

Introduction and Overview

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On January 9, 2006, the lead editorial in the *Washington Post*, entitled “Globalization’s Deficit,” surveyed the World Trade Organization, the North American Free Trade Agreement, the International Monetary Fund, the World Bank, the G-8, the United Nations, and NATO and found that they “have run out of forward momentum” and that “the stalling of international institutions is striking—and troubling.” Those comments suggest that the international system of institutions is inadequate to the tasks of the twenty-first century, tasks that have changed dramatically with the advent of globalization. Moreover, most of today’s global institutions were created in the middle of the twentieth century. Since then, the global balance of power has shifted—and will continue to shift—significantly as China, India, and the other emerging market economies gain relative economic strength.

To discuss reform prospects in selected international institutions and their implications for global governance in a rapidly changing world, we—the editors of this volume—organized a series of seminars that ran from November 2005 through April 2006 involving Washington-based officials from twenty countries and a small number of academic and think tank representatives. The seminars, which were sponsored by the Brookings Institution in partnership with two Canadian think tanks, the Centre for International Gover-

nance Innovation (CIGI) and the Centre for Global Studies (CFGs), also focused on G-8 summit reform.

We started by addressing the questions of whether and how to expand the number of countries attending the annual summit meetings currently held under the auspices of the G-8. In our view, such an expansion would broaden the representativeness of the countries participating in the annual G-8 leader's summit, which tries to address global challenges and issues in a visible and influential way. A suitably expanded summit could then become the apex institution for global governance. But clearly, summit reform is not enough. So our seminars also considered reform of individual international institutions—in particular, the United Nations, the International Monetary Fund (IMF), the World Bank, and the ministerial committees governing the latter two organizations—as well as the need for governance reform in two globally significant sectors, health and the environment.

As the seminar series moved forward, we became increasingly aware that the reform agendas within the individual international institutions could not be sensibly discussed in isolation from each other. We therefore organized a two-day conference, held May 4–5, 2006, of a large and diverse group of experts and officials from foreign ministries and finance ministries to reflect on the connections, disconnections, dynamics, and spillover effects of action or inaction within key international institutions—for the institutions themselves and the international system. The conference was designed to look for opportunities to break the “stalling” of the institutions and the stalemate in reform by identifying critical factors and issues that present both possibilities and problems for reform and by exploring the potential for a “grand bargain” that might emerge from the individual pieces of the reform puzzle to help move forward on several fronts simultaneously. The uniqueness of this line of inquiry was its focus on the links and interactions between reform of international institutions and reform of global governance—the nexus of global reform efforts.

Four Overarching Conclusions on the Nexus of Global Governance Reform

The chapters in this volume are based on the presentations of the panelists and the discussion among participants in both the seminar series and the conference. They reveal that each domain—each sector and institution and each global governance forum and group, whether the UN Security Council, the international financial institutions, the G-8, or the G-20—is a micro-

cosm unto itself. Each has its own mandate and mission; its own professional language and organizational culture; and its own bureaucratic concerns, difficulties, and hopes, which preoccupy its participants and enclose them in separate worlds. This volume contains chapters written by experienced practitioners and researchers, most of whom have been both actors and ideas people in one of these domains, who know their domain intimately. They were thrown together by the Brookings-CIGI-CFGS policy dialogue, listening to each other and to officials from foreign and finance ministries of major countries. That process resulted in four major conclusions.

First, as Ronald Waldman so aptly put it, each felt like a “stranger in a strange land” when participants from other domains were talking. The process revealed the parochialism of each microcosm and the insularity that can result from focusing exclusively on what goes on inside a single domain and giving limited or no attention to the porous perimeters. It is the interfaces between domains where many of the world’s challenges define themselves today. The interaction of “strangers” revealed the degree to which, despite the particularity of each “strange land,” global issues generate common challenges for each domain. The process made it clear that they were not such strangers after all and that there is now a critical need to pay attention to the perimeters of each domain and to create more opportunities for interaction across them as a means of addressing global challenges. This is a major finding and one with the potential to increase hopes for common action.

Second, readers of this volume will find that most authors, each writing on a specific institution or issue, arrive at a similar conclusion: reform within a single domain will not happen by actions taken within that domain alone because there are too many conflicting forces, contradictions, and complexities to permit decisive action. Whether it is the excruciating difficulty of moving percentage-point slivers of voting shares in the IMF and the World Bank from Belgium to Brazil or expanding the number of permanent members of the UN Security Council, the forces against reform are daunting indeed. Clearly, participants from each domain shared the sense that the reform process within their domain was “stuck” or “stalled” and that an additional push is needed to break the stalemate.

Third, there was general agreement that the new reality of changed and still changing global economic and demographic weights among key countries and regions requires a rebalancing of the vote and voice, or the shares and chairs, in each of the major international institutions and forums. This issue is front and center at the moment in the debates about the governance

of the international financial institutions (IFIs), about the composition of the UN Security Council, and about the membership of the G-8. While this is by no means the only issue in global governance that needs to be resolved, it is at the core of the debate about the legitimacy of global institutions and central to the question of whether an effective global governance framework can be put in place for the next half-century.

Fourth, as a result of the first three conclusions, authors in this volume agree that to break the current stalemate will require a summit-level forum that carries the weight not just of experts and high-level panels, but of the highest political authorities from major countries, who must forge proposals for reform that can drive a broader consensus and eventual reform actions.

In sum, the need for action above and across each domain is clear, as is seen in Jack Boorman's idea of designing reforms that are "congruent" in their politics and content; in Nancy Birdsall's sense of the need to get the members of "the club" constituting the World Bank to act together; in the despair of Ann Florini and Carlos Pascual regarding UN reform; in Ronald Waldman's picture of the fragmented global health governance structure; and in Daniel Esty's description of the degree of nongovernance on the environment.

Thus the common challenges facing specific sectors and institutions generated by global issues define themselves ultimately as intersectoral and interinstitutional challenges and thus require systemwide strategic guidance. Because the complexities and contradictions within institutions severely constrain decisive action and the feasibility of sufficient reform by the institutions themselves, there is a compelling need for summit reform to drive, oversee, and steer international institutional reform.

These common conclusions were not prearranged or urged upon the authors. Rather, they emerged from the participants' own experience, research, and deep concern for the state of global affairs and their shared recognition, reflected throughout this volume, that without major changes across the international system the world will move backward instead of forward and the human condition will worsen rather than improve. These shared concerns about the urgency and importance of undertaking systemic and institutional reform together provide the fundamental thematic threads and content uniting the chapters into a book about the world that we live in and the choices that our societies and governments face. These choices will determine the future of the international governance system, on which the global human condition depends.

Reform of International Institutions

A major focus of discussion at both the seminar series and the conference, and hence in this volume, was reform of international financial institutions (IFIs) and especially of the International Monetary Fund, which has been at the center of recent debates about IFI reform. A few principal issues stand out.

CHAIRS AND SHARES. Many have argued that the current distribution of voting power and the representational structure of the executive boards of the IMF and the World Bank are based on a post–World War II formula that is now obsolete. Proposals abound for changing the structure of “chairs and shares” by changing the formula reflecting the economic weight of member countries, but agreement is tediously difficult to achieve.¹ Nevertheless, persistent pressure for reform continues to come from many quarters, not least the G-20 finance ministers, who issued an enjoinder in October 2005 calling for IMF reform action by the time of the IMF–World Bank fall 2006 meeting, and the International Monetary and Financial Committee (IMFC) ministers, who had issued a similar call already in a communiqué in April 2005. Ralph Bryant and Jack Boorman argue that if there is a change in the chairs-and-shares formula in operational institutions like the World Bank and the IMF, the consultative bodies like the annual G-8 summits should be reformed in a similar, “congruent” fashion. Bryant finds that using multiple-country constituencies, which occupy seventeen of the twenty-four chairs on the IFI boards, have been useful in IFI governance and proposes extending the constituency approach to global consultative bodies such as the “Camdessus councils” (discussed below) and the annual summits.²

There are other ways to allocate voting shares besides employing formulas using economic and social weights. Voting in the Global Environment Fund (GEF) and in the trust funds for global public goods, which are housed in the World Bank, employs a distinctive voting share arrangement derived from the varying country contributions to the different funds or uses a double-majority approach that also gives weight to the number of members of the organization.³ Those arrangements could be discussed as analogues for new arrangements in other institutions.

LEADERSHIP SELECTION. Another IFI reform issue that also has broader implications is the question of who selects the president of the World Bank and the managing director of the IMF. Currently, the United States nominates, historically without opposition, the president of the World Bank, and the European nations agree among themselves on a nominee to be managing director of the IMF, although their choice has in some cases run into opposi-

tion. Although the Europeans do have the initiative in choosing the head of the IMF, on three occasions non-Europeans have been considered for the position. There is no doubt that comparable talent exists in other countries to undertake these important posts, but there is some question of whether candidates should be restricted to citizens from the creditor countries that provide the most resources and have the most influence. However, the choice of an experienced former official from Turkey to run the United Nations Development Program (UNDP) and a former top official from Mexico to lead the Organization for Economic Cooperation and Development (OECD) are signs that reform with respect to the selection of leaders of international institutions is already under way. One way to widen the pool of candidates might be to consider the leadership of some of the major international organizations together and to sequence the rotation of leadership by region in order to provide greater regional balance and more equity in regional representation at the top of the international system. This introduces regions as a factor in global governance decisions, a change that could have repercussions for summit reform and other issues.

IFI COUNCILS. Michel Camdessus has proposed creating councils of ministers for both the World Bank and the IMF that would, together with heads of state at the summit level, provide strategic guidance for each institution and for their relations with one another and with other international organizations.⁴ Creating such councils would lead to a new arrangement linking a reformed heads-of-state summit with the councils of ministers and the boards of governors for each institution in order to guide senior management and the executive boards on the broad direction and policy goals of the IFIs. That would replace the current chain of command involving the boards of governors, the bank-fund ministerial-level International Monetary and Financial Committee and the Development Committee, and the executive boards. The creation of the two “Camdessus councils” would constitute a significant shift in governance for the IMF and the World Bank, replacing the IMFC and the Development Committee, which are only advisory bodies, with new decision-making councils. What is left unanswered is which countries would constitute the Camdessus councils. The questions of who is in, who is out, and what criteria are used to decide the country composition of any international governance body are the key unresolved issues in global governance.

ROLE OF THE EXECUTIVE BOARDS. The executive boards of the World Bank and the IMF have been critically examined with respect to both their composition and their role. Some observers think that the boards delve too deeply into the details of IFI loans, policies, and operations and, as a conse-

quence, “miss the forest for the trees.” For example, a recent report on the World Bank proposed undertaking a review of executive board functions and responsibilities in the bank with a view to “how to make the Board more strategic, with an emphasis on its central task of setting objectives and holding management to account.”⁵ IMF historian James Boughton has expressed similar ideas regarding the executive board of the IMF. Executive board meetings might be held less often to reduce the intrusion of the boards into day-to-day operations of both the fund and the bank. As a result, the boards could better oversee bigger-picture strategic management of IFIs derived from guidance provided by ministers and heads of state, on one hand, and senior management, on the other. Meetings might also be held on occasion in developing countries. Expanded summits should survey the context of global challenges, which are multisectorial in nature—and of the responses to them, which also must be multisectorial and hence interinstitutional—and provide critical guidance on the relative roles of various international institutions in addressing those challenges. Ministers could then follow their guidance in the new councils and in their instructions to their executive directors on the boards of the IFIs.

VOTING RULES. Clearly, the voting rules in international institutions have implications for which reforms are accepted by member countries. Rules can safeguard the interests of those who are being asked to decrease their influence and of those who are being asked to assume more responsibility. Hence, a discussion of shares should be taken up in conjunction with a discussion of rules. In chapter 2, James Boughton suggests that the supermajority rule, which requires 85 percent of the vote in order to act on certain major issues (and thereby allows the United States to have an effective veto on those issues), could be abolished or modified. The Center for Global Development (CGD) report on the World Bank argued that “options should explore . . . the merits of applying double majorities on some decisions (that is, 50 percent of all votes plus 50 percent of all members).”⁶ As in summits, countries with power do not want to lose decisive influence and countries seeking to gain power want to increase their influence to avoid being dragged into appearing to agree to something with which they disagree. Rules could safeguard the interests of both groups of countries.⁷

Summit Reform

The difficulty of achieving significant reforms within the individual international institutions leads inexorably to the conclusion that some exogenous

forces need to be brought to bear on them or within them to break the current stalemate. But the fact is that the obsolete country composition of the G-8 summits is even more extreme than that of the IFIs and the UN Security Council. That creates both a significant challenge as well as promising opportunity to reshape the structure of the summits and to redefine their purview and mandate to become the stewards of the international system. It is a challenge because achieving summit reform itself will not be easy. It is an opportunity, since summit reform could potentially become the handmaiden of IFI and UN reform.

SUMMIT FORM. Summit form should follow function. In considering summit reform, it is helpful to have the discussion of the purpose, mission, and function of a summit precede the discussion of its country composition and form. There is a danger in separating the two topics in that the issue of who should be in and who should be out may become so absorbing that those debating the issue lose sight of the fact that membership decisions should be based in part on the nature of the task to be accomplished. A reinigorated mandate for the summits is needed as much as a new membership.

SUMMIT FUNCTIONS. The Centre for Global Studies at the University of Victoria in British Columbia, along with the Centre for International Governance Innovation in Waterloo, organized a series of conferences that teed up the key global challenges for summits so that, in the event that a new summit group is formed, issues will already be prepared for consideration and action by a new, enlarged group of leaders.⁸ One way to think about the issues driving summit reform is to consider the extent to which urgent issues, such as infectious diseases or energy security, push the summit reform agenda forward because of the need to include additional countries beyond the G-8. Another is to consider to what extent the implementation of the Millennium Declaration and the Millennium Development Goals (MDGs), both derived from the UN Millennium General Assembly in September 2000 in New York, constitute a compelling agenda for summits. Still another is to consider the degree to which the economic and financial challenges facing the global economy in themselves require summit leadership.

Global health is not only urgent but also bedeviled by problems that health ministers and the World Health Organization (WHO) have not been able to deal with. A lot of money is earmarked for disease eradication, but virtually no WHO money and scant resources elsewhere are set aside to deal with the central health challenge in developing countries, namely strengthening public health systems. The poverty-development-health interfaces,

implicit in the MDGs, lack the institutional and strategic force necessary to fix the fragmentation of the global health governance system (see chapter 7 by Waldman), which only summit-level leadership can provide. In addition, the world faces serious threats from global climate change and other environmental challenges. Some countries and leaders have recognized that, others have not. A leadership forum is needed in which the greatest number of the countries causing the greatest environmental threats and holding the key to their effective resolution can join in a search for a common understanding and approach. Such a forum currently does not exist; as in the health area, the global environmental architecture seems hopelessly fragmented (see chapter 8). Finally, security issues—proliferation of nuclear weapons, terrorism, drugs, transnational crime, small-arms trafficking—would also seem to require action by leaders at the highest level from a greater variety of countries. The UN and the concerned UN agencies currently are unable to provide the leadership forum at the apex needed to debate and address these issues effectively.

ALTERNATIVE SUMMIT OPTIONS. While “form follows function” is the right principle, no clear answers regarding the size and composition of an expanded summit grouping have emerged. One therefore can reasonably focus on alternative summit reform options that already are under discussion and evaluate them in relation to the criteria of representativeness, effectiveness, and political feasibility. Former Canadian prime minister Paul Martin is on record in *Foreign Affairs* and elsewhere in favor of ratcheting up the G-20 finance ministers group, which consists of ten industrial and ten big emerging market economies, to an “L-20” leaders-level summit group. Alternatives to that proposal include

- increasing the number of representatives of the poorest countries⁹
- using regional leaders as representatives at the global level, for example, by drawing on heads of state who rotate as leader of regional institutions such as the African Union, the Association of South East Asian Nations (ASEAN), the Commonwealth of Independent States (CIS), and others¹⁰
- adding the four most obvious candidates to the G-8 (that is, China, India, Brazil, and South Africa) to constitute a “core” L-12, which in turn could be augmented on a revolving basis by adding six to eight seats for different countries depending on the issue under consideration (a system known as “variable geometry”)¹¹
- collapsing the European seats in the G-8 into one chair in the G-20, thereby reducing the G-20 to a G-16, which could then be elevated to an L-16.¹²

Each of these options contains implicit trade-offs and compromises with respect to group size, representativeness, and effectiveness. Since legitimacy rests equally on inclusion and performance, there are tensions between these conflicting requirements that cannot be easily resolved but must be brokered. Discussing alternative options reveals the compromises that are necessary.

Do the Pieces Add Up?

Once the specific elements at play in both individual institutional reform and in summit reform are considered, the question that remains is whether there is a way of framing a package of issues that provides the opportunity for striking a “grand bargain” in which actions could occur on multiple fronts simultaneously, reinforcing each other. If a grand bargain could be struck, it might be possible to move forward from stalemate toward an international system that is more able to meet global challenges through more democratic, inclusive, and effective global governance.

Even if most observers might conclude that the potential for a grand bargain is small, actions in some specific areas may still be feasible. Such actions could be executed one by one without the creation of a framework for more dramatic systemic reform. But there could also be unexpected synergies and cross-cutting effects. For example, reform efforts in the IFIs that seek to enhance the role of emerging market economies and other important nonindustrial countries in IFI governance have made it clear that the G-8 also needs to be reformed. And then there are issues, such as global health and global environmental governance, that we believe are impossible to advance unless summit reform occurs first. Using summits as a vehicle for addressing these pressing issues might itself require the participation of countries beyond the G-8 which would bring about summit reform as a consequence. Whichever way the force field runs—whether institutional reform drives summit reform or vice versa—it is clear that international institutional reform and summit reform depend on each other. That fact illustrates the degree to which the international governance system is in crisis and requires actions on multiple fronts to enable it to adequately address the challenges of our times.

Notes

1. Edwin M. Truman, "Overview on IMF Reform," "Rearranging IMF Chairs and Shares: The Sine Qua Non of IMF Reform," and "An IMF Reform Package," in *Reforming the IMF for the Twenty-First Century*, edited by Edwin M. Truman (Washington: Institute for International Economics, 2006), pp. 31–126, 201–32, and 527–40.
2. Ralph C. Bryant, *Crisis Prevention and Prosperity Management for the World Economy* (Brookings, 2004).
3. "Double majority" means that any decision has to be approved by a majority of member countries as well as by a majority of members' shares in the institution. This approach gives smaller and poorer members a clearer and more effective role than does a single-majority voting approach based on members' economic weight or financial contributions.
4. Michel Camdessus, "International Financial Institutions: Dealing with New Global Challenges," Per Jacobsson Lecture, Washington, September 25, 2005 (www.perjacobsson.org/lectures.htm).
5. Center for Global Development, "The Hardest Job in the World: Five Crucial Tasks for the New President of the World Bank," CGD Working Group Report, in *Rescuing the World Bank: A CGD Working Group Report and Selected Essays*, edited by Nancy Birdsall (Washington: Center for Global Development, 2006)
6. *Ibid.*, p. 27.
7. Colin I. Bradford Jr., "Global Governance for the Twenty-First Century," Brookings, 2005, p. 15.
8. Centre for Global Studies (www.globalcentres.org).
9. Gerry Helleiner, "Leaders and Letters," *Financial Times*, January 4, 2006.
10. Martin Albrow and Colin I. Bradford Jr., "Regionalism in Global Governance: Realigning Goals and Leadership with Cultures," in *Regionalisation and the Taming of Globalisation?* edited by Andrew F. Cooper, Christopher Hughes, and Philippe de Lombaerde (London: Routledge, forthcoming, 2007).
11. Bradford, "Global Governance for the Twenty-First Century."
12. Fred C. Bergsten, "A New Steering Committee for the World Economy," in *Reforming the IMF for the Twenty-First Century*, edited by Edwin M. Truman (Washington: Institute for International Economics, 2006), pp. 279–92.

