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**“DEMOCRACY**  
**DEFICIT” IN THE**  
**GLOBAL ECONOMY:**

*Enhancing the Legitimacy  
and Accountability of  
Global Institutions*

JOSEPH S. NYE, JR.,  
AND OTHERS



This report was prepared for the Trilateral Commission and is released under its auspices. It was drawn from a session on "The Legitimacy and Accountability of Key Multilateral Organizations" at the annual meeting of the Trilateral Commission held in London in March 2001. The authors-from North America, Pacific Asia, and Europe-have been free to present their own views. The opinions expressed are put forward in a personal capacity and do not purport to represent those of The Trilateral Commission or of any organization with which the authors are associated.

# THE "DEMOCRACY DEFICIT" IN THE GLOBAL ECONOMY:

## *Enhancing the Legitimacy and Accountability of Global Institutions*

A Report to The Trilateral Commission

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The Trilateral Commission was formed in 1973 by private citizens of Europe, Japan, and North America to foster closer cooperation among these three democratic industrialized regions on common problems. It seeks to improve public understanding of such problems, to support proposals for handling them jointly, and to nurture habits and practices of working together. The European group has widened with the ongoing enlargement of the European Union. The Japanese group has widened into a Pacific Asia group. The North American group now includes members from Canada, Mexico and the United States.

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## Editor's Preface

"Globalization and Governance" was the overarching topic for several sessions of the annual meeting of the Trilateral Commission held in London in March 2001. This report is drawn from the session focused on "The Legitimacy and Accountability of Key Multilateral Organizations."

We used an experimental procedure in preparing for this London meeting session. Rather than ask a team of authors to prepare a joint report or set of individual essays, Joseph Nye prepared six questions (plus a brief note) and five others prepared brief and pointed "answers" to these questions from their varying individual perspectives. The London meeting session opened with a presentation by Prof. Nye, after which we divided into three subgroups for discussion. Nye and the five authors of prepared answers were panelists for the subgroups. Also part of the mix were seven Trilateral Memoranda on the Nye questions prepared by other members.

The following report utilizes all of these elements. The Introduction is taken from Joseph Nye's brief note and his presentation at the outset of the London session.\* The six questions follow, each accompanied by the prepared answers as well as summaries making substantial use of excerpts from the subgroup discussions and memoranda.

The open-ended format of this report differs from any previously published by the Trilateral Commission, but seems appropriate for the topic. Thinking about the legitimacy and accountability of global institutions is far from settled as globalization proceeds. Our hope is to help clarify thinking by bringing different perspectives and concerns into sharper focus. Developing the appropriate normative standards for judging the key multilateral institutions is a critical part of the governance of globalization.

*Charles B. Heck* Senior Adviser

\* Prof. Nye drew on these materials for his article in the July/August 2001 issue of *Foreign Affairs* entitled "Globalization's Democratic Deficit: How to Make International Institutions More Accountable."

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# I. INTRODUCTION

*Joseph S. Nye, Jr.*

It is becoming difficult for international economic organizations to meet without attracting crowds of protesters against globalization. Some organizers, like Lori Wallach (Director of U.S.-based Public Citizen's Global Trade Watch), attributed half the success of the coalition protesting at the November 1999 WTO Ministerial in Seattle to "philosophically, the notion that the democracy deficit in the global economy is neither necessary nor acceptable." When it was pointed out that the head of the WTO was appointed by democratically elected governments, she replied "'between someone who actually got elected, and the director general of the WTO, there are so many miles that, in fact, he and his staff are accountable to no one.'"

Some defenders point out that the WTO is a weak organization with a small budget and staff, hardly the stuff of world government. Moreover, international institutions tend to be highly responsive to national governments which are the real source of democratic legitimacy. Other defenders say that the question of democracy is irrelevant since international institutions are merely instruments to facilitate interstate cooperation. I suspect these arguments are not enough to protect the beleaguered institutions in a world of transnational politics where the norm of democracy has become the touchstone of legitimacy. Even though the organizations are weak, their rules and resources can have powerful effects. Moreover, the protesters are right that long lines of delegation and lack of transparency often weaken accountability. We need to think harder about norms and procedures for the governance of globalization.

Let me start with three definitions, since we can confuse ourselves if we are not clear about what we are talking about: globalization, governance, and democracy. By "globalization" I mean simply interdependence at intercontinental distances, and that distinguishes it from regionalism or localism. Essentially, it's interdependence on a worldwide basis. By "governance" I mean the pattern of ways in which we manage our common

\*"The FP Interview: Lori's War," *Foreign Policy* 118 (Spring 2000), pp. 37, 47.

affairs. Governments are a subset of governance, but they are not the only way we govern collective affairs. By "democracy" I mean a situation where leaders are accountable and ultimately removable by a majority of the people.

### **"Islands of Governance" of Globalization Have Been Created**

Globalization is driven by two forces: one is technology and the other is policy decisions. So is globalization reversible? The answer has to be "yes" in one sense, but "no" in another. Technology is probably irreversible, but policy decisions are reversible. We have seen periods in which economic globalization has been reversed. Indeed, the levels of economic integration that the world achieved by 1914 were not re-achieved until the 1970s (and on a few measures not yet, particularly migration measures). Reversibility is one of the reasons why we should be concerned about what's going on with the backlash now.

It is said that World War I stopped nineteenth-century globalization. It did; but the 1920s and '30s also brought this about. Karl Polanyi in his book *The Great Transformation* argues that what really happened with nineteenth-century globalization was that economics outran politics. Essentially, laissez-faire economics created such enormous inequalities between those who profited and those who were left behind that it gave rise to the great social diseases of the twentieth century, fascism and communism, which contributed greatly to the disruption of economic globalization. I don't expect that type of response again, but I do think we have to worry about the backlash. The backlash could change policy decisions and if policy decisions become more protectionist, that in turn would have a net negative effect on the poor. Putting it another way, economic globalization is not sufficient to solve the problems of the poor, but I think it is necessary. If you don't believe me conduct the following thought experiment. Try to think of any country that has prospered that has shut itself off from the world economy. I can't think of any.

The other thing worth noticing is that even if economic globalization is brought to a halt, this doesn't mean that other forms of globalization will stop. Sometimes people say that globalization went on until 1914 and then stopped until late in the twentieth century. That's nonsense. Military globalization accelerated after 1914. After all, what do two "world wars" mean, plus a globe-straddling cold war? Environmental globalization would continue even if economic globalization were brought to a halt by poor policies. Look at global warming, for example. Or look at the spread of the HIV virus. It's worth noting that it took smallpox something like three millennia to reach all the inhabited continents of this globe; it took

HIV about three decades. So we may be left by bad policy decisions with the end of the good types of globalization, with only some of the bad aspects of globalization.

That's why people call for more government or governance of globalization. Some people talk about the need for world government. I think when you read the following answers to the questions that were provided to the respondents, there is a unanimous consensus that world government is not going to happen—not world government on the model of a nation-state writ large. In that sense we should not be looking for a domestic model or a domestic analogy as to how we're going to solve this. But there is a great deal of "governance" that already exists. To some extent we're like Moliere's *Bourgeois Gentilhomme*, speaking prose without noticing it. There is not only the United Nations system, not a world government but dealing with a number of global issues. There are hundreds of organizations that deal with different issues. You might say that we have islands of governance in the international system. If you think of trade, if you think of air traffic, if you think of postal systems, if you think of meteorology, all of which have organizations associated with them, a rich set of islands of governance was created in the international system in the second half of the twentieth century.

### **The "Democracy Deficit" in Current Multilateral Governance**

The problem we face now is that the legitimacy of these organizations is being called into question. That gives rise to this issue of the democracy deficit. When you ask people why they question the legitimacy of these organizations, the protesters often say it is because there's a democracy deficit. They are not consistent with the procedural legitimacy of democracy that is essential in the twenty-first century.

The term "democratic deficit" grows out of the literature on Europe and concerns about the role of the European Parliament. The term doesn't transfer well from the European context to the global context. It's difficult enough in the European Union (where the countries are relatively similar) to think of parliamentary control. It's almost impossible to think of a world parliament. Therefore to use this term "democratic deficit" as though we were imagining a world parliament is a mistake. Tennyson's "Parliament of Man" was great Victorian poetry. It's pretty poor political analysis.

When we look at democracy we have to be honest and realize that democracy occurs in nation-states. Democracy occurs essentially when there is a political community. Only when there is a sense of political community will a minority acquiesce in the will of the majority. If we look at this at the global level, will people really be willing to be continually

out-voted by the two-and-a-half billion Chinese and Indians? I think the answer is "no"; and we're kidding ourselves if we think that's going to be the shape of the solution. We've got to get away from the idea that the solution will look like domestic democracy.

So democracy occurs in national states and these international institutions are the instruments or the agents of national governments. Since national governments are elected, what's the problem? There are three problems actually.

- One is not all the members are democratic.
- Second is the issue of long chains of delegation. People sometimes feel that there is such a distance between those who are elected and those who are running the organizations that the legalistic argument is not enough.
- Third and perhaps most important, these institutions created in the second half of the twentieth century as the agents of states are, as Gordon Smith put it, actually the agents of parts of states.\* What we've developed in the second half of the twentieth century is what Robert Keohane and I have called the "club model" of international organization. Think of GATT and then the WTO: It's a club of trade ministers. Think of the BIS in Basel: It's a club of central bankers. Think of the IMF: It's a club of finance ministers. In other words what you find are parts of governments working with similar parts of other governments but excluding other parts of their own governments. That has been very effective, but it doesn't do very well when you get to the issues which are trade *and* labor, trade *and* the environment. Many people are saying, "I don't feel represented when my trade minister goes to Geneva and works with other trade ministers, because I do care about what happens to dolphins or to turtles or to the environment more generally." These clubs of ministers with similar interests in an issue often are not as responsive to the broader democratic public as some people would want.

So there is a set of concerns that people raise which are not illegitimate. The basic point—that these institutions receive their legitimacy through delegation from governments—is true, but not all parts of governments and the delegation lines are very long and some governments are not democratic.

\* Smith had spoken to the London meeting on the previous day. See Gordon Smith, "Globalization and Governance" in *London 2001: The Annual Meeting of the Trilateral Commission* (Trilateral Commission, 2001), pp. 9-12.

### **Enhancing Legitimacy and Accountability**

That leads to the questions posed in the following pages. I don't have the answers to these questions. I don't think any of us do. But let me give you, in concluding this introduction, the way I would approach answering these questions.

1. *First of all, think about institutional design. We should try as we construct international organizations to create ones that minimize the conflict with national democracy. If democracy occurs at the national level, we ought to protect it as best we can.* In this regard I would argue that the WTO is actually a very good design. The protesters who have called the WTO an incipient world government make a silly claim. The WTO Director-General has a smaller staff and less of a budget than I have as an academic dean, and less than some of the NGOs that are always plaguing him. But there is another dimension of the WTO. It is able to set rules through the dispute settlement mechanism, and these can interfere with national sovereignty. The important thing in the design of the WTO, which we should use as a model, is that if a democratic majority in a WTO member wants to go back on its international agreement, it can do so. It just has to pay a penalty. That penalty is expensive and painful, but it's a bit like designing an electrical circuit for a house in which you put a fuse. It's better that the fuse blows than that the whole house burns down. What the WTO does is create a system which allows democratic necessities at the domestic level to occasionally prevail without destroying the whole system of reciprocity in international trade. So rather than criticize the WTO, as so many of the protesters have, I think we ought to start studying some of the lessons of the WTO for ways in which we can reconcile democracy at the national level with international institutional design.

2. *Second, if democracy occurs at the national level, then part of the solution has to start there as well.* We can think of better parliamentary control. For example, Denmark, as I understand it, has set up better procedures than many other EU member-countries for informing its parliament of what's happening in Brussels. Countries could develop better procedures for being informed of what's happening in key international institutions. If there's a concern that "my views aren't represented at the club of trade ministers," there's nothing to stop a national government from adding an environment minister or a labor minister to its own delegations. Better systems for domestic oversight are another way we might begin to solve this.

3. *Third is to have more clarity about what we mean by democratic accountability.* We sometimes talk as if democratic accountability means that everyone and everything has to be directly elected. That's clearly not the case. You can have well-ordered democracies in which the accountability between a given agency and the electorate is quite indirect. The U.S. Federal Reserve System or the European Central Bank are accountable ultimately to the electorate; but they're not directly accountable because people don't want them directly accountable. They want a different or longer time horizon when dealing with monetary policy. And there is no reason that we should hold international institutions to a higher standard of democratic accountability than we do institutions at home. To argue it's bad that the WTO Director-General is at the end of a long line of delegation, but good that the Chairman of the U.S. Federal Reserve is at the end of long line of delegation, is inconsistent and we ought to point that out. There's nothing in democratic theory that requires constant direct votes on everything for legitimacy.

4. *Fourth, we can also turn to instruments of non-democratic accountability.* Accountability is more than just elections, or even indirect connection to elections. *Markets* can help with accountability when organizations have to be alert to markets—for example, when the World Bank is going out to raise funds, or even when governments are considering rules and regulations. Markets are not democratic, but their insistence on transparency and legal certainty can influence and help strengthen democracy. Similarly, *reputational and professional lines of accountability transnationally*—economists care about what economic decisions are made and lawyers care about what legal decisions are made—are not democratic per se, but they can help to reinforce the accountability of international institutions.

5. *Fifth, it's extremely important to increase transparency.* A more open process allows legislators, as well as the public at large, to know what's happening. *This is where we come to the role of the non-governmental organizations.* NGOs represent some of the best and some of the worst. We make a mistake when we lump all NGOs together. Some are terrific. I think we're part of one right here. Another is Transparency International, which works on international corruption. And there are many more. Others claim to represent civil society, but represent only themselves.

The point is that NGOs can play a role in the process a bit like the role of the press in domestic political democracies, which essentially means they can open things up. They can be a source of information. In that sense,

they're sometimes what you might call the fourth branch of government. You don't want to bring them in as voting members in the process; they have no legitimacy for that. But to the extent they bring openness to the process and greater transparency, they can contribute to a greater sense of accountability. That probably means you want to increase the opportunities for dialogues with NGOs without actually having representation of NGOs. I would add that any NGO which asks to be included in such a dialogue ought to be held to the same standards of transparency. Only those NGOs which disclose their own membership and their own financing sources ought to be allowed such privileges.

6. *My sixth and final point is that we need to experiment more.* We have a successful set of institutions developed over the last fifty years; but they are now coming under question. There is no reason we can't look at different models and different types. One of the experiments is actually a very old one, the International Labor Organization, which as far as I know is the only tripartite intergovernmental organization. It goes all the way back to 1918.

A much more recent interesting venture is the International Corporation on Assigned Names and Numbers (ICANN), which essentially governs the assignment of internet addresses. It was set up as a non-profit corporation under California law to avoid the cumbersomeness of a formal intergovernmental organization like the International Telecommunications Union. While some of the board is appointed, there have been direct elections by internet users for other members of the board. These direct elections, when they were first held in the fall of 2000, suffered one of the major problems which can happen in situations like this—they were captured by those who organized well. So the ICANN experiment with direct election was not a full success. But this doesn't mean you couldn't design a way that could be more successful.

Another type of experiment is to think of what are called trisectoral networks, organizations in which part of the membership is from governments, part from NGOs, and part from the private sector. The World Commission on Dams (which the World Bank helped to set up) had 12 members—four from a governmental background, four from an NGO background, four from the private sector. It tried to develop guidelines for how large dams should be created or not created, and has been relatively successful in developing a consensus.

So these are some examples of the types of experiments we could be undertaking to supplement, not to replace, the club model of international institutions that has served us so well so far.

\* \* \*

These are mere suggestions. There is no single answer to the key questions. But the need to develop answers is absolutely essential. Denial of the problem, misleading domestic analogies, and platitudes about democratic deficits will not do. We need changes in processes that allow politics more play and take advantage of the multiple forms of accountability that exist in modern democracies. If we don't develop answers, public opinion is going to be shaped by the demagogues; and we would all be worse off for that. International institutions are too important to be left to the demagogues.

## II. QUESTIONS, PREPARED ANSWERS, DISCUSSION

### QUESTION 1

*Protesters assert that institutions like  
the World Trade Organization,  
the World Bank and the International Monetary Fund  
are effectively accountable to no one.  
Is there any validity to their claims? Why or why not?*

### PREPARED ANSWERS

*Jessica Einhorn*

I think protesters who assert that international organizations are not accountable to anyone are misleading the public for the purpose of altering the existing accountability in a direction that would give the protesters more authority. Since the international organizations are not formally accountable to them, they assert that they are not formally accountable to anyone. There is little validity in that claim and it is a dereliction of duty that the shareholders of these institutions, which comprise almost every government in the world, have not responded more energetically to this charge.

The Bretton Woods institutions have charters, which are treaties under international law. These agreements have been and can be amended from time to time. It is the Articles or Agreement of the World Bank, for example, which specify the purposes, membership, voting procedures, and accountability of the staff and the organization to the governments that own it. Both the World Bank and the IMF have permanent sitting Boards, residing in Washington, with representatives appointed by governments who either have individual seats (major shareholders) or aggregate themselves into constituencies to elect a Director and an Alternate. All the policies of these organizations are determined with the agreement of their Boards; the budgets are the subject of intensive reviews from capitals with instructions to their Directors; indeed, even the annual salary increase of staff is subject to specific review. The list goes on: for example, when the

World Bank finances itself in private capital markets, government approval is required for each currency or market where funds are raised. The President of the Bank and the Managing Director of the Fund are elected by their Boards, sometimes after intensive intergovernmental negotiation, although subject to the custom of a World Bank President from the United States and a European head of the IMF. The oversight is detailed, constant, and elaborately staffed in many host country capitals.\*

I could go on elaborating the nature of governmental oversight of these highly "constitutionally" based organizations. But the more fundamental question is: how does the charge even arise, given the structure and operating procedures that have been in place for more than 50 years? Let me suggest two reasons:

- First, it is comfortable politically for government officials to remain largely passive in the face of broad-based protests against the international organizations. Since no one government is in charge, no one government finds it politically attractive to vigorously defend the institutions. Instead, faced with street protests, it is always easier to emphasize the specific policy or programmatic reform agenda that officials of that government are pursuing, at that time, within the organization. While the leadership of the institutions can speak on behalf of the staff, that is no substitute for vigorous defense by shareholders. These same governments do support the organizations both financially and in aid coordination groups, stabilization packages, global commons efforts, etc. But the broad public relations side is left unattended. Belonging to everyone, these organizations are defended by no one, in the public relations arena.
- Second, the World Bank, the IMF, and the WTO are only intermittently dependent on legislative actions. For the Bank, there is a regular cycle of funding by governmental grants to IDA (International Development Association), which is the soft-loan window of the World Bank Group. But the bulk of operations, financed by the IBRD (International Bank for Reconstruction and Development), are rigorously managed by

\* From 1973-1999, I worked in Washington, DC, mostly as a staff member of the World Bank but also as a Visiting Fellow at the IMF and, in my early years, as a staff member in the U.S. Treasury and the U.S. State Department, in offices charged with overseeing these organizations. While I have also been an observer of the evolution of GATT to the WTO, my first-hand knowledge is so great for the Bretton Woods institutions that my answers to the Nye questions would be unbalanced if I tried to address all three organizations. Instead, I will discuss mostly the World Bank, sometimes the IMF, and suggest principles that I believe would apply to the WTO and other supranational.

shareholders to maintain a AAA rating and build reserves and capital commensurate with balance sheet risks. Only when the IMF needs a "quota increase" or the Bank needs a "capital increase" is there legislative involvement in the mainstream activities of the institutions. The fact that these are operating organizations that are not subject to annual budgetary oversight directly by the legislatures may contribute to the claim of non-accountability. It is true that legislatures are less intimately involved in the governance of supranational organizations than in most domestic official operating bodies.

To the extent that accountability to the Executive Branch is considered a poor stepchild to legislative accountability, and given that leaders of governments have little political inducement to vigorously defend the organizations against domestic NGOs, these multilateral institutions are losing a public relations battle.

*Soogil Young*

The multilateral economic institutions (MEIs, such as the WTO, World Bank, and IMF) are directed and supervised by their respective member governments under the terms of the charters and treaties agreed on by those governments. In the legalistic sense, then, the MEIs may be said to be accountable to peoples served by those governments. But defending the MEIs in these legalistic terms misses the message which commonly runs through criticisms and protests directed against the MEIs. The message of the critics is that while the accelerated process of globalization may open up beneficial opportunities to peoples around the world, it also brings with it risks and problems or, to say the least, "anxieties" about those side-effects. These anxieties can be effectively addressed only at the global level and the multilateral economic institutions (MEIs) should be the means of addressing those anxieties. Individually, as well as taken as a whole, the existing MEIs do not seem to be sensitive to these problematic aspects of globalization, the critics argue. In fact, while the MEIs should be managing the process of globalization in the sense of tempering and helping overcome the risks and problems due to globalization, they rather seem to be intent on promoting globalization single-mindedly.

Thus, the critics of the MEIs are more opposed to the goals of the MEIs, rather than to the ways they pursue their given goals. What they are objecting to, in fact, seems to be nothing less than the neoclassical ideology of free markets and trade which underlies these goals. One does not have to accept this criticism as valid in order to recognize and address the "accountability gap" as defined here. What has to be done is to re-examine

in an open manner the legitimacy of the basic assumptions which underlie the goals and the *modus operandi* of the MEIs, including the division of responsibilities among them, by reflecting upon the broader goal of global governance, i.e., human development, given the new realities being brought about by the globalization process. By way of doing so, the member governments will have to engage the emerging global civil society in a constructive dialogue and in a meaningful way. The "accountability gap" may be addressed in this way.

*Luis Rubio*

The main problem is not one of governance, though a lot could be done on that front, but one of legitimacy. All three organizations—the IMF, WTO and World Bank—report to their shareholders (or the equivalent in the case of the WTO) and have internal governance structures that are reasonably well-organized. So the issue is not, in and of itself, one of accountability, but of public recognition or legitimacy.

The public nature of these institutions sometimes does create serious problems of internal control. Some of the issues involved have been widely argued: a bureaucracy devoted to self-preservation more than anything else; the presence of an endless number of (often unaccountable) committees; deep-rooted arrogance; inefficiency; and so on. Also, the shareholder nations often tolerate many of these ills in order not to upset other nations as well as the very institutions that they may need for their own agendas. From this vantage point, a significant internal reform (some of which is already in the works) appears warranted.

But the issues the protesters in various cities have brought out into the open are not related to the internal workings of these institutions, but to the assumed nature of their goals. No less important, many of the protesters represent vested interests of wealthy nations that fear the impact the forces of globalization may have upon themselves. In this sense, the issue of accountability has been fundamentally misplaced. If the attacks against the international organizations come from groups in wealthy nations that assume they will lose out, who represents the rest of humanity—in all nations—that benefits from financial stability and the growth of international trade? Who represents the world's poor?

Ultimately, this is a typical case of collective action. The beneficiaries of the existence of these institutions are too diverse and dispersed to organize, while those that stand to lose have plenty of incentives to act.

In addition, the objectives, functions, procedures, actions and accomplishments of these institutions are often unknown to the public at

large, a fact that generates and justifies criticism from many quarters and, more important, lends credibility to the protesters.

From this vantage point, the only way to act upon the issues raised by the protests is to de-legitimize the critics with arguments, while legitimizing the institutions with actions. It is the legitimacy of the institutions that has to be addressed.

### *Bela Kadar*

Global organizations can be evaluated from a subjective or objective viewpoint. In a PR-conscious world, international organizations have to seem democratic, virtuous, and efficient. Subjective appearances can be handled at the political and PR level. But an objective evaluation of the international organizations requires a much more complex approach. Since elected governments are members of these organizations, accountability and democracy cannot be considered as core problems.

History is not rich in evidence of democracies functioning successfully at a low stage of development. Democracy has been advancing on the basis of sound economic development. Deficits in development performance and education create conflicts between the requirements of efficiency and of direct popular control.

At present the international system is not functioning up to the requirements of globalization; current efforts to solve global problems are not working; problems of regional and income inequalities, and of the natural and socio-psychic environment, keep growing. Insufficient attention is given to the specific problems generated by relative stages of development and by cultural differences, by the size of nations, and by the dominance of North-Euro-Atlantic approaches. Parallel activities and insufficient coordination among international organizations, the lack of strong leadership and "General Staff" for global governance, and the emergence of global talking shops reveal deficits in performance.

International organizations can be legitimized by sound actions and results. In the absence of performance, protest movements enjoy support. The most relevant issue is the fight against the *performance deficit*. This requires far-sighted policies based on coherent principles, their effective implementation, and their convincing presentation, including their defense before public opinion.

*Hisashi Owada*

It is not accurate to say that the WTO, the World Bank and the IMF are "effectively accountable to no one." They are clearly accountable to their respective Contracting Parties and their Boards of Governors.

However, the problem is that the representative bodies of the institutions concerned are not always perceived to be reflective of the public policy considerations of the international community in which they operate. Moreover, in the World Bank and the IMF, the weighted voting system does not operate quite in proportion to the relative power relations of the world. The WTO, on the other hand, based on the "one-member one-vote" system, does not seem to function in reality in the transparent manner that it should. The whole problem thus boils down to the lack of trust in these institutions by the NGOs, which claim to represent the interest of global civil society, a claim which also requires scrutiny. There is not always a guarantee that these NGOs will act in the public interest of the international community.

What are the problems to be addressed in this situation? Globalization has many positive aspects, including the opportunity that it offers for developing countries to leapfrog the arduous course for development. At the same time, the process of globalization, like the process of industrialization, will, if left unattended, likely lead to a situation where the strong will get stronger and the weak weaker, thus creating tremendous social dislocation on a global level. *The international organizations, including international financial institutions, should assume the responsibility of overseeing this situation from the viewpoint of global governance, as the only functioning regime for global governance in the decentralized international system of today, and not just as international institutions in which the member-states seek accommodation of their respective national interests.*

## DISCUSSION

### **Active Accountability to Boards of Government Representatives**

The above "answers" were prepared in advance of the London meeting. In the three London subgroup discussions, no one challenged the formal accountability of the multilateral economic institutions to their boards of government representatives. Some joined with Jessica Einhorn (see above) in stressing the detailed nature of governmental oversight. One member reflected on his IMF experience:

It is very clear we are accountable to member-governments, and that is a very active accountability. There is nothing the IMF has done which its member-governments did not vote in the Executive Board of the IMF. And there is no IMF program which has ever happened without the assent, typically the unanimous assent of the governments that belong to the IMF.

An American member offered a related response in a London meeting **memo**:

It is not correct to say that the International Monetary Fund and the World Bank are accountable to no one. On the contrary, in some respects they are on a tight leash. They are fully accountable to their governors, the ministers of finance of the world, who are in turn responsible to member governments, which themselves have diverse systems of governance and domestic accountability.

The Governors meet annually in plenary, and twice a year in Committee. The management of both institutions is responsible on a week-to-week basis to their 24-member Boards of Executive Directors....

The Managing Director of the IMF and the President of the World Bank must make regular presentations to their Executive Directors, who formally make the decisions regarding the disposition of funds and other key matters of policy. Those two leaders gain freedom of action only insofar as they can garner not just the passive acquiescence of their directors in their actions, as in many organizations, but their regular votes.

### **But Governments Do Not Stand Up and Declare Their Responsibility**

Why is there a perceived lack of accountability? Some supported Einhorn's argument that this stems in part from governments not standing up and declaring the responsibility they in fact have for what these organizations do. A member with IMF experience quoted and then added to the passage in Einhorn's prepared answer that "it is a dereliction of duty that the shareholders of these institutions have not responded more energetically to this charge":

Let me say that it is an infuriating dereliction of duty to have a government sit in the board of the IMF, push in one direction, and six weeks later criticize the institution for going in the direction which they pushed. What can you do? Well, in private you call them up and give them hell. And you say, I guess that's what we get paid for, and get on with it. But I think it is a major cause of the perceived lack of accountability that governments simply will not stand up and defend the things they do in private.

Einhorn came back to this point in discussion, after others gave examples of governments not standing up to outrageous claims about the multilateral economic organizations:

It's very convenient when opposition is being directed at something called a multilateral organization not to say "I own it, I help run it, I'm there every day, I give instructions on every vote," but simply to say, "Ah yes, there is something to be changed there."

Throughout the London discussions, many members stressed the need for increased transparency and openness on the part of multilateral economic organizations. A Dutch member with relevant government experience supported Einhorn's preference for "maximum transparency by the multilaterals, providing all citizens with the information to influence their governments" (see her answer to Question 6 below). But government representatives sometimes oppose increased transparency and openness, he added:

I remember very well a number of situations where the management of the respective international institution was willing to be more open, more transparent, but where the Executive Directors (representing their governments) were against it. Those managements got a lot of criticism, but they couldn't do much. One should address those governments who were not willing to give the green light.

However, another member with long experience in the World Bank cautioned that more openness about the positions governments take on its Executive Board might disrupt the capacity of the board to act and reduce the Bank's effectiveness:

I worked in the World Bank for twenty-six years, and now I have been with the United Nations for four years. And I don't think that the World Bank would be as effective as it is if it had more democracy. Let me give you a couple of examples from our Executive Board, where we deal with projects basically.

How would you in public openness have Israelis and Arabs or Pakistanis and Indians agree on simple projects, which they do agree on because the political part does not come in at all. The IMF does have influence (as we saw in Indonesia for instance) directly on people. Perhaps there you might need more democracy. I don't think you need it in the World Bank.

You have heard me talk of North Korea. The United Nations works in North Korea. The World Bank does not. We could argue back and forth whether it is better to engage or not engage North Korea. That is not my point. My point is that the UN did not have a choice to work in North Korea, precisely because of more openness, if that is what you call it. The DPRK Ambassador is running to Kofi Annan or other UN

organizations in New York on a weekly basis demanding this and demanding that. And the UN caves in. The World Bank does not cave in. Let me give you the example of personnel matters. It is vital for the efficiency of an organization that it has the best possible staff. The UN is basically unable to resist political pressure to employ people. I remember working for Robert McNamara as his personal assistant way back. McNamara successfully resisted such pressures when he was President of the World Bank precisely because he was not accountable in the same sense. He was accountable to the Board of Directors, which could fire him. But he could insist on what he wanted as personnel in the Bank.

A member with substantial GATT and WTO experience spoke of the dangerous way in which governments sometimes dump responsibility on an international organization for an issue they need to take care of themselves:

The real threat to the WTO is overload on the dispute-settlement mechanism. What happens is that the United States launches a case, perhaps merited, on for example the issue of bananas. Very rapidly the Europeans find what they have to come back with, which is probably an even bigger Exocet missile than the one that was fired at them in the first place. These disputes are then put in a drawer and everyone hopes they will sort of rest there, and won't come back up to the surface too soon.

But of course suddenly we are faced with the reality of a large number of difficult disputes which are coming to the surface. I think that this is extremely dangerous. We will get ultimately an unpalatable decision objectively made by a quasi-judicial tribunal, which will be rejected, as has happened in other judicial fora in the international area. It will be rejected either by the United States or by the European Union, and the WTO will lose its credibility almost overnight.

Having a forum to negotiate agreements is what we had with the GATT. What differentiates the WTO is we have an adjudication system which is very very fragile. I am deeply worried that these disputes can get out of control. They should be resolved, in the transatlantic case in particular, increasingly by negotiation rather than adjudication.

Joseph Nye responded to this intervention in discussion:

If we put too much emphasis on turning things into law which really belong in negotiation, we are going to break the system. The world is not ready for a world supreme court. And the dispute settlement mechanism cannot become a world supreme court. I agree 100 percent that more of these things should be negotiated. It's too easy for a national government to dump a pressure group's demand into the dispute settlement mechanism to get the heat off at home. And then the other countries, as you say, pick one out of the drawer and lob it back. Before you know it, you have broken the system. I think that is a lot of what is

behind the current problems. This goes back to my point that more responsible behavior at the national level is the answer to this. The democratic deficit really does start at home.

### **Problem of Accountability to Only Parts of Governments (Club Model)**

In his introduction (see above) Nye pointed to the limitations of the "club model" of international organization developed in the second half of the twentieth century. These institutions created "as agents of states are...actually the agents of parts of states....In other words what you find are parts of governments working with similar parts of other governments but excluding other parts of their own governments. That has been very effective, but...(t)hese clubs of ministers with similar interests in an issue are often not as responsive to the broader democratic public as some people would want."

Many in London noted that this has become a much larger problem as globalization deepens and the activities of these organizations take on a wider significance. As a Danish member put it in discussion,

The club atmosphere of course works best when there is a very narrow mandate for the international institution that we are looking at. And one problem has been that many of the international institutions today have such a broad agenda that they go into all kinds of policy issues and not just very narrow ones.

A Canadian member extended the point in his memo for the meeting:

The International Monetary Fund and the World Bank are accountable to Finance Ministers (their shareholders in a literal sense) and the WTO is accountable to Trade Ministers. The way in which this accountability works is not apparent, much less transparent. As these institutions become more powerful (particularly the IMF and the WTO), those affected by their decisions demand a right to be heard, to know what is going on and for decision-makers to be held accountable for their actions and the consequences that flow from them. This is not unreasonable. In short, the accountability mechanisms for all three institutions are flawed and lack credibility, throwing into question the legitimacy of the institutions just at a time when they are increasingly important.

Many agreed with Nye that the solution to this problem has to start at the national level with better domestic oversight. National governments need to get their acts together, a member with IMF experience emphasized. Problems stemming from a lack of coordination in a national government should not be blamed on a multilateral organization:

There are issues in the IMF that are clearly of interest to more than the finance ministry. When there is an Indonesia issue, I know that the

Foreign Ministries of Japan and Germany and the United States are as interested in the vote and what the program is as the finance ministries. Some governments get their position coordinated. Surely it is not a problem of the IMF that the way the United States government votes— or whichever government—is not coordinated within. But it does lead to another perception, that there is a lack of accountability. I heard a White House staffer say, the Treasury votes without clearing with us. Well, that says something about the White House. It doesn't say very much about the IMF.

### **Widen the Circle, Increase Openness**

Many members suggested that perceived accountability problems could be ameliorated by, in one way or another, widening the circle of those involved or increasing transparency and openness. For instance, **an** American member answered Question 1 as follows in his memo for the London meeting:

There is validity to their claims (of an absence of accountability). For example, challenges by WTO member countries to other countries' laws are heard by tribunals sitting at the WTO's Geneva Headquarters. All panel activities and documents are confidential. Due process and citizen participation are absent and no outside appeal is available. The whole WTO process needs to be more transparent and accountable. Even supporters of these institutions are aware of these problems. For example, Larry Summers, the ex-Treasury Secretary of the United States has said: "Economists want their fellow citizens to understand what they know about the benefits of free trade. They could do well to learn what their fellow citizens know about wanting to live in a balanced economy managed by their elective representatives."

There was much discussion of increasing the involvement of national legislators, taken up below **in** connection with Question 3. There was extensive discussion of why and how NGOs should be involved, taken up below primarily in connection with Question 4. Many persons focused on increasing transparency, noted above and taken up more extensively below in connection with Question 6. Some members saw accountability skewed in one way or another by unrepresentative voting systems (note Hisashi Owada's answer above) or decision-making practices, taken up below in connection with Question 5.

### **Substance and Performance are the Issue, More than Formal Accountability**

Many London participants—like Young, Rubio and Kadar in their prepared answers—argued that the larger issues for those protesting are ones of substance and performance, not procedure. As Rubio put it in discussion,

It is not the way those institutions are run that the protesters raise their voices against (and often their fists), but their goals and nature. I believe it is there that we have a serious problem.

There are different views of what the goals of these organizations should be (often related to different views of globalization), and thus different substantive perspectives from which they are judged. Four overlapping but not identical perspectives were evident in the above prepared answers and some had echoes in the London discussions.

*1. Turn From Single-Minded Promotion of Economic Globalization* Soogil Young (see above) emphasized that the MEIs should be the means for addressing the risks and problems associated with globalization, which can be effectively addressed only at the global level:

(T)he critics of the MEIs are more opposed to the goals of the MEIs....What they are objecting to...seems to be nothing less than the neoclassical ideology of free markets and trade which underlies these goals...What has to be done is to re-examine in an open manner the legitimacy of the basic assumptions which underlie the goals...of the MEIs,...by reflecting upon the broader goal of global governance, i.e., human development, given the new realities being brought about by the globalization process. By way of doing so, the member governments will have to engage the emerging global civil society in a constructive dialogue....The "accountability gap" may be addressed in this way.

An Italian member tied the perceived accountability problems of the multilateral economic institutions to an excessively "economic" approach, neglecting the wider effects of their actions. As he put it in his memo for the London meeting, the claim of inadequate accountability has some validity

because the institutions which perform the governance of the global political economy act exclusively within an economic knowledge. In other words, they tend to act as if they operated in a mere technical-economic area. These organizations (do not feel) responsible towards the more extended constituency which is affected by their decisions.

Einhorn was struck by a point made in an earlier speech to the London meeting by Robin Cook, then British Foreign Secretary.\* Cook noted the contrast in the public reaction to the years of great economic growth from the late 1940s to the first oil shock (growth which was "overwhelmingly welcomed") and the much more uneasy public reaction to recent years of growth in an era of globalization ("an unloved, faintly menacing word").

\* See Robin Cook, "The Challenges of Globalization" in *London 2001: The Annual Meeting of the Trilateral Commission* (Trilateral Commission, 2001), pp. 3-8.

As Einhorn described Cook's point, the great growth in the earlier postwar years was partnered by a social compact between the government and the people, such that the whole citizen (not just the economic part of the citizen) felt that they were being responded to through the changes taking place in their countries—and therefore they could feel comfortable with the change. (Robin Cook) was challenging us to accept that we have so far focused too much on the economic aspects of globalization. And that rather than fight this and legalistically argue about it, we should open up to it.

## *2. Make the Positive Case for Globalization*

The perspective which Luis Rubio set out in the London discussions overlaps that set out by Young, but Rubio also emphasized the need to make the positive case for globalization, a task for which the multilateral economic organizations are crucial. As Rubio put it in discussion,

On the one hand, there are several sectors of society throughout the world that do feel at risk, and that have to be dealt with. On the other hand, the counter-story has not been told.

"Many of the protesters represent vested interests of wealthy nations that fear the impact the forces of globalization may have upon themselves," he noted in his prepared answer, and such protesters should certainly not be allowed to win the fight.

In this sense, the issue of accountability has been fundamentally misplaced. If the attacks against the international organizations come from groups in wealthy nations that assume they will lose out, who represents the rest of humanity—in all nations—that benefits from financial stability and the growth of international trade? Who represents the world's poor?

A similar perspective was offered in discussion by a Mexican member who suggested that the whole discussion of transparency and democratic control is a "step ahead" of the more basic point that needs to be argued first.

The questioning from the NGOs about international institutions, in my view, comes from a lack of leadership explaining why these institutions are needed and why globalization has very important virtues. We haven't been able to communicate properly. While I am very happy that we are getting into transparency and governance issues for the international institutions, let's make sure not to avoid the step that we have to take before this, which is to justify the existence of many of these institutions. For instance, without the WTO (the one that I know the best), it would be very very difficult for world trade to be taking place period. That is something that NGOs are not very familiar with, because they are looking

at only the day-to-day application of trade rules and investment rules are so on. I think the Trilateral Commission has some sort of obligation to provide that leadership to make sure that we put that discussion with the NGOs in the proper perspective.

### 3. *Advance Public Policy from a Global Perspective*

Hisashi Owada emphasized a vital role for multilateral economic institutions in providing a genuinely global perspective, an outlook that overlaps those of Young and Rubio. As Owada put it in his prepared answer,

Globalization has many positive aspects....At the same time, the process of globalization...will, if left unattended, likely lead to a situation where the strong will get stronger and the weak weaker, thus creating tremendous social dislocation on a global level. *The international organizations, including international financial institutions, should assume the responsibility of overseeing this situation from the viewpoint of global governance, as the only functioning regime for global governance in the decentralized international system of today, and not just as international institutions in which the member-states seek accommodation of their respective national interests.*

Many NGOs do not "trust" that the multilateral organizations are abiding by this standard. The NGOs themselves claim to "act in the public interest of the international community," but this claim "requires scrutiny."

### 4. *Fight Against a Performance Deficit, Not a Democracy Deficit*

Bela Kadar argued strongly that now, for eighty percent of mankind, "the most relevant issue is the fight against the performance deficit," not a democracy deficit. As he put it in his prepared answer above,

Since elected governments are members of these organizations, accountability and democracy cannot be considered as core problems.

Kadar developed this perspective more extensively at the outset of one of the subgroup discussions. He began by posing a "very important seventh question" in addition to the six posed by Nye:

*Is democratic control the cause or the consequence of a sound healthy socioeconomic development?* If you can give an answer, maybe the rest is not so complicated. The essence is that democracy, democratic control, civil society organizations, are differently developed at various stages of development in countries with different cultural, institutional, historic heritages....

What are the basic functions of global governance? We have to coordinate at present four important actors: national governments or integrated nation-states, markets, international organizations, and civil society. But this also reflects a kind of sequencing. If we apply a stage approach to the problem, then we have to be aware of the fact that, first,

we have to improve the functional efficiency of national civil service or the efficiency of government. Next is to improve the quality of partnership between government and the market or business governance or enterprise governance. The third stage is to improve cooperation between government and international organizations. And if everything is running smoothly, we can start to give a bigger and bigger role to cooperation with civil society organizations.

So, for better global governance just now, particularly in the case of international organizations, it is not the role of the civil society organizations or the democratic deficit that is the most relevant problem. The most relevant problem is the so-called professional or performance deficit.

He came back to this argument at the end of the discussion in his subgroup:

No doubt that the civil society organizations are very powerful, of increasing importance, particularly in the most advanced and strongest countries of the North Atlantic region. And nobody could doubt that, in the longer run, civil society organizations will gain in importance.

But if we look at the medium run, how could we improve the lot of this global world? Globalization is not a choice; it is a reality. We have to live with it, we have to improve it. Is the democratic deficit the most important, more relevant issue that we have to debate on now? For at least eighty percent of mankind, it is not yet the top priority. The performance deficit, the government deficit, is much more important just now. And NGOs, even if some of them are very beautiful and very just and very important, are not a substitute for elected democracy and institutional professionalism and performance, at the global or national level. So we have to reconsider a little bit the priorities of the Trilateral Commission....We have to reconsider conflicts between some kind of democratic control and performance and efficiency, and find a solution which is a rational solution for eighty percent of mankind, not only for the twenty percent.

## QUESTION 2

*While democratic norms have spread across the world, the sense of political identity at the global level remains weak.*

***Does it make any sense to speak of democracy at the global level in the absence of a strong sense of political community?***

***How "strong" is necessary?***

***How long will it take for a minimal sense of community to evolve at the global level in this information age?***

## PREPARED ANSWERS

*Luis Rubio*

The absence of a common enemy ("the Martians") makes it very difficult to develop a global political community. Nevertheless many worldwide communities have been springing up around specific interests or issues: the environment, human rights, peace, labor rights, trade (and anti-trade), and so on. These "issue communities" have grown largely thanks to the spread of democratic ideas and norms, but also thanks to the development of much better and inexpensive ways to access global communication and propaganda. Economic globalization and ease of communications have made this development possible, but it has been democratic standards and values that have been the key to the emergence of a sense of functional community in a large number of areas. Of course, those same democratic norms have created a big opening for anti-democratic interests as well: religious fanatics, white supremacists, neo-nazis, etcetera.

The most significant feature has been the association of individuals around values, beliefs and interests that rival their national identities. Those affinities existed before, but the new vehicles have made it possible for global communities to emerge. A sense of global community is thus emerging, a work in progress, but not as a universal phenomenon. Shared values and/or identities have sprung up around the world thanks to economic and technological change, but it has been specialized communities that have come about as a result. Over time, success stories on issues such as human rights may lead to the development or strengthening of a global community around key democratic values.

In economic terms, democracy is achieved every time a producer or a consumer has access to the market. In this sense, the democratization of the global economy follows from the integration of the world's individual economies. Throughout, consumers and producers benefit from integration (i.e. democratization), but can hardly be said to be moving towards a political community.

In the absence of an overarching external threat, the main risk to the development of a global political community stems from the attempts by individuals of rich nations, typically integrated in small groups, to extrapolate citizens' rights at the national level to the world at large. Paradoxically, this undermines the development of a global village characterized by shared democratic values. In other words, although a single global political community is unlikely to ever emerge, everything else in the world economy is fostering the spreading and adoption of democratic norms and standards. This, however, could be undermined by these attempts by rich-nation groups to impose standards through the international organizations upon the poorest nations in the world, on issues such as public goods, labor standards, and the like.

*Soogil Young*

The emergence of various international NGOs and associations as well as global press seem to signify that the global political community is in the early stage of formation. The rapid diffusion of information technology as well as the spread of liberal and democratic ideals have been contributing to this development, enabling and encouraging coalescence of individuals across national borders around issues and values. It is mostly issue-specific communities of values which have sprung up thus far. But also emerging is a global community around overarching and fundamental values like democracy, human rights and sustainable development.

This evolutionary process will continue, especially because many transnational issues are emerging with the process of globalization and nation-states are becoming more and more insufficient as avenues through which their citizens can attempt to address those issues. Needless to say, the national governments themselves should work together through international and intergovernmental cooperation to address these issues. In doing so, however, they should welcome and encourage the emergence of the global political community, and utilize this community, weak and thin as it may be as of today, as a partner for consultation, cooperation, and support. It is by opening the intergovernmental process to civil society

in this way that the "democratic deficit" in global governance by the multilateral economic institutions (MEIs) may be reduced.

In order to practice democracy in global governance in this sense, the MEIs or those governments which manage them do not have to wait for the evolution of a minimal sense of global community. Democracy may be practiced in this way as a sense of global community evolves. In fact, both global democracy and global community should evolve and grow together and with mutual synergy through the learning-by-doing process.

In order to make this process truly democratic, however, the participating international civil society organizations themselves should be required and shown to satisfy certain conditions of a true and democratic civil society organization. These include being (1) pursuant of a global public value rather than of a self-serving narrow interest of a national or regional interest group, (2) open to new members in a non-discriminatory way, (3) democratic in its corporate governance, and (4) transparent in regard to funding and decision-making. Otherwise, it is possible for the process to be captured and distorted by well-funded interest groups of rich countries. Some of the groups which participated in the so-called anti-globalization protest in Seattle may be such groups.

### *Bela Kadar*

Globalization has progressed rapidly in the economy, science, technology, regulatory systems, and patterns of consumption, but much less rapidly in terms of political identity. After the fall of the Berlin Wall it has become particularly evident that it is easier to mobilize support and create identity against something rather than for something.

Political identity has been shaped by common destiny, cultural heritage, targets and interests. Rising social and regional inequalities do not pave the way for a sense of global political identity. Rising inequalities might even undermine the foundations of democracy in a national or global society already divided into a 20 percent upper tier and an 80 percent base. Our information age speeds up socio-economic processes. It differentiates actors, countries and regions in the course of providing access to information. In the absence of countervailing forces, expectations about a global political identity are not justified.

Also one cannot ignore that the political class is interested mostly in election results and not in the international community. Moreover voters get insufficient and frequently irrelevant information from the media about global problems or other countries and regions. Present realities do not indicate strong commitments of voters for international issues. Solutions

bringing long-term benefits but implying short-term costs and sacrifices tend to be rather unpopular. Legislators cannot afford to ignore the aspirations of their constituents. There is not yet a proper consciousness of how important interdependence is.

Under the given circumstances, a strong sense of political community at the global level for international organizations is not yet in view. National governments of democratic societies are legitimate and it is their role to reconcile the needs of the international system with narrower, short-term interests of their electorates. The emergence of a global political identity assumes a significant degree of catching-up and equalization at the global level, an increase in educational levels, and a consciousness of global problems.

*Hisashi Owada*

I do not believe that democracy is easily practicable within the framework of the present-day international system. First of all, what is the guiding principle for applying democracy to international society? Is the straightforward application of a "one-state one-vote" system genuinely democratic in an environment in which sovereign states, the ultimate components of this international system and thus the equivalents of individual voters in a national democracy, are so divergent in terms of population, territory, and economic strength, as well as in terms of power? Conversely, is a voting system weighted in proportion to the size of the population of each sovereign member democratic, as Grenville Clark and Louis Sohn once argued in their joint work *World Peace through World Law*? I doubt it.

In a nutshell, there is as yet no acceptable way of practicing democracy within the present international system, no way that can satisfy our sense of fairness and equity in the context of the present reality of international relations.

*Jessica Einhorn*

Joseph Nye's question, very much in the tradition of political philosophy, asks whether there is sufficient community to remedy at the global level the "democracy deficit" that critics deplore. If you accept the legitimacy of nations as reasonable units on which to build representative and constitutionally based institutions, then the supranationals are the cornerstones of a political community that we have been striving to build and expand since the end of the Second World War. So the question

becomes: to what extent are nation-states legitimate units for a democratic political community? And the answer, of course, is decidedly mixed. We all know the spectrum from Trilateral countries which embrace democracy to the most authoritarian and repressive regimes. The consequences of having non-democratic regimes sharing in the governance and acting as the sole clients of international treaty-based institutions is (and perhaps should be) an affront to the NGOs pursuing social justice for the disenfranchised and poor.

My response to the question is the following:

- To the extent that there is political community, the supnationals are fundamental to sustaining it. This includes not only the IMF, the World Bank, and WTO, but the many *operating* organizations that allow countries to peaceably work across borders on issues where technical expertise can be shared and global standards can be elaborated and, perhaps, even enforced. From aviation to health to economic development, the political community benefits when its constituents can agree to collaborate.
- The democratic deficit stems most acutely from the unrepresentative nature of some member governments of these organizations, and from the imperfect democracy in every country. Whether it is income levels or ethnicity (or both) which translate into muted voice or unequal access in relation to government, there is a deficit of democracy in all of our countries. But I find it self-evident that we would not wish to postpone or restrict cooperation on global matters until we are closer to the ideal in all countries.

Nonetheless, I think the critics are calling attention to an important failing. The nation-state is the unit of account and literally billions of people are hardly "represented" by them. In trying to "pierce the national veil" and direct attention to the poor and the oppressed, the NGOs are contributing to a more "democratic" political community. Similarly, global environmental issues (particularly those extending across generations) are poorly suited to progress through national champions, and NGOs have played a constructive role in heightening our awareness of these issues. Self-appointed and unaccountable as they may also be, NGOs are not entitled to any formal role as representatives of citizens around the world. But, in the main, the stance NGOs have adopted and the issues they have embraced are giving voice to groups of people who in a perfect democracy would represent themselves but, at the present juncture, are underrepresented in the global political community.

## DISCUSSION

Joseph Nye addressed part of this question in his introductory remarks for the London discussions:

When we look at democracy we have to be honest and realize that democracy occurs in nation-states. Democracy occurs essentially when there is a political community. Only when there is a sense of political community will a minority acquiesce in the will of the majority.

At the global level there is not a sufficient sense of political community to create something that looks like a domestic democracy. A Canadian member, in his London meeting memo, noted that

There is only a weak sense of community at the global level. For many, those not "connected," the sense of a broader community does not exist at all. For the increasing proportion who are connected by one or more of television, the Internet, and radio there is an increasing sense of community. For example, when there is an earthquake people from around the globe who are aware do feel an obligation to help. This sense of community will develop, as indeed it must if we are ever able to deal with issues such as climate change and biodiversity. In the absence of a broader sense of community, it does not, however, make a lot of sense to speak of anything approaching global democracy.

### **National Democracies are of Central Importance**

In the discussion, Nye drove home the importance of reform at the national level.

If you are going to deal with the democratic deficit internationally, you have got to start with where democracy works, which is in the nation-state. Rather than pretending that we are going to create some sort of international parliament for the WTO or for other organizations, we have to start this at home. We have to change processes at home to bring democratic legislative processes that we all know and understand to bear on international institutions better than we have in the past. That means that we don't destroy the club model but we open up the club.

Like Nye, many others in the London discussions, in one way or another, gave central importance to the point that "democracy occurs in nation-states." From this perspective, the democracy deficit is in large measure the consequence, to quote Jessica Einhorn, of "having non-democratic regimes sharing in the governance" of these multilateral institutions, institutions which are "cornerstones of a political community that we have been striving to build and expand since the end of the Second World War."

In his prepared answer, Bela Kadar argued that "national governments of democratic societies are legitimate and it is their role to reconcile the needs of the international system with narrower, short-term interests of their electorates." "Global governance begins at home," as another Canadian member put it in her London meeting memo.

The nation state is still the basis of governance and order, and is likely to remain so. National leaders and governments should engage with representatives of their national private sectors and civil societies to improve both the benefits of international integration and to address the challenges. The responsibilities of collective leadership should be debated and channels created for communication and consensus among diverse national interests. Can democracy flourish at global levels if national electorates are skeptical of its efficacy at home?

### **But Issue Communities are Emerging**

In their prepared answers, Rubio and Young emphasized that, as Rubio put it, "many worldwide communities have been springing up around specific interests or issues." Two members illustrated this point in noting cooperation among labor unions across borders. As one American member put it in a London meeting memo:

Workers around the world are increasingly aware that their interests are intertwined. As a result unions in different countries are cooperating much more and this is creating a "political community" among workers in different countries. In fact regarding many issues around the global economy a worker in Brazil, a worker in Mexico and a worker in the U.S. may well have more in common with each other than they have with those that manage and prosper from enterprises that are nominally Brazilian, Mexican, or American.

In discussion another American member cited her experience as a union leader. Unions, she noted,

belong to international networks and international organizations which themselves are democratically governed. So you have trade union secretariats worldwide. Mine is Education International, which is a teachers international organization. We work very successfully with the World Bank. We don't agree on everything, but we do agree, as someone said yesterday, that the best way to create economic development in a developing country is to educate the children, and especially the girls. We have been working all over the world to help create universal education and also do some other things. We have a congress every four years. We elect our president and our officers and so on.

### **Does Opening Up the Global Political Process to International NGOs Reduce the Democracy Deficit?**

Many civil society organizations give expression to these worldwide "issue communities" and embody an emerging global political community, it was argued. Many give voice to the otherwise underrepresented poor and oppressed. Young made the first of these positive points in his prepared answer, arguing that national governments (working together in international organizations)

should welcome and encourage the emergence of the global political community, and utilize this community, weak and thin as it may be as of today, as a partner for consultation, cooperation and support. It is by opening the intergovernmental process to civil society in this way that the "democratic deficit" in global governance by the multilateral economic organizations (MEIs) may be reduced.

Einhorn made the second positive point in her prepared answer:

In trying to "pierce the national veil" and direct attention to the poor and the oppressed, the NGOs are contributing to a more "democratic" political community....(I)n the main, the stance NGOs have adopted and the issues they have embraced are giving voice to groups of people who in a perfect democracy would represent themselves but, at the present juncture, are underrepresented in the global political community.

But Rubio emphasized a contrasting, negative concern:

the main risk to the development of a global political community stems from the attempts by individuals of rich nations, typically integrated in small groups, to extrapolate citizens' rights at the national level to the world at large. Paradoxically, this undermines the development of a global village characterized by shared democratic values.

Young recognized such a possibility in arguing that each NGO

should be required and shown to satisfy certain conditions of a true and democratic civil society organization....Otherwise, it is possible for the process to be captured and distorted by well-funded interest groups of rich countries.

The extensive discussion of NGOs in the London meeting is set out largely in connection with Question 4 below.

### **Markets and Democracy**

In his prepared answer Rubio argued for the democratizing effect (in economic terms) of open international markets. A member with substantial OECD experience noted in discussion that, particularly at the national

level, it is not the universal perception that democracy and open international markets go together.

Democracy is seen by many people as inimical to the market development. So there is still some work to be done to show that the combination of both (which is achieved in your typical mature economy or emerging market) is something that is accessible to the specific country at hand. This is far from being done....! think the governance-globalization balance incorporates a sense of liberalization *and* democratization.

### **Inadequate Media and Education Systems for Building a Global Community**

In his prepared answer, Kadar noted that

voters get insufficient and frequently irrelevant information from the media about global problems or other countries and regions....There is not yet a proper consciousness of how important interdependence is.

Other members noted in discussion how inadequate our educational systems tend to be for building a global community.

### QUESTION 3

*Within the European Union it is often suggested that a stronger European Parliament will reduce the sense of a "democratic deficit" as the regional community evolves.*

*Does the analogy make sense on a global scale?*

*Can ways be found to apply the legitimacy of elected legislatures at the global level (for instance, committees of national legislators attending WTO or IMF meetings)?*

### PREPARED ANSWERS

*Soogil Young*

A global parliament is an unrealistic idea. And participation of elected legislatures in the intergovernmental process for global governance already takes place in capitals as legislative oversight on international negotiations is exercised in national parliaments.

In parallel with global civil society, however, it seems beneficial to create and engage an international community of national parliamentarians for consultation, cooperation, and support in the exercise of global governance. In this regard, there is indeed a European model. It is the Council of Europe Parliamentary Assembly, a consultative congregation of European parliamentarians, participating in their individual capacities to identify and discuss European issues among themselves and with international officials, with its headquarters in Strasbourg. International parliamentary unions may be engaged for this purpose by the multilateral economic organizations, individually or as a group.

*Jessica Einhorn*

The European Union is fundamentally political in its objectives, upholding and expanding democracy as a condition for membership and development of the Union. The analogy with the supranationals is inappropriate.

As noted above, the IMF, World Bank, and WTO have global memberships with vastly different levels of economic and political development—precisely what the EU prevents through its elaborate process of accession. If the supranationals were to reach out to legislators amongst their members, they surely could not pick and choose only representatives from democratically elected legislatures. Such an initiative could end up being an affront to democracy rather than a contribution to it.

In the Bank's Articles, section 5(b), the Bank is instructed to use its funds with consideration for "economy and efficiency" and "without regard to political or other non-economic influences or considerations." Over the decades, the "non-political" nature of the Bank has been both a great strength and considerable weakness. The strength came in allowing the Bank, for example, to enter Mao's China and work side by side with the government to begin the process of development and integration into the world economy. The drawback has been in appearing to be heartless and insensitive to the abuses within countries, for example, Chile under General Pinochet.

The major industrial countries, who are the major shareholders of the Bank, have found it useful to set aside politics in favor of extending the reach of market-based development and the growth of global trade. The growing international consciousness and concern for human rights and freedom have been accommodated, instead, through demonstrating links between economic development and good governance—including transparency, accountability, anti-corruption, citizen participation, etc. Thus, while remaining within their economic mission, over time, a great deal of the democratic process has been embedded in the *ideal economic model* of these organizations. On the whole, Bank staff deal with finance and other ministers and their technocrats and are largely insulated from dealing with political regimes on a political agenda. A well-intentioned initiative to broaden to legislators could result in Fund and Bank staff enhancing the legitimacy of "party hacks" or other authoritarian officials parading as legislators.

The universality of the institutions makes problematic a formal initiative by them to enhance legitimacy through links to legislatures. But the shareholders themselves, on a self-selected basis, should have no such inhibitions. In other words, democratic countries, with democratically elected legislatures, should (and maybe do?) encourage their most interested members to become more educated and gain context for their Fund and Bank oversight activities. Especially in the "donor" countries, where the IMF and the Bank are not active operationally, special efforts

are required. When Fund/Bank representatives visit these capitals, informal meetings with legislative leaders should be on the schedule. And when those same legislators visit developing countries, visits to Bank projects should be on the itinerary.

*Hisashi Owada*

Some form of participation by national legislators in the proceedings of the United Nations might be useful in giving them the sense of participation in the process of global governance. However, this participation should be only for the purpose of the debate, and should not extend into the realm of legislative power or executive decision of the organs concerned. This device could help enhance, on the part of elected representatives of States, the sense of trust whose lack lies at the root of many of the problems that we face today in relation to these international organizations.

However, going beyond that is not easy or even feasible, because the analogy with the European Union, which is a supranational entity, cannot hold until the United Nations becomes a supranational universal organization of the international community.

For the same reason, the extension of this system from the United Nations to the WTO or the IMF is not going to work, inasmuch as the WTO and the IMF are intergovernmental organizations endowed with executive power which can bind the national executive organs of the member-states.

*Beta Kadar*

EU and associated countries represent 500 million inhabitants. The integration of countries at different stages of development and with different cultural heritages makes the EU the largest "melting pot" at present. This fact, however, does not invalidate the experience of history that no single socio-economic model can be lastingly and efficiently imposed on others. The demonstration effect and copying are quite risky in political activities. Looking at this another way, we do not yet have sufficient historical experience regarding the transferability of the EU's experiences. Moreover the EU is a special case because it has supranational powers and there are large transfers of sovereignty.

The worries about a "democratic deficit" on the global level are overblown since governments are members of international organizations. However, considering the efforts of some NGOs to "delegitimize"

international organizations, it would be useful to involve nationally elected officials in their work. It would serve educational purposes and we could then expect nationally elected officials to confront NGOs and question their legitimacy, accountability and sources of financing. Informal consultations with democratically elected representatives of member countries could combine the requirements of participation, transparency, and education while ensuring effectiveness. The results of such regular informal consultations should be reported to the competent body and the member-countries before a decision is taken. As far as variants of direct popular control are concerned, these are not strongly correlated with efficiency in professional organizations.

*Luis Rubio*

The problems of legitimacy that key international organizations face have little or nothing to do with representation. Therefore, an elected legislature at the global level, even if it were possible, would not solve the problem. It would not address the core issue.

To begin with, the circumstances that led to the creation of the European Union, namely the Second World War, do not exist at the world level. Second, despite the critics, there is an obvious need for peace, economic stability and conflict resolution that the major international organizations are in business to address. The question about these institutions has less to do with the functions that they are supposed to fulfill, than with the way they work (transparency) and how they go about disposing of their resources (accountability). The last thing those institutions require is politicization. Hence, dealing with the questions of transparency and accountability becomes key to those institutions (see Question 5).

In addition, the notion of a world legislature is flawed. As the history of the United Nations shows, the problems of legitimacy do not disappear even where there is broad representation. As with the Federal Reserve or the Supreme Court in the United States, there is (and should be) room for institutions that are outside the realm of direct popular control. But the latter cannot be construed or used to avoid facing the legitimate questions of accountability and transparency that those institutions do face.

In conclusion, the problems of legitimacy have to be addressed directly. They cannot be solved through political vehicles that are inappropriate to the ends that those institutions were created for.

## DISCUSSION

There was strong support in the London discussions for greater involvement of national parliamentarians with the multilateral organizations, in one way or another, as a way to reduce the perceived democracy deficit.

### **European Union Analogies, Elected Global Parliament?**

As in the prepared answers, no one embraced the European Parliament as an appropriate analogy for an elected legislature at the global level. The dream of an elected international parliament that could reform the multilateral economic organizations was evident in one American member's memo for the London meeting:

Legitimacy will not be enhanced by elected representatives simply "attending" WTO or IMF meetings. These institutions must be subject to reform by elected accountable bodies. The dilemma of the "reformers" is compounded by the absence of a legitimate democratic framework for putting outside political pressure on global institutions.

But no one seriously envisaged a global parliament. The model of the European Parliament cannot be applied at the global level. As an Italian member's memo put it,

A global parliament is, quite obviously, nonsense. In the Western tradition, that is to say the only tradition that can work as a paradigm in relation to the development of the representative institutions, parliaments have been adopted to turn real communities and/or already existing political systems into democracies. The line of action of the European Union is based exactly on the idea that a political/civil community within Europe already exists. At a global level, to try and add an organism of legitimate executives via elections, would simply make the situation more and more chaotic, and would raise a series of even more serious issues.

A Canadian member's memo made a similar point:

It took time for the European Parliament to develop and indeed it is still developing. And that was in a situation where there was an European "space" with institutional expression. At the global level, given the fragmented and fragmentary state of governance, we should proceed cautiously. It will be a long, long time before there is anything that looks like a global parliament.

Some European members went on to minimize the importance of the European Parliament in reducing the sense of a "democratic deficit" in the European Union. The companion point, made by a number of European

members in the London discussion, is that the deeper involvement of national parliaments and legislators is much more important in this regard. One British member was particularly outspoken.

I hope nothing that has been said assumes that in Europe the democratic deficit has been solved by setting up the European Parliament. In fact, I think it is true to say that since the Parliament was set up in the 1970s, there has been an absolutely uninterrupted decline in the trust and faith in European institutions and the feeling that they are in contact with the people and with the grassroots and with the democratic structures in the member-states. The problem of European institutions is they are too remote. And therefore the solution has to be through linking them back into national legislatures, and through them into the grassroots and the taxpayers and the voters whence their authority comes. Answering the problem of accountability for supranational or other global institutions by setting up global monitoring bodies simply means that the monitoring bodies catch the same infection. This is exactly what has happened in the case of the European Parliament, which works extremely hard at monitoring but is hopelessly remote from the people of Europe and has no effect whatever in making them feel that there is any sort of accountability. It is back through national legislatures that the thread has to run. It is there that the reforms have to operate.

All our national legislatures—certainly the British one—could do a great deal more to scrutinize in advance, before things get turned into regulations and laws and so on. We could hold a constant and very public set of hearings on the policies that have to be decided at the European rather than national level, and some inevitably do. Or have to be decided at the global level, and more and more inevitably do....It is the national legislatures that can be more effective in holding to account those they send to the great international and supranational institutions, who decide things on behalf of the public.

Joseph Nye, in the part of his introductory comments about better parliamentary control, mentioned approvingly the example of Denmark's methods for keeping its national parliament involved in European Union negotiations. In the ensuing subgroup discussions, a Portuguese member with experience as a national legislator countered:

The Denmark model doesn't work. Anybody who has been in national parliaments in the European Affairs committees can see that it is too heavy and too legalistic. It would be nice to have a model. We don't. We have to experiment here too.

This member interjected an "exactly" into Nye's response:

I gather the problem with the Danish system is it sometimes ties negotiators' hands too tightly. So when they get to Brussels they can't

bargain enough. And therefore they often wind up having to take the results of a consensus because they are not in on it early enough and flexibly enough. I didn't mean to imply that the Danish system is perfect. On the other hand, if you have parliaments in countries like Britain or Denmark where there are concerns about loss of sovereignty, getting the national parliaments more involved seems to me a better way of doing this than pretending that the European Parliament is going to solve it.

A Danish member then joined this exchange:

I have not been a member of the parliament, but I fully share the view that if all countries in Europe had similar arrangements tying the hands of their negotiators, it would be very difficult to arrive at any decisions. The problems have been eased somewhat by the move to qualified majority voting in the European Union, because our parliamentary committee can no longer give such precise directives. But it is a problem. And I note also that unfortunately it has not led to greater acceptance in the popular perception of decisions in Europe.

A British member who had served in Parliament commented on these same issues:

I was on the committee of the House of Commons which was parallel to the Danish committee, from the time Britain joined the European Union (European Community as it then was) in 1973 to 1979. We looked rather carefully at both the Danish and the Irish models, the other countries which came into the European Union at that time of enlargement. We all did things rather differently. No one model fits all. In practice, you will find that the Danish model has been a constraint on Denmark rather than a gain. And as has been pointed out, it doesn't seem to have persuaded the Danish people either. There still seems to be a democratic deficit.

The point I want to make is that there is another way of doing it. I now sit on one of the subcommittees of the House of Lords Committee on the European Union, which doesn't in the same way deal with individual pieces of legislation but does rather longer-term studies on a range of matters....These studies are making sure that Members of Parliament and a wider audience are aware of the general issues affecting international organizations, and that is also a rather important way of educating legislators. I think the basic thing we are trying to do is to ensure not only that there is some *control mechanism* but also that there is an *understanding* among our legislators of the work of the various organizations concerned.

But another British member on the same committee was less impressed with its work and more impressed with the dilemmas of maintaining national democratic control in today's world:

It is profoundly true that democracy exists only in the nation-state. That fundamental truth faces us with dilemmas when increasingly we need to reach international agreements and work through international institutions. We haven't found a solution yet. You have heard how we try to deal with the problem in the House of Commons and the House of Lords. We have scrutiny committees. But frankly they don't really put a clamp around ministers who go to Brussels and basically sign up to what they think they ought to, knowing jolly well that if they come back then, parliament has to face a *fait accompli*. That is something we can't really find a solution to.

In his prepared answer, Soogil Young suggested as a model not the European Parliament but rather the Council of Europe Parliamentary Assembly, based in Strasbourg. A German member who had served in his national Finance Ministry pointed to two other European institutions with long histories. One was the Consultative Committee created with the European Coal and Steel Community (ECSC) in 1951. The other was the Social and Economic Committee set up in 1957 along with the then European Economic Community (EEC).

These are truly consultative committees, and I would suggest to the authors that they look a little more into the proceedings of these committees, which I have found always very beneficial and helpful.

### **National Parliamentarians and Global Organizations**

There were mixed opinions in the London discussions about consultative assemblies of national parliamentarians linked to multilateral economic organizations. But there was broad agreement on the need to involve national legislators more deeply.

A Canadian member was among the most supportive of consultative assemblies of national parliamentarians:

Two weeks ago I participated in the semi-annual meeting of the Parliamentary Assembly of the Organization for Security and Cooperation in Europe. This annual meeting of members of parliament from 55 countries was established by the decision of heads of government in 1990. The members are able to put questions, and there is a reporting mechanism that has been developed. The existence of this arrangement provides a number of advantages for the OSCE. It helps MPs to better understand the problems of the organization. This in turn helps make the organization better known beyond the parliaments. And finally the MPs are participating practically in certain activities such as election monitoring and in some efforts at mediation. There was considerable resistance by the public servants, from both the organization and the national embassies, to efforts by the members of parliament to stress

their role in accountability. It is clear they don't like MPs interfering with their work.

Now this is not a unique situation. We have at the one extreme the directly elected European Parliament. The Council of Europe Parliamentary Assembly has been mentioned. The other extreme is the North Atlantic Assembly, which has been trying ever since it was founded in 1959 to gain consultative status.

This morning in this room it was suggested that the WTO should talk to Deputies. I am suggesting that we go further. Is it possible that multilateral financial institutions would actually decide to establish consultative assemblies? I know that the leadership of the OECD is seriously considering doing just that.\* My view is that, if this happened, members of parliament would have the opportunity to observe, to receive reports, to put questions. There would be increased transparency, and increased knowledge. I know this is not popular with many government servants, but I would still press ahead. And I would be interested in hearing from those who know more about the working of these international economic organizations. Is this possible?

In his prepared answer, Young welcomed such consultative assemblies:

It seems beneficial to create and engage an international community of national parliamentarians for consultation, cooperation, and support in the exercise of global governance....International parliamentary unions may be engaged for this purpose by the multilateral economic organizations, individually or as a group.

A British participant recognized that

The North Atlantic Assembly, for all that we bureaucrats always complained about it, nevertheless did form a useful lobby group for NATO. And maybe one could find a way of constructing something similar for the WTO.

But another participant, deeply experienced with the WTO, was more cautious:

I can report to you that we will be having the first IPU (Inter-Parliamentary Union) meeting with the WTO in a few weeks time. That is a good thing. But beware of trying to put on to the WTO a full-range assembly that might actually do the opposite of what you intend it to do. I have found that all the good works I have started in my life have the opposite consequence.

\* Later in the discussion, a participant who had recently completed service as his country's ambassador to the OECD stated that while the OECD had indeed considered the possibility of a parliamentary consultative body, the idea was rejected.

In her prepared answer, Jessica Einhorn opposed such assemblies for the Bank and Fund:

If the supranationals were to reach out to legislators amongst their members, they surely could not pick and choose only representatives from democratically elected legislatures. Such an initiative could end up being an affront to democracy rather than a contribution to it....On the whole, Bank staff deal with finance and other ministers and their technocrats and are largely insulated from dealing with political regimes on a political agenda. A well-intentioned initiative to broaden to legislators could result in Fund and Bank staff enhancing the legitimacy of "party hacks" or other authoritarian officials parading as legislators.

But Einhorn, like so many others, actively supported deeper involvement of legislators on a national basis:

The shareholders themselves, on a self-selected basis, should have no such inhibitions. In other words, democratic countries, with democratically elected legislatures, should...encourage their most interested members to become more educated and gain context for their Fund and Bank oversight activities. Especially in the "donor" countries, where the IMF and the Bank are not active operationally, special efforts are required. When Fund/Bank representatives visit these capitals, informal meetings with legislative leaders should be on the schedule. And when those same legislators visit developing countries, visits to Bank projects should be on the itinerary.

A member deeply experienced in the IMF noted that the Fund does now

reach out to legislators, much more than we ever did. This is particularly in countries which have programs where the legislature does not understand what the negotiation is about. We typically, in countries to which we are about to lend, try to set up a meeting with the finance committee of the Senate or the House or whatever it is in that country. We frequently invite these legislators to Washington to spend a few days finding out what the Fund is about.

Members from several European and North American countries noted long-standing valuable practices of including some national legislators in delegations to the United Nations General Assembly or the Annual Meetings of the Bank and Fund, often as members of the delegation, not just advisors. "So you have got in those parliaments parliamentarians who have a real knowledge and understanding of the problems and the constraints under which international organizations work." An American member spoke of striking efforts to involve U.S. legislators with the UN Security Council:

We took an unprecedented step at the United Nations in inviting many many members of the United States Congress to attend meetings of the Security Council. Most notably, because it got tremendous media attention, Senator Helms and the Foreign Relations Committee. But in fact Senator Helms was only one of about 100 members of the United States Congress that *sat* in the Security Council over the last two years. And we were criticized for doing this, by some members of the U.S. government and by other members of the Security Council. But in the end every one of the other 14 nations supported it. And other nations have begun to bring members of their own national assemblies to New York to see the UN, particularly the Japanese Diet, which has come in large numbers and which has its own versions of Senator Helms. The UK House of Commons has sent delegations. The Russian Duma has sent delegations. It is *indispensable* for the UN and for all the other organizations being discussed here, if they receive portions of their funds from legislatures (I recognize that the American method is unique but other countries also have their budgetary problems), that the national legislators start coming to these organizations. I cannot stress too highly what a difference it makes. In the dramatic case of Senator Helms, it was an instrumental moment in breaking through the lamentable U.S. arrears problems with the UN and led directly to the unlocking of some \$936 million. It created direct communications—very dramatic communications—between a right-wing Republican Senator and representatives from countries he had long opposed. Once he talked to them and they talked to him, they understood that the differences were not as great as they thought, and they could be bridged. It did precisely what needs to be done. I think this is one of the most important things that can be done to further the goals of these international institutions (here I certainly include the World Bank but I even include the most controversial of all the organizations right now, which is the IMF). The more direct the contact, the more productive will be what we are all working towards, which is institutions which are more responsive to the needs of their constituencies, and which in turn get more funding. Funding is going to be a crunch for every one of these organizations going forward.

A British member noted that the roles of parliaments in external affairs vary from country to country. In Britain, "we don't actually use the legislature to ratify treaties—something which horrifies people from other parliaments." The United States, he continued, is a particularly problematic case.

I don't think many of us, whatever we do in our own daily work, would want to have the model of the United States Congress's role in international affairs generally developed and applied to every other country as well. Fine for the United States if it so wishes it. I think there

are other ways of doing it that may help international relations go forward rather more successfully.

A Japanese member noted that "one of the difficulties involved in this process is certainly the U.S. Congress" and the "double function the United States is playing, the Congress and the government." But the American member who had spoken about Senator Helms' visit to the Security Council argued that legislatures are becoming more assertive even in parliamentary systems.

We stimulated that. Our U.S. Congress has created similar backlashes in countries where you would think they don't exist. Japan is most notable. The Japanese reaction to our attempts to reduce our own UN budget share was absolutely extraordinary. The Diet made absolutely clear that they were not going to absorb the increase if we reduced our percentage of the UN budget. Then the Bundestag came in right behind them, and so did the parliaments of Korea, Argentina, and Brazil (which likes to point out that it has an independent legislature). So what Jesse Helms started with regard to the United Nations provoked similar situations in a half dozen legislatures.

Another American member emphasized the need to work directly with individual legislators, one-on-one, at least in the United States:

To the extent that populist pressures, anti-globalization in this context, have resonance, it is mainly through the legislatures. So it is absolutely crucial to figure out how to bring along the legislatures. There are two complementary tracks. One is to bring them into contact with the international institutions you are dealing with. When I was in the Treasury, whenever I could grab a Congressman or a Senator and get them to go to an IMF meeting or an IDA replenishment or whatever, I would do it. It often worked spectacularly. The guy would come back having seen the wonderful work of these institutions and go on to the floor of Congress and sell it. So, that is tremendous. But in truth you cannot get them to go very often.

You therefore have to work with them very directly. At least in the U.S. case, it is retail politics. You have to talk to them one-on-one. My first year at Treasury, we lost an IDA vote in Congress. Over the next nine months, we had two breakfasts a week in which we brought in 6-8 Members of the House, explained what is the IMF, what is the World Bank. They didn't know. Explained it to them. And in one year we converted 250 votes. But it was only through retail politics of bringing them in small groups and talking with them. Frankly, we probably spend our time better in responding to the backlash by doing that rather than gallivanting around to a lot of conferences or spending time with NGOs. When you deal with the Members of Congress, I find that you can convince them, they do understand. At least in the U.S. example, they

are amenable to reason and understanding. But unless you do it, and very much in a retail sense (partly for reasons of their perquisites but partly because they just can't crowd it into their schedule otherwise), you don't prevail.

This member expressed his doubts about the utility of international assemblies of national parliamentarians. National governments working with their respective legislatures is of central importance.

Getting parliamentarians together across international lines is basically harmless, but is not going to pay off. It comes back, and several people have said that, to national governments working with their legislatures to try to forge understanding. Now the United States is a special case with our separation of powers. A parliamentary system should not have this problem to the degree that we do. But I suspect there is some generality to it.

In another subgroup, a European reflected on his experience with parliaments of various EU countries.

My experience is that they are divided in a very dramatic way between extremely local interests and those who think about foreign affairs. So there is really long work to be done to empower them and to create a sense of ownership.

A participant with a leading role in the parliament of a new democracy stressed the importance of the involvement of parliament for the health of national democracy as well as for international agencies to garner needed support:

I speak as a parliamentarian....I come from a country where the fact of creating a participatory democracy is part of my constitution. It is a daily problem how we actually put that into effect....At the moment international arrangements are made by and agreements are reached by the executive. The executive then brings the treaty to parliament and says "ratify." The good parliament would not, but how many legislatures have the power, in established democracies, to say "no"? I know the U.S. Congress does. We need *in the countries themselves* to establish what are much broader consultative processes, before negotiations on international agreements. We need to involve legislatures, and if possible even civil society, in whichever way you want to define it. Because they have knowledge, they have information, and they have in many cases much greater contact with the grass roots than a lot of us who sit in parliament and in the executive....Including parliamentarians and even civil society in international delegations I think will assist. Put them in the room, to the extent that you can, and keep them off the streets. And it will also increase knowledge, because a lot of the concern is there because of a lack of knowledge. Put out information. Because a lot of the time it is

that, in our own countries, citizens, even parliamentarians, do not know what these international agencies do. We have got to break through that kind of barrier, involve them more, and make sure they are familiar. Then you disagree or not. But if you don't know, you are going to say I don't like it. That's a natural reaction.

### **National Parliaments and NGOs**

An additional point made by several participants in the London discussions is that parliaments can serve, as a Canadian member put it, as a "conduit for the NGOs" that are challenging the multilateral economic institutions. A Dutch member drew on his own experience:

I want to add one element to the correct references to the need to involve members of the various national parliaments in all these activities. We should emphasize that more. Because those NGOs who want to influence all the activities of the institutions should be asked to address not only the national governments (for the obvious reason that they are after all the shareholders of World Bank etcetera), but indeed the national parliaments. I have experienced that myself. If they are successful in convincing members of parliament that they have a point in criticizing what governments and the World Bank and IMF used to do or still do, then that Minister gets that on his plate. He gets a lot of remarks and criticism, and he can defend himself successfully or not. If those NGOs are not even successful with the national parliaments, then it is not worthwhile discussing it. So parliaments could play that role as well.

## QUESTION 4

*Accountability is not assured exclusively through the electoral process even in long-established democracies.*

*In the United States, the Supreme Court and the Federal Reserve System are only indirectly responsive to voters.*

*Professional norms and standards help keep judges and bankers accountable.*

***Is there an analogous process at the global level?***

*In addition to voting, constituencies communicate and agitate over issues through a variety of means, such as letters, polls, Internet postings, and protests.*

*Interest groups and a free press play an important role.*

***What roles can and should NGOs play at the global level?***

***What about the legitimacy and accountability of the NGOs themselves?***

## PREPARED ANSWERS

*Bela Kadar*

NGOs are voices of special interests at the national level. Recently they have been establishing strategic alliances at the global level. They draw attention to "performance deficits," dubious government or global practices, and wrong approaches. They campaign frequently for good causes, and transparency. At the same time their proposals are often contradictory, infeasible, and irrational; and their methods are sometimes aggressive and damaging. Some protest movements exploit the freedom of maneuver granted in permissive societies, and strive for high visibility combined with violence. The legitimacy of some NGOs is rather questionable. Their own lack of openness (about their political connections and about the interest groups sponsoring and financing their activities) constitutes a transparency deficit. In some cases NGO activities—knowingly or unknowingly—weaken the bargaining capacity of democratically elected governments. Since they have not created any

representative structures they cannot play a well-structured advisory role within the WTO and the IMF.

Dialogue with and transfer of information to well-structured NGOs enjoying legitimacy and accountability (such as the Business Industrial Advisory Committee and Trade Union Advisory Committee linked to the OECD) has proven to be fruitful. Extended participation of NGOs in dialogues should require a positive assessment of their legitimacy and capability for dialogues. The involvement of some NGOs could be considered as a kind of "insurance policy" against other "non-qualified" NGOs. A change in the attitudes of international organizations—including reduced luxury of conferences and life styles, and a farewell to the appearance of rich men's clubs—could decrease the vulnerability of some international organizations vis-a-vis the protests.

*Hisashi Owada*

Representatives of civil society, such as NGOs, can render a useful service if they can truly bring into the process of global governance, as practiced by these international organizations, elements of public policy of the international community, as distinct from elements of national public policy. However, whether these NGOs should be brought into this process directly through participation in the international political process (as was the case in Seattle for the WTO and in Rome for the International Criminal Court) or more indirectly through participation in the domestic political process is something which needs further reflection.

There are in the world many countries not endowed with a domestic democratic process through which the work of civil society within the country can be brought to bear upon the domestic political process, so that it can then be reflected in the international political process. With regard to such countries, direct action by NGOs on the international plane may be more comprehensible. However, even in such a case, the question arises as to whether such pressure on the part of national NGOs should be allowed to influence the decision-making process of the system of global governance, in preference to the more institutionalized framework for a member-state to channel the public policy considerations of its national community to decision-making on the international level. On what basis can such NGOs claim legitimacy in pushing forward their priorities as representing elements of the public policy of the international community, in preference to the *volonte generate* of the international community as expressed by the institutionalized system of decision-making by the member-states?

*Luis Rubio*

The question is how to turn the NGOs into willing participants in the political process to add to the accountability of governments (or international organizations), without being disruptive.

The large NGOs do not feel a need to be accountable. They are self-financing and, thus, have a life of their own. They believe that they are being accountable by pursuing their goals, as explained to their constituents, supporters and financial contributors. Hence, their very actions are their main source of credibility and, therefore, of legitimacy.

What do the NGOs gain by launching protests and being disruptive? There are two breeds among the protesters: those with an anarchist streak, and those with clear-cut political or institutional agendas. Probably nothing but age and maturity can deal with the first breed, those that dispute the very notion of a government or an international organization.

But the NGOs that organize the marches and launch the protests typically are much more clear-minded about their objectives. They aim for visibility and presence in the media, to have an impact on public opinion and, thus, to develop political power. NGOs play roles that maximize their objectives (visibility) and enhance their power.

To the extent that the international organizations create the space and conditions for the NGOs to have maximum visibility, with the media at their feet, they will pursue the thrust of their protests to the utmost. It's simply rational for them to pursue such a course, for such are the incentives that have been *de facto* provided to them (which, in turn, creates an additional perverse incentive inducing the appearance of ever-increasing numbers of NGOs lured by their success).

There are two lines of action that can be taken to shift the existing incentives. The first one has to do with de-legitimizing the methods employed by the NGOs and other protesters, but not necessarily the worthiness of their objectives. New vehicles to enhance their participation and visibility could be created, without the aggressiveness shown at places like Seattle, Washington and Prague.

In addition to internal reforms that they should carry out, the second line of action that major international organizations—particularly the IMF and the World Bank—have to act upon is their own pomp. Much of what the protesters are against has to do with the very excesses—in spending, appearance, and geographic expanse—of typical international meetings, an element that attracts both the media and the protests. Diminished meetings, less glamorous and geographically spread, would go a long way to reduce the visibility of the meetings and, thus, the attractiveness of the protests.

*Jessica Einhorn*

There is a vast and growing literature on the role of civil society, which examines through case studies and other approaches the role of NGOs both within countries and, in some cases, with transnational links. There is so much to applaud; at the same time, there are grounds for criticism and concern. Not all of civil society is benign or democratic, and we should not endow all groups with credibility and benevolence. The legitimacy and accountability of each individual group can only be demonstrated and enhanced by conventional means, including a track record of constructive behavior, accountability to members and others for actions, and transparency on both funding sources and membership.

Two useful analogies for thinking about NGOs are with the press in one way, and with interest groups, such as political action committees, in another:

- Traditionally, newspapers and other print media are considered a "fourth branch" of government in the United States for the role they play in implementing the democratic process by providing "alternative information" to that provided by the government. For all the excesses and problems, it is hard to celebrate enough the great virtuous circle that comes from the press demanding to know, exposing malfeasance, and thus strongly discouraging abuse of power in the first place. A free press may be even more important as a deterrent than as an antidote to abusive government. While privately owned and funded, diversity in editorial opinion and competitiveness amongst investigative journalists have been seen to be sufficient protection to avoid dangerous capture by one group. Maintaining competition (now extended to the broader media outlets as well), journalistic standards for transparency, and firewalls between advertising and editorial opinion and reporting are several of the norms that support legitimacy for this grand building block of democracy. There is a strong analogy here. NGOs should be praised for the role they play in providing alternative information to the larger public on behalf of the politically less influential citizenry. Like the press, over time, individual organizations will become known to the broader public for the accuracy of their information.
- Turning to the analogy with political advocacy groups, another potential virtue of NGOs is their claim that they broaden participation through giving voice to the poor or otherwise disadvantaged. A major problem is the degree to which they anoint themselves as "representatives" of others who are not participating. This is a dilemma that may be unresolvable. For example, it is said that one of the earliest successful

movements in "civil society" was the abolitionist movement, which achieved success in moving the British government to oppose the slave trade. It would have been absurd to insist that this group of non-slaves could not appropriate for itself the interests of the slaves. As with the press, we have to depend on the court of public opinion to ratify or reject the importunings of NGOs. The risk is that public opinion will be swayed in a non-democratic direction, with fascism rather than human freedom as the outcome. The defense, as ever, is better information. The development of norms for transparency would enhance legitimacy and accountability.

In the United States, there is substantial oversight and self-regulation for the non-profit sector, which has to meet varying government standards in order to benefit from tax exemption. The anomaly has been that the IRS (tax collection agency) is the major regulator of this sector. The tax code includes quite a taxonomy of groupings, ranging from charitable groups to labor unions to the National Football League. Private foundations are severely constrained in their political activities, while those funded by the broader public have more flexibility. Both legal and voluntary norms have been elaborated to guide governance. (Visit the Council on Foundations website at [www.cof.org](http://www.cof.org) for a sampling.) The question is what, if any, additional "regulation" would be appropriate for the broad group of NGOs who are recipients of private funding? This is not an area of expertise for me. I simply raise the question. I would be interested in knowing more about how the law differentiates between "soft money" funding for political advocacy and funding for groups on the streets in Seattle. We must be mindful of the relative disproportion of resources available to many NGOs in comparison with lobbying organizations financed by corporations and/or wealthy private individuals. We should not kill civil society with burdensome and expensive regulation. And we should, of course, respect the great rights of freedom of assembly and freedom of speech. But transparency is a key to accountability and the combination is the basis for legitimacy. There may be scope for strengthening the sector here. Society has norms for politics and norms for charity and the question is where the vast variety of NGOs belong on that spectrum?

To link together the two parts of my answer, I wonder whether it would help to establish an "NGO Watch" on the internet, under the governance of highly respected former journalists (or a consortium of journalism schools). The mandate would be to respond to charges of inaccuracy with strictly factual documentation. This could evolve over time into a database of NGOs which are most accurate in their information and advocacy versus those which are less accurate. In other words, consumers of NGO material

would have a watchdog. Given the feedback effects, this should enhance the reputations of the best NGOs.

*Soogil Young*

Appropriate norms and standards seem to be lacking or inoperative in regard to certain aspects of the way the multilateral economic institutions (MEIs) are managed. The Green Room process seems to make the WTO rather unaccountable in regard to its decision-making. The MEIs should also be made more accountable for their decisions on the recruitment of staff and, more importantly, the appointment of their heads of organization. The NGOs are an important instrument for forcing the enhancement of the accountability of global institutions, in general. Their contributions in the form of identification of problems, evaluation of performance, and recommendations and pressures for enhancing standards and accountability should be actively utilized by the MEIs and governments. The activities of the Korean Citizens' Coalition for Participation for the protection of small shareholders' rights offer an exemplary model to follow. But the NGOs themselves should be required to satisfy certain norms and standards of accountability and legitimacy to perform such a role.

## DISCUSSION

It is not surprising that NGOs—the part of Question 4 on which the prepared answers above overwhelmingly concentrate and also part of Question 6—loomed large in the London discussions. This report was inspired in part by the demonstrations in Seattle and elsewhere against the WTO or IMF and World Bank; and some NGOs have been the most vigorous champions of the notion of a "democracy deficit." A number of crosscurrents flow through the various comments and exchanges summarized and excerpted below.

\* \* \*

A member with experience in the leadership of the WTO was initially firm in asserting that

The responsibility of dealing with the NGOs should be left at the nation-state level. I simply do not believe that it is either coherent or workable to have an interface between the WTO (a tiny organization) and an ill-defined unclear group of NGOs who profess to have the interests of society as a whole as their mandate. Essentially they come from developed and democratic societies. Let them interface with the people who should

have the responsibility to argue the case for globalization with them, who are the national politicians. I wouldn't make any compromise at all on this.

I don't expect we will ever have a time again in the foreseeable future when major conferences relating to globalization are not plagued by NGOs of one kind or another who are disrupting them for the purposes of getting publicity. Many of the NGOs probably have laudable motives underlying their positions. But they are not representatives in my view of the democratic systems, or of the governments in the many cases where there is no democracy.

This member qualified his view somewhat after Joseph Nye probed his views as follows:

Obviously, you don't want NGOs dealing with the WTO as though they are representatives of governments. On the other hand, I thought that the Canadian government and the Australian government and the U.S. government had presented in Geneva some papers suggesting ways to allow NGOs to get more access to papers, to make processes more transparent. There has been talk about holding a certain number of seminars for NGOs. Would you go so far as to proscribe that? I could not tell how hard a line you are taking.

The first member responded:

Transparency I am all in favor of. There could be a lot more transparency. But I do not believe that NGOs should intervene in legal cases (which ultimately will cause the whole system to grind to a halt in the legal end of the dispute-settlement mechanism) or be involved in the negotiation process. Transparency about what's going on, knowing what's going on, having seminars and so on, is a very good idea. Mark you, none of the countries that we're talking about have been too generous in providing the resources to allow the WTO do any of the myriad of things that they ask it to do.

In another subgroup, another participant with experience in the leadership of the WTO was more immediately pragmatic:

As probably the only person in this room who has been on the other side of the barricades in an earlier life, never think that you are going to solve this problem no matter how much you consult or how much you insult. There is a political market out there for NGOs of one sort or another, and they will not disband. It is a business. It's not a bad life. So, you absorb. You make use of. You determine which NGOs are constructive, which can bring to you a wealth of information, which are hiring Ph.D.'s who are wonderful kids at a dollar a day and trying to do good things—as opposed to those bad guys out there who are funded for all sorts of reasons. There are a number of NGOs that get more money from sovereign governments than the WTO does.

\* \* \*

Several participants were sharply critical of some NGO activities related to globalization and multilateral economic organizations. A Danish member pointed to an absence of rational discourse. Nye responded:

Some of these protesters are not really interested in democracy at all. There is a subset of them who are essentially rioting for fun and profit. They are young people who just want to throw stones through windows. They'll do it for Mardi Gras, they'll do it for the WTO. So there is a certain element which cannot be reached, who are quite hopeless. Frankly, dealing with those people has to be done through normal police work. How do we make sure that those people cannot reach the middle, cannot essentially get public opinion to support them? We have to be much clearer that we have a good democratic argument for why these organizations work. And working with some of the NGOs is important to break the coalition. The Seattle WTO demonstration was a weird coalition of people who had antithetically opposed views. Some of them wanted more sovereignty; others wanted less sovereignty. Some wanted intervention to raise wages, others did not. One of the key things is to make sure that coalition does not hold together. And that means that we have to try to separate the reasonable NGOs from the unreasonable ones.

Another sharply critical participant argued that making use of NGOs would unhelpfully reinforce them. Nye responded:

The NGOs are here to stay. And the reason they are here to stay is because the costs of communications have now become so cheap that anybody can be an NGO. The price of international communications is pennies, across continents. Thirty or forty years ago, if you wanted to communicate across continents, you either had to be the Catholic Church or a multinational corporation. You had to have a big bureaucracy with a big budget. Now you don't need anything. With internet telephony it costs almost nothing. So, the NGOs are here to stay, which is why I come back to the point that we ought to be separating out the good ones from the bad ones, as best we can.

A related exchange took place in another subgroup, where one member was very sharply critical of the demonstrating NGOs and proposed an attacking response:

I think the problem is not so much the democracy deficit as the triumph of democracy. These people, as far as I can ascertain, are the continuators (and indeed in some cases the very same individuals) who disrupted the political lives of almost all the major democracies in the 1960s and 1970s. They were routed then. They had a certain amount of public support and caused immense controversy in the lives of almost all the countries

represented in this group. But they lost. They lost decisively. What has happened is that this same element, not by any organized conspiracy, has discovered that these international organizations are comparatively vulnerable in political and public relations terms, because they appear to be undemocratic (and there is, let's face it, a certain air of secretiveness and self-importance about their meetings). These people have attacked at a vulnerable point having completely failed to turn the course of our democratic institutions in most democratic countries. That is really what we are dealing with....I think we are conferring far too much legitimacy on people that are essentially the political version of football hooligans. I think our response should be threefold: (1) The media's role should be—in a completely neutral way, not a smear job—just to *expose* the views of these people. (2) I think we have to tell these people, in a comprehensive way, that if they have a complaint, their complaint is properly aired and pursued in the democratic processes of their countries. If they come from countries that are not democracies, they should go back to those countries and democratize them. (3) Finally, I think it is particularly disgraceful that they are attacking those leaders of international organizations who are indeed the most favorable to them. In my experience, almost all of these leaders are sincerely doing their best to address the problems that are most vocally and violently taken up by the people we are referring to. I support those who have said that we should build up the public relations counterattack capabilities of these organizations—to point out that they are doing their best, they are sincerely motivated, and their critics in this case are illegitimate.

A British member had suggested a more "accommodating" response to the "phenomenon of non-governmental organizations impeding the work of international organizations which we broadly speaking support in their job of facilitating globalization and getting the best out of it." This phenomenon

reflects a number of factors of modern society. What we need therefore to do is to accommodate it. To accommodate it does not mean to surrender to it. It means setting boundaries and limits.

To do that, we have to first of all win the intellectual argument and be rigorous about this. "Democratic deficit" is a constitutional nonsense, but the fact that it is argued is a political reality. Except in the case of dictatorships, the members of these international bodies are democratic governments; the rules are determined by these democratically elected governments; the people are appointed by democratic governments, which are accountable to their parliaments. The democratic deficit is a constitutional nonsense. The first thing that we have to do is to reassert that statement in order to deny the NGOs a spurious legitimacy.

Once that is done, however, we have to accommodate them. We have to accommodate them because democracy in today's world has changed

from the 18<sup>th</sup> century Burke-like representative democracy, where people were chosen for their wisdom and in an elegant and independent way determined matters according to their judgment. Today we live in a world of participatory democracy.

The NGOs have had the effect of depriving governments not of their legitimacy, but of their courage. They have lost their nerve in the face of the NGOs. So what we have to do is to firmly reassert the legitimate role of national governments, and their accountability to national parliaments, but find a way of making the NGOs part of the participatory democratic process. The NGOs are not there as a right. They are there because we believe that organized citizens have a right to participate and to be heard, but not to dictate. So we have to find consultative mechanisms to enable that to happen. There should be a variety of different approaches. It depends on the organization. It depends on the country.

An American member in this subgroup, like others above, recommended a response that differentiates among NGOs. Some are "great allies."

A lot of the NGOs are basically people trying to get in the door. They hate what they perceive as the closed elitist approach of things. I think that really is a driving force among these NGOs. They want to be part of the process. They don't have a legitimate legislative role; I agree with everyone who said that. But they will not go away.

The way to deal with them is to differentiate. You pick the ones which are sympathetic to you. You build a coalition. They in turn have legislators in every one of the major countries who work with them very closely. You construct a rather sophisticated coalition of like-minded people for whatever it is that you believe in. If you don't do that, you are going to get outflanked by the NGOs on the other side. And no matter how much you do this, there will always be groups that are more anarchistic, more anti-elitist, always trying to wreck the system from the outside. That is the nature of an open society.

In the end you have to work with them; and they can serve very good purposes. They have been very valuable in promoting democracy and religious freedom, things which are in the national interest of all the Trilateral countries. I think they can be mobilized in favor even of something like free trade if you break up unnatural coalitions of environmentalists, human rights people, and labor union protectionists. They should not be out in the streets demonstrating behind a single banner because they actually have quite different objectives in mind.

\* \* \*

Early in the discussion this same member attributed great importance to NGOs:

In the 38 years since I joined the government, the biggest single change in the way foreign policy takes place in the world today is the role of

NGOs. They were barely mentioned in the '60s. NGOs now cover every conceivable issue in the world. And they play a huge role in the formulation of policy in the United States and elsewhere. I am delighted that the Trilateral Commission has finally turned to them and I hope we will turn to them more in the future.

Another member in the same subgroup argued that the Internet means the NGO phenomenon will "grow explosively."

The internet for the first time will make it possible that every individual in the world can communicate with every other individual in the world at practically no cost in real time. In other words, the possibility of forming coalitions, NGOs, nationally and transnationally, will reach possibilities that never existed before. We had a foretaste when a coalition of 600 internet-organized NGOs brought down the OECD attempt to negotiate a multilateral agreement on investment (MAI). The coalition pushing the ban on land mines is another example. This kind of process will play a much greater role in the future.

Other members were more skeptical about the importance of NGOs. We are taking up this phenomenon, a German member suggested, not because of its intrinsic importance but because the demonstrators in Seattle and elsewhere captured media and public attention. The demonstrating groups are brought to life by media attention, he argued.

If there were no TV and video cameras, there would be no people on the streets! It is as cynical and brutal as that.

A British participant offered a more mixed assessment. The "growth of NGOs has been a very striking phenomenon," he argued, noting that membership in NGOs has been rising consistently, while membership in political parties has been falling. Nevertheless, the phenomenon is not a new one. Like Jessica Einhorn in her prepared answer, this person referred to the impact of the Anti-Slavery League (and the Methodist Churches) on British foreign policy in the nineteenth century.

And the problem in Seattle was not about NGOs. It wasn't about demonstrators. The problem in Seattle was inside the hall. It was a problem of governments who were unable to cooperate with each other. The real problem is that governments hate cooperation; governments are almost genetically designed not to cooperate with each other.

Another American member in this subgroup made the same point about Seattle and interpreted the failure of the MAI in a similar way.

As somebody said a minute ago, the battle at Seattle was inside the halls, it was not in the streets. Seattle would not have succeeded if there had been nary a demonstrator. We did a book on the MAI. It showed the

French had already walked out, the negotiations had broken down, well before all this attack by the NGOs. And the issues on which it broke down had almost nothing to do with the issues that were attacked by the NGOs. So it is really the substantive disagreements among the governments, not the role of the NGOs, that has been crucial on these issues.

My critical point is that in the areas that I am familiar with, the international economic issues, the NGOs I think have had very little impact. Therefore I am not sure that we have to accommodate them. It's convenient if you can do it without cost. But I don't really think it is essential in most cases.

After listening to a multitude of comments about the difficulties of dealing with NGOs, an Australian member offered a different perspective.

I am not sure that handling the NGOs is all that difficult. Our experience has in fact been quite favorable. I was the first one to put NGOs onto a delegation on the Antarctic Committee. It was a great shock to everybody when we did it, but it was in fact a very good experience. We wouldn't dream of going into a GATT round without having the NGOs involved in a consultation process. The difference comes when you see what disasters came out of the MAI, when in our case at least there was no consultation, and so it created enormous problems domestically, as it should.

There are two different perspectives one has to take on NGOs. One is that in some cases, and I am thinking of the Antarctic experience, it is a matter of making sure they got the right information and understood what was going on. There were not great conflicts of objectives. In other cases the issue is quite often conflicts of objectives. But these can be managed more easily if in fact both sides know quite frankly what the other side wants to get out of it. Often there is room for compromise....

This Australian member then added an important qualification to the "quite favorable" Australian experience, after referring to the earlier observation of a Japanese member that "NGOs themselves have been globalized":

The one area where we do not expect to succeed is when you have transnational NGOs. Greenpeace is probably the worst example. Whatever the local Greenpeace people might say, they get their instructions from a totally non-democratic international organization.

Nye took up this instance of including NGOs in a national delegation.

Some NGOs can provide information, particularly in the environmental area—you cited Antarctica. Some environmental NGOs have a great deal

of useful information and a scientific capacity. I think of the Natural Resources Defense Council in the U.S. When I was in the Carter Administration, I found that when these people came in and talked to me, I often learned things from them. That's an example of an NGO being quite useful or helpful. There are others though where, if you put them in the delegation, they're going to undercut you. You mentioned Greenpeace. If Greenpeace is taking instructions from Greenpeace International, can you make sure when you put Australia Greenpeace in the delegation, that they are working for you? So there is a dilemma about which NGOs you include.

The Australian member made a follow-up point:

I'm less worried about the wild NGOs, because I think the respectable NGOs themselves want to differentiate themselves from them. The message I get from the NGOs in Australia that either had people in Seattle or wanted to be there was: This was a disaster from the NGO's point of view. They had a serious agenda. They wanted to have it discussed, and they did not get it discussed. They don't want to be associated with people who perform in a different way than they normally expect to perform.

A British member, in support of the point in Nye's introduction about the virtues of experiments, had noted that

In UNESCO the national delegations very often contain members of some NGOs—the specialist bodies which work in these areas. So there are a whole variety of different ways... In parallel to meetings of the UN Environmental Program, meetings of NGOs have taken place in a non-confrontational way. It is by developing a good relationship of this sort that one can sometimes achieve something.

A Japanese member referred to positive NGO roles in preparing the way for international institutions to act on another environmental issue, sea water quality.

We are faced with so many problems today which are very much global in their nature, but unfortunately the international institutions have not grown to such an extent as would be capable to cope with all the issues. I would like to refer to a case where international NGOs operate in such a way that they prepare the ground for more formalized international institutions to come to rule-setting for nation-states. NGOs can start with modest objectives. First, finding out the facts. Doing research and sharing the knowledge. Then involve the governments and call on the national governments to take actions. A case in point is one area where I have been engaged. That is the protection of sea water quality, particularly in those waters which are enclosed geographically, such as Japan's Inland Sea, the Mediterranean, the Black Sea and the Baltic Sea, and the Chesapeake Bay. We have gathered scientists and administrators, at both

the national level and the local level, and have been engaged in the work of finding out the facts, comparing scientific data, and possibly coming to a range of policy suggestions for the governments. We can begin with this level of achievable activities, not going to the rule-setting. But I think it is important that we prepare the ground for international institutions to take more formalized actions. There can be differentiation on the level of activities, and they can be coordinated for a very useful purpose.

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A member highly experienced in the OECD turned the discussion in his subgroup toward NGOs operating in developing countries.

The OECD is trying, with the World Bank, to investigate the governance of NGOs in one very specific aspect, namely the aid business. We know that from a dollar given by the taxpayer in donor countries, maybe a quarter gets to the shores of the least advanced countries. We have no idea of what that number might be for an NGO. We may get our hands on the data for some French NGOs. There are conceptual difficulties. We know how to model the budgetary procedure. We don't quite know how to model the governance of an NGO, its costs and so on. This is very specific, very concrete, and creates a sense of dialogue. Problems of waste do not occur only in government, but they also do not occur only in NGOs.

An American member responded to this "very interesting" point.

If you look at the problems of Africa, and you could give a lump of money to an African government or to an NGO, I suspect more of it would get to the people through the NGO than through the African government. One of the great problems is that you give money to the government and you are giving it to Switzerland. We have to be honest about corruption. It is an endemic major part of the governmental system. You can always have corruption in an NGO also, but there may be some NGOs that will actually get more of the dollars to the people than when you go through the formal governmental mechanisms.

A Dutch member related his personal experience:

I want to endorse what you said about the effectiveness of NGOs. We rightly are speaking here about the very noisy NGOs who interfere in Seattle and otherwise with the functioning of the international institutions. But there are quite a number of quiet NGOs who are extremely effective, particularly in the area of development aid. I am involved with the Foster Parents Plan and in the Catholic world, transferring money. Why do we support that? Because we are pretty sure that a very high percentage (I have been a treasurer of one of them and I can count)... 88 percent of Foster Parents Plan money goes directly to the ultimate goal, that is children in developing countries. Governments

don't get a penny, for all the well-known reasons. And the costs are pretty low. So they are functioning quite well (of course they can do better) and we should not forget these NGOs, which are not at issue here because they are not participating in the riots in Prague or in Seattle.

\* \* \*

A member with experience in the leadership of a middle-income democratic country was more critical of many NGOs at work in developing countries, but first posed an "operational problem." Several participants had agreed there is a need, suggested in Question 4, for standards of legitimacy and accountability for the NGOs themselves, to screen out the "bad" NGOs from the "good" NGOs. But how do we actually do this?

We are very rightly told that somehow we should find a method to establish a dialogue with the good NGOs. We are told we should be open to dialogue with those NGOs that at least meet two criteria—they are transparent in their membership and in their sources of funds—which in principle look very appealing. However, when we try to apply these specific criteria, the question arises of who is going to certify that membership, who is going to certify those sources of funds? Are we going to need national bureaucracies to certify them? Are we going to need an international bureaucracy to certify that? And if that is the case, aren't we back to square one?

In her prepared answer, Einhorn proposed something like an "NGO Watch" on the Internet, "under the governance of highly respected former journalists." In discussion another American member made a related suggestion.

Suppose you asked an organization like Transparency International to certify. Suppose there was a non-governmental organization which was the recipient of the financial reports and the membership reports of NGOs. They could still lie and you're not going to set up Interpol to check them and so forth. So it may not be a complete solution to the problem, but at least it might be a step in the right direction. It would start to put the ball back in their court.

This member relayed an incident that was not encouraging. At a gathering of leaders of international NGOs someone made the point that "we should be more transparent ourselves." Someone from Transparency International responded that TI "would be willing to be the secretariat or the recipient of these reports. He was met with deafening silence."

An American member had pointed out that the UN system of certification leaves very much to be desired.

The UN has an NGO accreditation committee, and that has become very politicized. The non-aligned movement has tried to use it to keep NGOs out, because some of the NGOs want to invade the airspace of countries that are not democratic. In the most dramatic recent battle, the non-aligned movement fought to keep Hadassah out of the UN as an accredited organization because it describes itself as a Zionist organization.... There are some 5000 organizations accredited to the UN. But there could be ten times that number.

The member who had raised the "operational problem" of how we actually distinguish between good and bad NGOs came back to this problem near the end of his subgroup's discussion, and combined that with his criticism of a number of NGOs working in developing countries.

The question that I consider basic has hardly been answered, that is about what is the optimal screening device to select the good NGOs from the bad NGOs. I am afraid that we haven't been answering that because there is no simple answer, and perhaps no answer at all. We can find a number of solutions, but they are not solutions, they are arbitrary. And we will end up having one sort or another of conflict. So I think this question remains, and it is fundamental.

It is fundamental to the extent that activities of some NGOs in newly democratic countries are indeed undermining the rule of law and democracy. I am very sorry to say that this problem has been underestimated and frequently neglected in highly developed countries. When we were going to have the first Latin America-Europe summit, this issue was brought to the table with enormous resistance from European governments. We really had to play hardball diplomacy so that we could take that issue to the summit, and include a very brief four-line paragraph so that we could have some dialogue at least. But two years have passed since we had that summit and nothing has happened of any significance.

This member was skeptical about the supposed financial virtues of aid operations run by NGOs. He noted that someone said

it is better not to give the money to the governments but to give it to somebody else in those countries, particularly in Africa, where these organizations are working. But there is another side to this story. I remember a piece two or three weeks ago in the *Washington Post* about a project financed by the AID. \$25 million had been assigned to support, a few years ago, democratic transition in Poland. In a very laudatory way, it was said that more than \$20 million of that money was actually spent in Washington, DC. The money never got to Poland. That is a funny case, but I have seen more dramatic cases. When I went to a Central American country and saw late-model vans with tall blond fellows driving around in the middle of that poverty, I asked people what these guys are doing. The people say they are doing something, but we don't

really know what they are doing. But they are living here and they are living very well. A former European parliamentarian told me once that she was afraid that some of these NGOs had become self-employment agencies.

Related issues, among others, were raised in another subgroup when a member deeply experienced in the IMF spoke of the Fund's interaction with NGOs.

The IMF talks to NGOs a lot. We are much more in contact with NGOs in member countries, in borrowing countries and in the industrialized countries. What we have not done is set up a permanent consultative body. The World Bank had one for a very long time, and has just disbanded it because of the difficulty of deciding who should be members, and of the role those who had membership began to play relative to those who didn't.

There is a huge difference between the Northern and the Southern NGOs. One of the strangest things is to go to an African country and be practically begged by the NGOs that we met to stay there, to be tough, to be very tough on the government (which they don't trust at all), and to do a whole host of things that the Northern NGOs are telling us not to do, because they are unfair and so forth. The civil society in countries that are not democratic is something we *should* reach out to.

That brings me to the last point. I'd like to talk about a model that has developed in the last few years in connection with the debt reduction initiative, the so-called HIPC initiative. The way in which a country gets debt relief (these are the poorest countries of the world) requires it to prepare a paper called a "poverty reduction strategy paper," which explains that country's strategy for reducing poverty and how the money it's going to get as a result of debt reduction will be used. It is a requirement of our institutions that those papers be written in collaboration with civil society in some consultative process, including NGOs and everybody. This is a product owned by the government, written in conjunction with something like a hundred other organizations and the IMF and the World Bank. It's a crazy idea, but so far it seems to be working. It is a very big imposition on a country, to tell it that the way you will make your economic policy is by sitting down with this bunch of guys, unelected, and we won't approve unless it's done that way. How do you feel about it? My feeling is that in countries in which the government is totally undemocratic, totally dictatorial, this is probably the best safeguard you have that it's going to do something serious that has some agreement from the society and the country. But as you would hear from the Indian government or from the government of Mexico or Brazil, if we try to do that in a country which had a genuine claim to being a democracy, they would tell us "get lost." And I think they would be right. It is too much of an imposition in countries where you believe there is a democratic process. This is a different model of interaction

with civil society in member countries. It is going very far to have the international community impose methods of decision-making on countries that I think we would have hesitated to impose just a few years ago.

\* \* \*

As in most other parts of the London discussions, many participants stressed the importance of national governments—recognized as legitimate and accountable—in connection with NGOs. National governments represent their citizens in multilateral institutions, a function for which NGOs cannot be a legitimate substitute. Here are comments from three different members, the first an American.

In democratic societies, NGOs have all the customary channels of access to their national governments, and they should exert their influence through their national governments, like everyone else. They should not have a privileged position at the international negotiating table. Nor should businesses or labor unions. We have governments for that, with their domestic systems of accountability.

A British member, after noting a variety of ways that NGOs could be associated with international organizations, emphasized that

It is extremely important that national governments in all sorts of ways are the main people who promote this dialogue, and in particular the education of their NGOs. This is surely something we ought to push and to encourage. There is no simple model. This report, if it could indicate the range of things which can be done, could be very valuable for all of us.

A Canadian member's memo argued that

NGOs can, do and should play a role at the global level. They should track what is happening in the global institutions and make their views known. They are not, however, a substitute for better formal accountability back to governments (more than to a single minister) and to duly elected parliaments, in no small part because the legitimacy and accountability of NGOs themselves is open to very considerable question.

This emphasis on national governments does not exclude various useful consultative arrangements between NGOs and international institutions. And a number of participants in London saw these arrangements as important for extending the accountability and legitimacy of the international institutions. In his prepared answer, Young saw NGOs as "an important instrument for forcing the enhancement of the accountability of global institutions, in general." A Canadian member wrote the following in a London memo:

The legitimacy of NGOs varies. But there is no question of the need to find ways to involve them in global institutions in order to extend the legitimacy of these institutions. The United Nations, building on the Millennium NGO Forum to which individuals representing international civil society groups were invited, plans to establish a permanent assembly of civil society organizations to meet at 2-3 year intervals. This is one sensible response.

An Italian member used a quote from then Italian Prime Minister Amato.

Speaking of the "challenges" that the modern democracies are called upon to face and specifically referring to the "people of Seattle," (Giuliano Amato) pointed out that "the electoral process cannot be the only pillar of the modern democratic system," specifying that the "anti-globalization movements don't require catastrophic interpretations, but must be read as the challenge of a difficult and unexplored enlargement of the frontiers of the democracies." Taking account of such an evolution, NGOs themselves are acquiring a growing legitimacy.

In a memo for the London meeting, another Italian member argued that the value of many NGOs would be diminished by institutional links to intergovernmental organizations.

The opinions of the many NGOs and pressure groups which exist within the global civil society work thanks to their informal and independent status. Connecting them at the level of institutions wouldn't help anybody, certainly not the institutions of global governance. Let's consider a single case: Amnesty International won its large audience and its authority with the governments and public opinion precisely because it never got involved with links that could be defined as too institutional with what it was supposed to check. And this is the reason why its opinion is so "heavy." On an international level, the role of the NGOs is to help in solving problems, maintaining open debate, offering expertise and, in the most successful cases, contributing to forming the international agenda. To make them do anything different would distort their nature.

The first part of Question 4, which drew only modest attention in the London discussions, has to do with accountability by other means than elections. Professional norms and standards are such means, and a few persons offered related suggestions. A Canadian member with substantial international financial experience suggested that "the application of professional standards and norms is still national in scope," but

Lessons might be drawn from the "cottage industry" at the Financial Stability Forum that formulates international codes and guidelines of best practice for accounting and the financial sectors like banking, securities and insurance. International standards in key professions might

be formulated and monitored internationally, using peer pressure and membership sanctions to enforce them.

A Japanese member was deeply concerned about poor policy analysis in the IMF related to the East Asian financial crisis. His recommendation of an outside team to evaluate the IMF's performance relates to this means of enhancing accountability.

The policy analysis recommended before the financial crisis and afterwards was not necessarily appropriate. Probably the analysis was not reported well enough—transparency may be the problem—but that is not all. The quality of the staff and the discussions with other organizations and other national governments should be much more intensive and deepened. Particularly after the crisis the IMF recommendations were quite inappropriate in some cases, not always. These inappropriate policy recommendations should be examined not by the IMF staff themselves but by others. A team should be organized to reexamine how the IMF has performed and how their policy recommendations could be improved.

A few members in London made interesting comments about markets in connection with accountability (note also the comments about markets and democracy in the discussion summary under Question 2). As Nye put in his introductory comments,

Markets can help with accountability when organizations have to be alert to markets....Markets are not democratic, but their insistence on transparency and legal certainty can influence and help strengthen democracy.

## QUESTION 5

*Representativeness is a critical dimension of legitimacy.*

*Some argue, for instance, that the legitimacy of the IMF suffers from the "unrepresentative" character of its governance.*

*The Fund is "largely governed by the G7, mainly the United States," but "nearly two dozen" IMF members are "systemically significant" to the world economy.\**

*Some participants in the Trilateral Commission's Study Group on East Asia and the International System were critical of the relatively limited clout of East Asian countries in multilateral institutions created and run by Americans and Europeans.*

*How should we think about the representativeness of the governance of the Fund, Bank and WTO?*

*What changes should be made?*

## PREPARED ANSWERS

*Hisashi Owada*

It seems to me that this question of representativeness is becoming more of a problem with the IMF than with any other international organization, whether a Bretton Woods institution or not.

First, the weighted voting system as practiced in the IMF—however justified it may be on the analogy of a joint stock company where the allocation of voting power in proportion to shares held is the rule of the game—could create a major problem in the context of global governance. It is because the IMF is not just a private joint stock commercial enterprise whose goal is to maximize the profit of the shareholders. It is an instrument of public policy in the system of global governance, operating for the promotion and maximization of international public goods.

Second, there is sometimes an attempt not to allow the true size of the national GDP of a member in relation to the global GDP to be accurately

\* Wendy Dobson, "East Asia and the Financial System" in *Tokyo 2000: The Annual Meeting of the Trilateral Commission* (Trilateral Commission, 2000), p. 12.

reflected in the allocation of the voting power in the decision-making process of the Fund (or the Bank). This is because an artificial device is sometimes employed to distort the allocation of voting power to the country involved. It is thus sometimes contended that such an artificial device is resulting in the voice of East Asia being reflected in a smaller proportion of the decision-making process of the institution than should be the case on the basis of its economic strength as measured by GDP.

*Soogil Young*

This issue involves the issues of transparency of decision-making as well as the rules governing it. In the multilateral economic institutions, as in the army, the old members try to protect and preserve as much of their political influence and other acquired "advantages" as possible in the face of the arrival of new members. And it is difficult to make the necessary changes exactly because of opposition and even blocking by the old members. The global civil society has an important and constructive role to play here—to help the new members overcome this inertia.

*Luis Rubio*

The problem faced by the IMF, World Bank and WTO is not unlike the one that was addressed at the end of the Second World War with the creation of the United Nations: how to create a broadly representative organization with a viable structure of governance. In a way, the question about the governance of the international organizations could be posed precisely in those terms: with the information available today, how should the Security Council have been constituted and organized?

In contrast to the objections and questions raised by the protesters and NGOs in various fora, the issues being raised by key members of these international organizations are legitimate and urgent. The threat posed by various Asian nations to create their own financial institution should be seriously heeded.

One solution might well be to create a bicameral body, one to represent governments, like a Senate, and the other to represent shareholders. In addition, the body representing shareholders could be developed along the lines of the UN Security Council, where major shareholders would have permanent seats, while key nations (the two dozen that are "systemically significant" to the world economy) would have a rightful, albeit limited, presence.

*Bela Kadar*

The decisive majority of member-states in international organizations are small countries. The dominance of the G-7 or the majority shareholders often inspires critical remarks about ignored interests of countries with weak bargaining power. Some "significant countries" contribute much less financially than some smaller countries and are actual or potential clients of the IMF or World Bank. Therefore, they are not best placed to define conditionality. Civil society organizations are more developed in big, advanced market economies and they also can contribute to the marginalization of small countries. Representativeness could be served by ensuring regional balance, while recognizing the shareholder-client distinction or by special arrangements considering the interests of minority shareholders. What the world needs is not an international government consisting of a limited number of significant countries but efficient global governance.

*Jessica Einhorn*

A place to begin to think about the representativeness of the multilateral is the present approach and its original rationale. Basically, both the IMF and the World Bank have weighted representation for their 182 members, having evolved from a basic approach in the IMF that assigned "quotas" to members based on their relative economic positions. Major factors in the determination were GDP, the scale of current account transactions (their role in the trading system), and the level of official reserves. In both organizations, even the smallest members are assigned a minimum number of basic votes. In the IMF, a country's vote is determined by the size of its "quota" and in the World Bank by the percentage of "subscribed shares." At the outset, these weights were crucial to the financial and operating viability of the organizations. For many decades in the IMF, the quota of a member was related to both the size of its obligation to provide funds and the size of its eligibility to receive funds in the case of an exchange crisis. Starting at about the time of the oil shock of the '70s, and going forward to IMF involvement with the poorest countries and the major financial shocks, a variety of "facilities" have been established which effectively delink access to funds from the country's quota share. In the Bank, from the outset, the shareholdings determined only the financial obligations for paid-in and callable capital. Access to loans was, by definition, for the less developed shareholders. These subjects are arcane and vast technical notes are available on the intricacies of both IMF quota increase discussions and

the selective and general capital increases of the Bank. But the fundamentals are that financial responsibility for providing or backstopping funding for the institutions is linked to the ownership share which, in turn, determines weighted voting. To give a sense of scale:

- At June 30, 2000 the authorized capital of the Bank was \$190 billion, of which \$188.6 billion was subscribed. Of that amount, \$11.4 billion was paid-in and \$177 billion was callable. Of the callable capital (that stands behind the Bank's financing in private markets) 58 percent, or \$103 billion, was callable from the member-countries that are also members of the Development Assistance Committee of the OECD, basically the developed or donor countries. Their calls were also equivalent to 90 percent of outstanding borrowings.
- In September 1997, the IMF reached agreement on a quota increase, under its Eleventh General Review. The 45 percent increase took the Fund to SDR 210 billion (about \$283 billion).

The delicate and arcane politics of these negotiations is well illustrated by the following quote from the Fund's web site in early 2001. With reference to the latest increase, the IMF notes: *"The agreed distribution of the overall quota increase was predominantly equiproportional, while contributing to a correction of the most important anomalies in the quota distribution. Accordingly, 75 percent of the overall increase was distributed to all members in proportion to existing quotas; 15 percent in proportion to members' shares in calculated quotas (i.e., shares that result from applying the quota formulas that measure a country's relative position in the world economy); and the remaining 10 percent to members whose shares in calculated quotas exceed their shares in actual quotas."*

Get the picture?

Joseph Nye's questions about the representativeness of governance in the Bank and Fund are questions with which the international community struggles. Thus far, there has been no suggestion that these institutions move to either the extreme of one country/one vote, or the extreme of voting on the basis of population irrespective of economic strength. The voting is so wrapped up with the financing that this would be practically impossible in any event. But, even in theory, the UN General Assembly approach of making all sovereigns equal achieves nothing but the celebration of statehood, or its fractionation. Any argument in favor of population *per se* as the democratic basis for governance is mooted by the undemocratic institutions of some of the most populous nations.

The Bank and the Fund are reasonable in their starting points. The question is how to proceed from here, and what are the obstacles? The obstacles are the countries themselves, all of whom engage in these negotiations as zero-sum games, with no sacrifices to be made for "public goods" to be gained. Small countries want to make sure that they maintain their share; emerging economies want their rightful place; traditional dominant economies do not want to slip back. The irony is that nothing is at stake so the parties can afford to be intractable. The reality is that most issues within the organizations are decided by consensus and the most important issues are left to qualified majorities where the United States has a veto, as do the Europeans if they chose to hang together, as would the developing countries as a group. So it's a matter of prestige, and hundreds of man-hours are required to sort it out when the occasions arise.

A vivid illustration of how these constraints apply is the most recent World Bank (IBRD) selective capital increase, begun years ago. The initial objective was to address the most egregious underrepresentation of about 25 countries, each of which merited at least 15-20 percent more representation by the conventional measures. Since no country can be forced to surrender shares, remedy would have to come in the form of a "selective" increase. The negotiations were protracted and difficult in any event, because of the sensitivity of many countries to their *relative* standing. In the end, the increase was linked to members' willingness to increase their support for IDA, and five countries (Korea, Turkey, Denmark, Brazil and Spain) agreed to take up additional shares. You get a flavor for the politics through specific cases. Italy, for example, was egregiously underrepresented but the politics were insurmountable because Italy shares a precise voting level with a number of other countries, each of which is exceeded by China by 1 vote. Take the apple out of the heap and watch the pile spill to the floor! One last point: the developed countries as a group are underrepresented, by conventional measures. So the direction of change is inclusive but glacial, particularly for the middle.

I can't help thinking that the "world" knows it is stuck with an anachronistic G-7 (or 8), that is increasingly outmoded. At the same time, the major countries of Europe do not want to be submerged in some community form of representation. The efforts made in the wake of the Asian crisis to broaden the group of countries involved in discussing the financial architecture were steps in the right direction—but it certainly incited concern on the part of the bypassed institutions and the excluded countries.

*Ideally*, the Fund and the Bank would realign their voting structure to take account of decades of development. But, in the end, if it doesn't happen, the institutions—not the countries—will be the losers. Countries with open trading systems, growing economies, and participatory political systems have influence beyond their votes, in the corridors where decisions are really made. The ideal weighted system would qualitatively measure countries against the norms that the institutions embrace and then give weight to sheer size and trading volumes to end up with a governance model that respected both size and best practice! In the meantime, leading shareholders should band together in an effort to be less parochial and lend support to efforts to increase the participation of countries when they are clearly overdue for such accommodation.

## DISCUSSION

Problems of representativeness in the governance of the Fund, Bank and WTO are well-illustrated in the prepared answers above and drew relatively modest additional attention in the London subgroup discussions. An Italian member judged representativeness a "secondary problem," but a Japanese member saw it as one of two main reasons for the perceived inadequate accountability of these institutions. He sorted through a few options, and rather liked the original IMF quota scheme:

The larger contributors naturally want stronger voting rights or influence on the voting. However, the recipients of benefits from organizations would also like to have big voices. So, the IMF quota scheme might be a compromise. The countries with larger economic strength, whether they are a surplus or deficit country or a developed or developing country, have the big quotas. They have bigger voices; at the same time they have bigger quotas by which they can borrow.

A member deeply experienced in the IMF noted the arguments of some that democratic accountability requires "one country, one vote." The weighted voting system of the IMF is inherently wrong, they argue, particularly the weight of the vote of the United States.

I think these institutions operate only because there is weighted voting. There is large money around. The creditors fundamentally have the largest say in how the money is used, and I don't know how you could run a financial institution any other way.

We are frequently told it is unfair that the United States has a veto. There are important issues which require an 85 percent majority, and the United States has 17 percent of the vote. The converse of this is that Europe has a veto, since Europe has about 28 percent in total. And the developing

countries have a veto, because they hold about 27 percent of the vote. Nothing in fact on major issues gets done without unanimity. I regard this 85 percent majority as a way of making sure that the institution is not driven too much by any one group.

A Canadian member noted that "changing the weights of the voting in the Bretton Woods institutions is a very sensitive business. The risk is that the donors will pack up and leave." He suggested that the reformers focus on other kinds of measures, at least in the short run. Another Canadian member was less patient:

The power structures have not evolved to include successful and well-managed emerging economies with large financial reserves in the IMF; or, at the WTO, greater involvement in decision-making by developing countries whose development and growth relies so heavily on trade. We know what immediate reforms are required: reform of the IMF quota structure and revamping the steering mechanisms of the WTO. The problem is that some smaller countries which shared the leadership of the cold war structures have to be willing to give way to new arrivals.

Both of these members suggested making much more use of the G-20. One proposed that the G-7/G-8 "reinvent itself as the Summit of Twenty."\* A member deeply experienced in the WTO recognized the objections to the WTO "green room" process and saw the G-20 as a potentially useful framework for reform:

The WTO needs in its agenda-setting a substitute for what was called the green room. The green room was a rather informal structure which allowed developing countries, the major ones (for example India and Brazil), to participate (not only OECD countries) in setting agendas and so on. The whole thing wasn't left to the Quad, which is very important but is essentially the Trilateral partners. We can't go on with the Quad being the forum which decides what we are going to discuss and how we are going to discuss it. Others, the major trading countries, are entitled to be involved in this. Perhaps some representational structure like the G-20 could form a structure for that.

But another participant also deeply experienced in the WTO was greatly frustrated by the exaggerated "myths" about the "green room."

\* The other twelve in the G-20 (beyond those already in the G-8) are Argentina, Brazil, Mexico, South Africa, Saudi Arabia, Turkey, European Union, India, Australia, Indonesia, China, and South Korea. "The group was created in the wake of the 1997-98 financial and economic crises when collective action was required by governments of countries of systemic significance to draw common lessons and carry out cooperative remedial action."

Myths are always impossible to dispel; that is why they live longer than reality. All sorts of things have been said about the so-called green room. It is one of the great myths of all time. I have read that there were no Africans in the room (there were six). I have read there were no developing countries (there was a majority). I have learned that when people can't handle the substance, they handle the process.

The Bank, Fund and WTO are intergovernmental organizations. Should representation be broken open to include some NGOs? Voting power for non-governmental entities in the Bretton Woods organizations or WTO received no support in the London discussions. "The argument that NGO representation would solve the democratic deficit is nonsense, because nobody has elected them." On the other hand, taking in the full array of international organizations, there was also a strong emphasis in London on the need for experimentation going forward. In his introduction, Nye mentioned the tripartite structure of the International Labor Organization. One American member in London argued that "the international labor movement should be represented at all international institutions."

Some other members in London touted the virtues of getting away from intergovernmental organizations as the way to manage some key international issues. A British member, initially quoting Luis Rubio (see Question 6), argued that

common agreed standards tend to be more useful than elaborate global institutions in dealing with world affairs. The tendency is to rush ahead and create new global institutions to deal with problems, and then new monitoring institutions to deal with those. Actually, informal transnational organizations, deciding common standards for banking, the judiciary, regulation, even military cooperation, without all the elaborate treaties and secretariats, is a very much better way forward.

But these other kinds of organizations can also present very complicated questions of representation. What gives them legitimacy? A European member spoke of his experience with Internet governance issues in ICANN, an organization mentioned in Joseph Nye's introduction (and in Question 6). ICANN

is effectively deciding the governance of the most important infrastructure in the world...Do we go for democracy when it comes to running the Internet? Not really. Do we go for an intergovernmental organization on the model of the ITU to run the Internet? Not really. Because I don't think that would be acceptable to what is generally referred to as the Internet community. So what do we do?...

## Question 5

Increasingly we will have these sorts of bodies, setting the standards and the regulations for infrastructure things that are of increasing relevance and importance for the functioning of the global economy and the global society. Some of the problems that we are going to encounter here are more complex than the problems that we have with the IMF or the World Bank, where at the end of the day it goes back to the national governments. Here it is systems that do not go back to national governments, and will not go back to national governments in the future.

## QUESTION 6

*Defenders of international institutions could experiment to improve accountability. Transparency is important.*

*Global economic organizations could provide more access to their decision-making process, even if this requires delayed release of records in the manner of the U.S. Supreme Court and Federal Reserve.*

*International non-governmental organizations could be welcomed as observers (as the World Bank has done) or allowed to file amicus curiae briefs in WTO dispute settlement cases.*

*In some cases, such as the Internet Corporation on Assigned Names and Numbers (ICANN),*

*experiments with direct voting may prove fruitful, although the danger of capture by interest groups remains a problem.*

*Hybrid networks that combine governmental, intergovernmental, and non-governmental representatives, such as the World Commission on Dams, are another avenue to explore.*

*What experiments in processes and procedures would you recommend?*

## PREPARED ANSWERS

*Jessica Einhorn*

The last question is problematic for me. I begin by saying that these organizations are fully accountable to their shareholders, the governments of the world. So improving accountability *per se* is less of an issue for the World Bank than, say, independent central banks. The U.S. Federal Reserve, for example, is granted independence from the political authorities and strives to keep it through innovations in transparency. Other central banks actually hold themselves accountable for achieving measurable ranges of inflation. The international organizations have no such independence and so the real question being debated is how do we weaken the hold of

governments in favor of allowing civil society more direct participation in the governance of these institutions.

Seen in this light, I am quite conservative about direct relationships between the multilateral and civil society, particularly in the North. (I am all for local NGO participation in individual project preparation, and full transparency on implementation, evaluation, etc.) I prefer the avenue of *maximum transparency* by the multilateral, providing all citizens with the information to influence their governments, dovetailing back to shareholders being accountable for the management of these organizations. The international organizations will not survive unmediated interaction with unregulated NGOs, I fear. Governments need to defend as well as criticize these organizations. On specific subject areas where NGOs have expertise, such as across the environmental spectrum, of course consultation and cooperation can make great sense. However, even then, it is the shareholders, not the organizations, who should determine the credentials for such participation. Similarly, governments should sponsor the *amicus curiae* briefs on the part of their NGO community.

In sum, I believe that the NGO movement, on the whole, has been an important force for good in the world in the last few decades. I want that good to be nurtured and to flower in ways that support democracy and human rights. I also believe that international organizations are cornerstones for the global community, with no greater strength than the sum of the backing of their shareholders. But I do not have faith that self-appointed interest groups will always represent benevolent objectives. And I worry that the more power we grant to NGOs as an alternative to government representation, the more attractive that mode of access will become to groups of all persuasions. Governments, especially democratic governments, are the appropriate arbiters between NGOs and multilateral organizations. Shareholders should insist on the level of transparency that optimizes citizen knowledge with organizational effectiveness and then step up to the plate and admit that they, not nameless civil servants, are in charge.

*Bela Kadar*

Transparency, accountability, and precautionary lending are being improved by the international financial organizations, but there is still a substantial lag behind the basic requirements. Better insights into their decision-making processes, invitations to interested organizations with proper legitimacy, better PR, and periodic evaluations of their activities by teams of independent "wise men" or parliamentarians may

simultaneously serve educational purposes, transparency requirements, and the fight against the inbred cultures of international organizations.

International organizations are, however, basically for cooperation among sovereign governments. To extend the right to file *amicus curiae* briefs to NGOs in WTO dispute settlement cases—an example mentioned in the question—could decrease the role of governments and undermine professional efficiency. The release of records and minutes in principle is a good idea, but it could aggravate legitimacy problems since the decisions are frequently not taken on purely economic grounds. More generally, various experiments can be interesting but could further undermine the legitimacy of international organizations.

### ***Luis Rubio***

The core issue to address is transparency, feedback and mechanisms to assure that that feedback has an impact on decision-making processes. The implications of a successful process along these lines could be major, for they could serve to diffuse both the questions being raised by protesters and NGOs, and the ills that at present plague many of the international organizations.

If one accepts the hypothesis that critics of these institutions and protestors have found a niche to exploit because of the incentives that those institutions have in fact, albeit unwillingly, created, then the answer should be to change those incentives. Some of that has to do with appearance and external behavior (as with lavish parties or the capacity to respond to various constituencies at any given point), but a lot has to do with the organizations' internal structure, objectives and procedures. Critics can only be neutralized if accountability is enhanced.

Aiming high, one could go back to the lessons of multilateralism that had been known since the beginning of the twentieth century: "Commonly agreed-upon standards tend to be more useful than institutions; all the great powers must be part of global endeavors; and specific small goals are much better than vague lofty ones."\* There's no question that a thorough overhaul of those institutions would greatly enhance their effectiveness, reduce their cost, and help develop a more solid foundation of legitimacy.

\* John Micklethwait and Adrian Wooldridge, *Future Perfect: The Essentials of Globalization* (New York: Crown Publishers, 2000), p. 166.

Specifically, there are a series of steps that these institutions could follow to become transparent, accountable, and legitimate. Among them, six stand out:

- a. Define their objectives, functions and procedures clearly. The deeper, narrower and more focused, the better. They all have to be made public.
- b. Strengthen internal audit systems with the use of outside experts.
- c. Publicize in a timely fashion the agenda of major decisions to be taken, thus creating conditions for outside input to take place.
- d. Release both minutes of meetings and records, as public institutions do (e.g., in the United States, the courts, the Securities and Exchange Commission, the Federal Trade Commission, etc.), allowing outsiders to understand the rationale of decisions and act upon them.
- e. Not only allow, but also encourage the filing of *amicus curiae* briefs, thus discouraging outside protests.
- f. Facilitate self-selection among critics and NGOs: encourage those that respond to the new incentives (transparency, access, accountability, and feedback).

### Soogil Young

- a. More consultative interactions with the international NGOs for discussion and consultation, especially with those which satisfy certain conditions of global civil society organizations. The OECD has been pioneering this effort, by opening its Committee sessions to appropriate NGOs since its early years, and more recently, holding an annual "OECD Forum" with invitees from civil society at the time of the Ministerial Meeting.
- b. Each multilateral economic institution may seek to be invited to international parliamentary unions to report and discuss its work.
- c. There can be regional groups of countries, such as in East Asia, at the governmental and civil society levels, to evaluate the performance and management of the MEIs and to press for greater accountability of those institutions.
- d. The press should be encouraged to watch and evaluate the performances of the MEIs and the various civil society organizations.

## DISCUSSION

Many participants in the London discussions supported Joseph Nye's recommendation in his introductory presentation that "we need to experiment more," the spirit that animates Question 6. A Canadian member provided vigorous support and pointed to work centered at his university.

Experimentation in governance makes a great deal of sense. A project we are now engaged in will call for the establishment of small new facilities associated with existing institutions which will have new, one could say experimental, forms of governance. This would include more than one institution (e.g. UNDP and World Bank), as well as representatives from civil society and the private sector. Experiments could and should be undertaken to improve transparency, participation and accountability. In other words, there are alternatives to frontal assaults and wholesale reform.

He added in discussion that "experimentation often works best in small unthreatening organizations." This member also pointed to another related project at his university center.

We are putting together a compilation of proposals for improving transparency, participation and accountability in the three major global economic institutions. It will look at best practices, and there will be an analysis that goes along with that inventory.\*

A number of specific ideas or examples are scattered through the summaries of discussion linked to earlier questions. The point was regularly made that the most useful reforms are likely to vary from organization to organization and from country to country.

### **Involve National Parliamentarians**

Involving national parliamentarians more deeply in multilateral organizations was the common thrust of most of the ideas and examples noted in the discussion summary under Question 3. Some involved individual governments drawing national legislators into government delegations. Others involved international consultative frameworks of national legislators. One such idea, omitted in the Question 3 discussion

\* This volume, entitled *Rethinking Governance Handbook: An Inventory of Ideas to Enhance Participation, Transparency and Accountability*, can be downloaded from the Website <[www.globalcentres.org](http://www.globalcentres.org)> of the Centre for Global Studies of the University of Victoria in British Columbia. Information about the proposed experimental facilities can also be found on this site.

summary, involved links between the Inter-Parliamentary Union and the United Nations. As a London participant who is herself a parliamentarian put it,

We are trying to see ways of involving the IPU with the UN system. A decision has been taken on that, but nobody quite knows how we are going to do it. The UN General Assembly adopted such an idea, but without having worked through the mechanism.

### **Non-Governmental Entities**

As the discussion summary under Question 4 indicates, there was less agreement about NGO roles in enhancing legitimacy and accountability. Differences were evident on the specific idea in Question 6 of allowing NGOs to file *amicus curiae* briefs in WTO dispute settlement cases. In the prepared answers above, Luis Rubio argued that the WTO should "not only allow, but also encourage the filing of *amicus curiae* briefs, thus discouraging outside protests." But Jessica Einhorn argued that national governments, the shareholders of the key multilateral economic organizations, "should sponsor the *amicus curiae* briefs on the part of their NGO community." Bela Kadar emphasized that "to extend the right to file *amicus curiae* briefs to NGOs in WTO dispute settlement cases could decrease the role of governments and undermine professional efficiency." "I do not believe that NGOs should intervene in legal cases," stated a member deeply experienced with the WTO, who argued that the legal end of the dispute settlement mechanism would "grind to a halt" under such circumstances. This specific difference related to broader differences of view about NGO roles and the scope for experimentation.

Among the more radical experiments are those which include persons from outside governments in the governing structure of an organization. One of the most radical is ICANN (Internet Corporation for Assigned Names and Numbers), mentioned in Question 6 and Nye's introductory presentation. A European member involved in ICANN spoke up in the London discussions, comments quoted briefly above under Question 5 and extensively here.

What we have been discussing is really the problem of inter-governmental international organizations, the IMF or the World Bank or the WTO. At the end of the day that goes back to the national governments that are supposed to run these international bodies.

But increasingly we have other things that are of interest. Joe Nye mentioned the Internet governance issues. The organization there is called ICANN, a private corporation under California law set up by the U.S. government when the U.S. government handed over the Internet to it. ICANN is effectively deciding the governance of the most important

infrastructure in the world.\* My involvement is that I have been asked to chair a group to study the governance structure of the Internet to set up something that works, that is also transparent, and that has an element of accountability. There has to be an element of predictability. This is not entirely easy. I would say the problems of the IMF are minor compared to how on earth are we going to do this.

The Internet today is 400 million users. It will reach a billion within three or four years. It started as a U.S. thing. Since autumn 2000, we have more Internet users outside the U.S. than in the U.S. Within two years there will be more Internet users in the EU than in the U.S. By 2006 or 2007 China will be the largest nation on the Internet. Do we go for democracy when it comes to running the Internet? Not really. Do we go for an inter-governmental organization on the model of the ITU to run the Internet? Not really. Because I don't think that would be acceptable to what is generally referred to as the Internet community.

So we set up ICANN, which is run by different communities. As Joe Nye mentioned, we set up a democratic election for a third of the board of ICANN. We had tens of thousands of people voting. From that point of view a smashing success. From the technical point of view, a smashing failure, because the system couldn't really take it. There is also the risk of capture by different groups that organized. It was fairly well-organized in Germany. I am happy to say it was not all that well-organized in China, because if a suburb of Shanghai had got itself together they would have captured a third of the board of ICANN fairly easily. And even if we had tens of thousands of people voting in that particular election, we have, as I said, 400 million Internet users today. And we know that we are going to have a billion within two or three years. So even if we do something on account of the 400 million, we have a billion out there that are supposed to be represented. I'm just indicating this to you without indicating any of the answers. I am supposed to be involved in producing those answers within nine months.

Increasingly we will have these sorts of bodies, setting the standards and the regulations for infrastructure things that are of increasing relevance and importance for the functioning of the global economy and the global society. Some of the problems that we are going to encounter here are more complex than the problems we have with the IMF or the World Bank, where at the end of the day it goes back to the national

\* "ICANN runs the domain name system, and the numbers. What's numbers? That's what makes the system work. What's domain names? Well, it's the names. Lots of politics in that. Should Palestine be treated as a state? What's Kosovo? Is Taiwan supposed to have an independent identity on the net, different from China? Lots of politics in that. Lots of money in it. Now we are setting up '.biz'. Should IBM have an automatic right to 'ibm.biz,' or do we hand that out to the one who is first to register for 'ibm.biz'?"

governments. Here it is systems that do not go back to national governments, and will not go back to national governments in the future.\*

### Representation Reforms

The proposal of a Canadian member that "the G-7/G-8 should reinvent itself as the Summit of the Twenty" was noted in the discussion summary under Question 5. This member elaborated the proposal in her memo for the London meeting:

Representativeness and experimentation should begin with the summits of leaders. I believe the G-7/G-8 summit should reinvent itself as the Summit of Twenty. Thirteen countries of "systemic significance" should be included; i.e. countries meeting criteria of size, influence and potential for contributing both to negative as well as positive spillovers from these countries to their neighbors. They are: Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey (and the European Union). The G-20 finance ministers and central bank governors already meet on a regular basis. The group was created in the wake of the 1997-98 financial and economic crises when collective action was required by governments of countries of systemic significance to draw common lessons and carry out cooperative remedial action. Two evolutionary steps could be taken:

- *Convene functional groups* of ministers from the G-20 nations to address common systemic problems. Environmental degradation and climate change is one obvious area where common understanding as the basis for wider action might usefully be generated. Similar groups could be convened to address some of the pressing north-south issues. Trade issues would be a leading candidate. Poverty alleviation is another. Access to information technology is yet another.
- *Expand leaders' meetings to include G-20 leaders.* This group includes most of the world's largest economies (although populous countries with very small economies like Nigeria are not included). It includes countries from all major regions.

Expanding the leaders' meetings provides a reasoned and proactive response to ad hoc pressures, such as those being brought to bear by certain African leaders to focus global attention on their pressing

\* According to the *Financial Times*, in 2002 ICANN's board voted "to remove the representatives voted in by Internet users in favour of appointees from industry. Internet users said their voice is ignored." See Fiona Harvey, "China Registers its Eager Interest in Running of Internet," *Financial Times*, November 26, 2002. Moreover, structural changes agreed in 2002 will give government representatives seats on the ICANN board. See Phelim McAleer, "Internet Regulators Yield to Reform Pressures," *Financial Times*, June 29, 2002.

humanitarian and economic problems. It is a way to develop relationships across the growing north-south divide. It is also a way to resolve problems generated by ad hoc decisions, such as the partial inclusion of Russia which is an embarrassment to all. China is increasingly identified as too big to ignore, yet the ad hoc means to involve it have also generated embarrassment—and therefore rebuffs and indifference from Chinese leaders. In addition, it is a way to pre-empt strategic rapprochement along regional or other lines, such as between Russia and China, that could further undermine the nuclear nonproliferation regime and create new strategic threats.

There are, of course, a number of objections that can be raised. First, the UN Security Council is seen by many as the appropriate place to address security issues. Second, the G-20 is a diverse group. Expanding leaders' meetings could diffuse the focus that the G-7 leaders currently seek; adding developing country leaders would bring very different perspectives and objectives. Third, while most of the G-20 countries have market economies and democratically elected governments, China does not. China's differences have provided the rationale for its exclusion from other fora. Some also see China as a reluctant multilateral player with its own aspirations to be the representative of developing country interests. On the other hand, China has been a responsible member of all international fora it has joined, including the United Nations, World Bank, International Monetary Fund, and the Asia Pacific Economic Cooperation forum to name the most obvious.

Such steps, taken by the leaders of the major countries, would send a powerful signal to enhance the legitimacy of global governance.

### **Transparency is Important**

There was broad and strong support in the London discussions for improved transparency in the operations of the key multilateral economic organizations. Some participants who were quite cautious about larger direct roles for NGOs were vigorous proponents of greater transparency, for instance Jessica Einhorn.

I prefer the avenue of *maximum transparency* by the multilateral, providing all citizens with the information to influence their governments, dovetailing back to shareholders being accountable for the management of these organizations.

Luis Rubio, in his prepared answer, gave substance to transparency through several specific proposals. In a memo for the London meeting, a German member wrote of the wider meaning of transparency.

Transparency creates confidence. That means open answers and reflection on critical arguments and questions. Transparency means as well that operations following established rules and policy should be foreseeable.

Several participants noted that substantial progress has been made in recent years on the transparency front, making use of the Internet. A member with deep experience with the IMF spoke of changes in the Fund.

Joe Nye emphasized transparency, and that is indeed absolutely critical. That has been a huge change in the IMF in the last five years. We now publish almost everything we do, and I think that gives much greater legitimacy to things we do and to the programs we have with member-countries, which are now made public. We are also, on important policy issues, beginning the practice of publishing the papers on the Web before they are decided on finally by the Executive Board, and asking for comments from the general public. We collect those comments. We make them available to the Board, and allow the Board to comment, and encourage the Board to take them into account in formulating their final position. I think that is a reasonable procedure to get feedback. The people who are writing are the people who are most interested in these issues. They are either professors or the most interested of the NGOs. Some of them have useful things to say, and some of them don't. But this I believe is a far more important way of gaining legitimacy than other items higher on the Nye list.

A Danish member made a related point in another subgroup discussion.

I think we should note that transparency from the international institutions has improved very significantly over the past few years. From the Fund, from the Bank, trade policy reports from the WTO, there is a lot of transparency and good material now made available.

An American member made a related point in the third subgroup.

Much use is being by international organizations of the Internet. If you go to the WTO Website, or the IMF or World Bank Websites, there is a lot of information there. Decisions of the WTO dispute settlement mechanism are put now promptly on the Internet. I think there could be a lot more outreach through the Internet by international institutions.

A British participant recommended more openness in choosing the leaders of these organizations.

The process of selecting leadership is surely unsatisfactory in this age. The key to organizations is leadership, and we ought to be looking carefully at the process. I don't see why we can't find ways of having more open processes that let people know in advance who the candidates are and what they stand for. If that helps increase the legitimacy of the bodies, and that gives them more authority to knock the heads of governments together, then that can only be good for all of us.

A Korean participant relayed a poignant story highlighting the importance of these organizations explaining themselves publicly.

These organizations have to explain what they are doing and why they are doing it, and in the end seek understanding and acceptance by the well-meaning public. Let me give you an example of a Korean farmer. He was widely publicized in the Western press. He came to Geneva, in front of the GATT building, and tried to commit suicide by cutting his stomach. But he didn't die. He ended up in the hospital, and he was visited by the GATT Director-General, who had a long talk with him. He came back to Korea and became an advocate of agricultural market opening of Korea. So this is an example which shows that dialogue pays off.

A number of participants in the London discussions stressed the importance of public relations efforts. A German member drew on his business experience.

I come from the media industry. If you have to sell a product, and if it's a difficult product, put aside 12-15 percent of your budget for public relations. Where is the PR effort of the organizations that we are talking about? It is close to zero. I am not talking about the noble efforts of the Directors-General, who hurry around the world giving speeches. Where is the real concerted PR effort? Learn something from the private sector. It is a difficult product, globalization, which we have to sell. I am afraid you cannot do very much of this kind of PR effort with the budget you are allotted.

A few participants in London offered qualifications of the broad support of increased transparency. In his prepared answer, Bela Kadar argued that "the release of records and minutes in principle is a good idea, but it could aggravate legitimacy problems since the decisions are frequently not taken on purely economic grounds." An American member emphasized that it is not practical to open up completely the decisionmaking process on controversial issues.

We talk about transparency....When you read about the Cuban missile crisis, you realize that part of the deal—namely that the United States would agree to take the missiles out of Turkey—was not announced. If it had been announced, you couldn't have gotten a deal. . . .When you really begin to make public policy, oft times, even though you belong to a democracy, you can't function by democracy if by that you mean that you have a press conference and disclose everything that was discussed.

And yet this member recognized the importance, from his own experience as a Cabinet minister, of orderly processes for outside input before decisions are made. And he recognized the need to do a better job of explaining the work of these international organizations.

These international organizations *are* beginning to have difficulty, and people are beginning to make questions. And that is because we have not explained to them in the detail we should what the issue is here and what it is about.

A Mexican member noted differences among organizations that have a bearing on transparency.

My sense is that these global economic institutions we're talking about are quite different. And there is a reason why they are very different. As an official, I had experience with the IMF and the World Bank, and with the WTO. They have very different objectives. They have very different sets of tools. Therefore, it would be difficult to try to harmonize governance and transparency rules for these institutions. Probably the IMF should be moving to *ex ante* interventions instead of *ex post* interventions in crises. A trade dispute has a completely different time dimension. Transparency might be very different in one case from the other.

Nye responded:

We don't have one model for organizations. They are very different, and they need different structures and treatment. On transparency, obviously you don't want the same transparency for a currency intervention in a crisis period that you would have for a prolonged trade negotiation. But you can separate *ex ante* and *ex post* transparency. In other words, transparency may be necessary in a democracy, but it doesn't always have to come right away. For example, the Federal Reserve System in the United States waits until it is no longer going to affect the market before it releases its record. Or the Supreme Court. It doesn't tell you the full reasoning immediately, but it later does. So there is a chance later for outside external critique. So you don't have to have 120 NGOs looking at what the IMF is about to tell Thailand. That would be crazy. But it's not crazy that six months later, what the IMF told Thailand should be looked at by a large number of people who could say "this was very poor advice" and so forth. So if you make that distinction between *ex ante* and *ex post*, before and after, you can still preserve the principle of transparency without violating the point that you properly make, which is that these organizations have different roles.

A Dutch member, after supporting Einhorn's emphasis on maximum transparency, recalled a number of situations where the management of an international institution was willing to be more transparent but government representatives were opposed and prevented such openness. "If we don't take that into account, we will not achieve the optimal transparency." Perhaps part of transparency will be for national

governments to make clear that they are running these organizations. As Einhorn put it in her prepared answer,

Shareholders should insist on the level of transparency that optimizes citizen knowledge with organizational effectiveness and then step up to the plate and admit that they, not nameless civil servants, are in charge.