Washington, DC: *Center of Concern*.

NGOs are increasingly criticized for not “representing” anyone, unlike elected governments. That is why they have indeed no role to play at the decision stage of the policy process. If one or several global parliaments are eventually created, as recommended, then some NGOs might want to run for election, and if some World Bank staff decided to do so as well, we would finally see who is more representative than whom.

But NGOs have crucial roles to play at the other stages of the policy process. Because of their proximity to small communities of people sharing specific interests, they are often better placed than elected officials to raise issues on the agenda. (Even in national politics, elected officials sense public opinion partly through NGOs.) Some NGOs even have sufficient expertise to help their governments formulate policy options. To enhance these crucial functions, NGOs need:

- Additional financial resources, from both public and private sources, to train community leaders, communications specialists, and issue experts.
- Additional channels to communicate with each IGO, including (where they do not already exist) accreditation systems to submit opinions and the release of agendas and schedules in advance of all official meetings and of their minutes soon after they have taken place.
- Improved consultation at the national level, through parliament reviews of IGOs’ activities and outreach of national governments to particular constituencies.

NGOs have also an important role to play at the level of implementation. In certain policy areas, such as humanitarian assistance, NGOs have developed a unique expertise such that IGOs and national governments rely on them directly to implement programs.

For IGO decisions implemented by states, NGOs have a crucial accountability role to fulfil. The World Bank has a forum, the Inspection Panel, which examines complaints emanating from civil society regarding the projects it finances. The creation of that forum was very controversial, and it was opposed mostly by Southern states rather than Northern ones. This is because the former negotiate the conditionality of loans with the Bretton Woods institutions and are responsible for implementing the projects they finance. Even though they may agree to IMF and World Bank terms only reluctantly, often under the pressure of looming economic crises, they share responsibility for these programs once agreement is reached. Only NGOs are then able to play the role of external and independent accountability agents. Note that the Inspection Panel’s mandate does not include sector-wide and structural adjustment loans, but NGOs may give input to the independent evaluation commissions of the IMF and World Bank (see section on Implementation stage).

More generally, all IGOs, and especially the WTO, could use independent judicial or quasi-judicial bodies receiving complaints from civil society as well from member-states, because states are intractably situated in geopolitical realities that may deter them from using judicial means formally available to them. An extreme illustration of this argument can be found in the peace and security policy area. Many people in the Arab world, and some in the West, believe that the UN sanctions against Iraq constitute a crime against humanity. It is a measure of how “undemocratic” global governance is that there is no independent judicial or quasi-judicial forum

to examine such serious allegations. The International Criminal Court is going to fill this vacuum. But which state would dare suing the heads of state or government of permanent members of the Security Council for crime against humanity, barring the “rogue states” that would presumably not be members of the International Criminal Court?³¹ Some NGOs would, if given the chance.

Conclusion

Changing voting rules in global institutions is a zero-sum game that can greatly hurt the national pride of losers. Hence it is unlikely to happen in the short to medium term. But the influence of poor people over global public policy can be enhanced in many ways by focusing on the agenda setting, policy options definition, and implementation stages of the policy process. Proposals include:

- Replacing the G7 by a reformed G20 or an “Economic Security Council”
- Fine-tuning the informal and formal negotiation process at the WTO to make it more inclusive for Southern States
- Increasing the oversight of the staff by the boards and of the boards by NGOs at the Bretton Woods institutions
- Substantially increasing private and public budgets of technical assistance to let both Southern states and NGOs formulate and communicate policy proposals that meet their interests
- Create or, where they exist, expand independent evaluation committees as well as judicial bodies that would examine complaints linked to the implementation of global public policies, both of which should examine NGOs’ as well as states’ grievances

But it is also important for NGOs to formulate long-term alternatives for global governance without further delay in order to increase the moral pressure on Northern governments. Doing so would both preempt Northern states from actually using their asymmetric power in the short term and change expectations such as to prepare the ground for deep institutional reforms in the long term. This paper has sketched the main traits of such a vision, combining federal organizations with authorized and built in opt out rights to protect minorities, high majority thresholds to move issues to the global level but not to take decisions that are already located at that level, a culture of votes, the “one person, one vote” voting rule with built in democratic tests, and the combination of the “one state, one seat” representation rule with a global parliament. The key element is perhaps universal suffrage along the “one person, one vote” rule. The struggle for democratic global governance must be positioned in the liberal tradition of universal suffrage,

³¹ Only states that sign the treaty may introduce a case. NGOs and states that opt out of the treaty may not.

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which has over centuries been extended from rich men to women, the working class, and people of color. Since global decisions affect people of all nationality, individuals of any nationality should have an equal weight in shaping those decisions.

Table 1: Decision-making rules at various intergovernmental organizations

Organization	Type	Representation	Voting	Majority	Veto right	Opt out right	Secession right
UN Security Council	Federation; Strong confederation for permanent members	Rotating; 5 permanent members	One state, one vote	9/15	No; Yes for permanent members	No	No
Other UN organs & agencies	Weak confederation	One state, one seat	One state, one vote	50%-	No	Yes	Yes
WTO (statutes)	Federation	One state, one seat	One state, one vote	50%- 100% ²	No	No ¹	Yes
WTO (culture)	Strong confederation	One state, one seat	One state, one vote	n.a.	Yes	No	Yes
WTO (reality)	Federation; Strong confederation for Quad members	One state, one seat	One state, one vote	50%- 100% ²	No	No	Yes
IMF/WB loans (statutes)	Federation	Constituencies	One \$, one vote	50%-85%	No ³	No	Yes
IMF/WB loans (culture)	Strong confederation	Constituencies	One \$, one vote	n.a.	Yes	No	Yes
IMF/WB loans (reality)	Federation	Constituencies	One \$, one vote	50%-85%	No ³	No	Yes
IMF/WB 'codes & standards'	Weak confederation	Constituencies	One \$, one vote	50%-	No ³	Yes ⁴	Yes
OECD/BIS/FSF/G7/G20 'codes & standards' (statutes)	Weak confederation	Selective	One state, one vote	50%-	No	Yes	Yes
OECD/BIS/FSF/G7/G20 'codes & standards' (reality)	Strong confederation; Weak confederation for non-represented states	Selective	One state, one vote	n.a.	Yes	No; Yes for non- represented states	Yes

¹ Opt out possible only with approval of $\frac{3}{4}$ majority of members.

² 50% if not otherwise specified, $\frac{2}{3}$ to amend treaties, $\frac{3}{4}$ to authorize temporary opting out of existing treaties or permanent opting out of amendments, and 100% (consensus) to adopt new treaties or to change these majority thresholds.

³ The United States has a veto right for decision requiring a majority of 85%.

⁴ Except if part of the conditionality of loans.

Acronyms

UN	United Nations
WTO	World Trade Organizations
IMF	International Monetary Fund
WB	World Bank
OECD	Organization for Economic Cooperation and Development
BIS	Bank of International Settlements
FSF	Financial Stability Forum (committee depending on the BIS)

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Quad Informal group within WTO (United States, European Union, Japan, Canada)