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COMPARATIVE ASSESSMENT OF DEVELOPING COUNTRY PARTICIPATION IN THE GOVERNANCE OF GLOBAL ECONOMIC INSTITUTIONS*

SYNOPSIS

This paper comparatively analyses developing country participation in the governance of the IMF, World Bank, and WTO and discusses the merits and demerits of the current governance mechanisms. It concludes by noting that the greater potential for stronger South-South integration and interaction could be explored as an alternative or complement to global economic governance reform.

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Comparative Assessment of Developing Country Participation in the Governance of Global Economic Institutions

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I. Introduction

1. The institutional role of the World Bank and the International Monetary Fund (BWIs) has changed, with fundamental shifts from focusing on cooperation among the developed countries to providing support primarily to developing countries. However, there has not been a corresponding change in their governance structure, which has yet to respond to the new realities of the global economy. Developing countries and various experts have consistently argued for BWI governance reform. Such reform should be pursued holistically, with due regard to developments and processes in the WTO, a crucial component of the realm of global economic governance. More work needs to be done in analyzing the three institutions and the linkages that exist between them in order to come up with reform suggestions that support developing countries' genuine development goals. As it is said, good governance is not just essential for positive development outcomes: it is a development objective in and of itself. [1]

2. The purpose of this paper is to conduct a comparative analysis of the extent and effectiveness of developing country participation in the governance structures of the IMF, World Bank, and WTO. In addition, the paper will identify the merits and demerits of the current governance mechanisms and reinforce the recommendations for reform. This will be done with full acknowledgement of the differences in the nature of the institutions. The BWIs are not negotiating forums; they provide adjustment assistance and make prescriptions for individual countries in the form of conditionality for adjustment and development assistance. The WTO, on the other hand, is mainly a negotiating forum for the exchange of concessions and the adoption of rules – which are enforceable through the dispute settlement system. The paper will build on the existing literature on global economic governance; and will be a useful addition to such literature especially because of its comparative approach.

II. Governance structures

3. There are several ways in which members of institutions can participate in the institutions' governance. Some of the most important means are: decision-making through deliberations or exercise of voting power; taking part in the selection or appointment of the top staff of the institutions; and creating coalitions of like-minded groups to pursue certain interests. This section gives a broad overview of the governance structures of the IMF, the World Bank and the WTO in order to provide the background to the subsequent assessment of

[1] Beltran, G.S., "Governance in Bretton Woods Institutions", paper prepared for the G-24 Technical Group Meeting in Manila, March 17-18, 2005, at p. 3, available at http://www.g24.org/research.htm last accessed on 7 August 2006.

developing country participation in the governance of these global economic institutions.

4. *IMF*: The highest decision-making body of the IMF is the Board of Governors. It consists of one governor and one alternate governor (who votes only in the absence of the principal) from each of the member countries. Appointed by the member country, the governor is usually the country's minister of finance or the central bank governor. All powers of the IMF are vested in the Board of Governors which meets twice a year at the spring and annual meetings of the IMF and World Bank. The Board of Governors may delegate to an Executive Board all powers except those that are specifically conferred to it by the Articles of Agreement. The Board of Governors also has a committee called the International Monetary and Financial Committee (IMFC) which is made up of twenty-four members. The IMFC provides guidance to the Executive Board and meets twice a year to set the agenda of the spring and annual meetings.

5. The daily affairs of the IMF are run by the Executive Board which usually meets three times a week. It consists of twenty-four executive directors (EDs) and each ED appoints an alternate ED with full power to act for him when absent.[2] The five major shareholders, namely the United States, Japan, Germany, France and the United Kingdom, each appoint one chair to the Executive Board. The rest of the members are organized in constituencies which elect one chair each to represent them on the Board. Some constituencies rotate the chair amongst the member countries; in other constituencies, the countries with the largest number of votes appoint the chair in. At the moment, Russia, Saudi Arabia and China are single country constituencies. The Executive Board is chaired by the IMF's Managing Director who is appointed by and accountable to the Executive Board. The functions of the Executive Board include: approving IMF loans and reviews of the implementation of the loan programs; discussing reports related to multilateral surveillance of the international monetary system and bilateral surveillance of the economic and financial policies of member countries; approving IMF policies; and approving the budget and administrative and personnel policies of the IMF.

6. *World Bank*: the governance structure of the World Bank is similar in almost all respects to that of the IMF. There is a Board of Governors, which is the ultimate policy-making body, the Board of Directors comprised of Executive Directors, and the President.

7. Each member country appoints one Governor and one Alternate Governor who are usually ministers of finance or ministers of development in their respective countries. Meeting once every year, the main functions of the Board of Governors include: admitting or suspending members; increasing or decreasing

[2] Article XII of the Articles of Agreement provides for twenty Executive Directors but this has been increased to twenty-four.

the authorized share capital (capital stock); determining the distribution of net income; and reviewing financial statements and budgets.

8. Like the IMF, the Boards of Executive Directors are responsible for the day-to-day business of the World Bank. They exercise all the powers delegated to them by the Board of Governors under the Articles of Agreement. They meet at least twice a week and conduct business under the chairmanship of the World Bank President. They consider and decide on loan and guarantee proposals, country assistance strategies and borrowing and financial decisions, grant and guarantee proposals made by the President, and the Bank's policy for general operations. In addition, they present the annual report of the Bank's operations and policies to the meeting of the Board of Governors. Just as with the IMF, the members with the five largest numbers of shares[3] appoint one Executive Director each and nineteen Executive Directors are elected by the other members.[4] The World Bank website is candid enough to state that by tradition the President of the Bank is a national of and nominated by the US – the largest shareholder in the Bank.

9. *WTO*: the youngest and smallest of the triumvirate, the WTO's structure is completely different from that of the BWIs. It makes decisions through various councils and committees made up of the members – thus priding itself as a "member-driven" organization.

10. The supreme decision-making body is the Ministerial Conference which comprises all the member countries, meets once every two years and almost always decides by consensus. The General Council performs the tasks of the Ministerial Conference when the latter is not meeting. It also meets as the Dispute Settlement Body and the Trade Policy Review Body but under different chairs. Under the General Council, there are three more councils each dealing with trade in goods, trade in services, and trade-related intellectual property rights. There are also subsidiary bodies like committees and working groups. Special negotiation bodies of the various councils and committee were created for the issue areas being negotiated in Doha Development Round. These bodies – called special sessions and negotiating groups - fall under the remit of the Trade Negotiations Committee which is composed of all the members and chaired by the Director-General. All members have the right to participate in all these bodies.

11. The Director-General is appointed by the Ministerial Conference and he heads the Secretariat and appoints its staff. Unlike other international organizations,

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[3] These are the US, Japan, Germany, France and the UK.

[4] Unlike the IMF, the World Bank group is made up of five institutions, namely: the International Bank for Reconstruction and Development (IBRD); the International Development Association (IDA); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for the Settlement of Investment Disputes (ICSID). ICSID has a separate Administrative Council but the rest of the institutions have a Board of Executive Directors. The Executive Directors of these four institutions are usually the same as the Executive Directors of the Bank.

the Director-General and his staff have limited competency because of the "member-driven" nature of the organization. The Secretariat describes its main duties as follows: to supply technical and professional support for the various councils and committees; to provide technical assistance for developing countries; to monitor and analyze developments in world trade; to provide information to the public and the media; to organize the ministerial conferences; to provide legal assistance in the dispute settlement process; and to advise governments wishing to become Members of the WTO.[5]

III. Developing country participation in governance

12. Institutions work most effectively and achieve the best development outcomes in conditions where stakeholders participate actively in shaping the policies that will determine their status and their future. Enhanced stakeholder participation improves the quality of the decisions and leads to better output.[6] Decisions taken by global economic institutions have a great impact on national policies and, consequently, on the poor masses in developing countries. The decisions' legitimacy, political acceptability at domestic level and implementation depend on the extent to which the members expected to implement the decisions participate effectively in the policy making. Participation creates a sense of ownership whereas lack thereof raises accusations of economic imperialism, prescriptive ideologies and neo-liberal patronage.

13. Failure to ensure inclusiveness and effective participation by all permits some important shareholders use the organization for objectives that go beyond the purposes for which it has been created.[7] This, together with developed country dominance in the institutions, fuels the feeling that the BWIs are simply elements or mechanisms of developed powers' foreign policy. If all members are allowed to participate and to make their contributions to decisions that affect them there would be less scope for suspicion and ill-feeling towards the BWIs.

14. The following sections provide a comparative assessment of some of the most pertinent aspects of governance in the global economic institutions. These aspects are: appointment of the institutional head; voting rights and power; consensus decision-making; and coalitions.

<u>a. Appointment of Head of Institution</u>

15. The appointment process of the heads of the IMF and the World Bank is straightforward. By unwritten tradition, the US chooses one of its nationals to become the World Bank president and the EU picks the IMF managing director.

[5] http://www.wto.org/english/thewto_e/secre_e/intro_e.htm, last accessed on 7 August 2006.
[6] Beltran, at pp. 1 and 3.
[7] Portugal, M., "Improving IMF Governance and Increasing the Influence of Developing Countries in IMF Decision-Making", paper presented at the G24 Technical Group Meeting in Manila, Philippines, 17 – 18 March 2005, at p. 3, available at http://www.g24.org/research.htm last accessed on 7 August 2006.

The Board of Governors of these institutions then basically rubberstamp the selection. Although candidates make presentations to the executive boards in some cases, there is no established process for scrutiny and objections are not only rare but also immaterial. Unlike with the US at the World Bank, the EU has occasionally withdrawn its IMF nomination due to pressure from other members. But on such occasions the EU still nominated another candidate.[8] Of course, the unwritten nature of this "tradition" of selecting the BWI's heads from only specific countries implies that there is actually no legal treaty basis for such tradition and that, therefore, if other countries were so willing, they could propose their own nationals to serve as the Bank's President or the IMF's Managing Director. Thus there was a developing country candidate (Mr. Mohammed El Erian of Egypt) in the last elections for the IMF Managing Director, but, because of the tradition, it was a foregone conclusion that the EU candidate would get the job.

16. This is the most rudimentary and non-inclusive of all the selection processes of the heads of international organizations. The hypocrisy is that the unelected and undemocratically appointed heads of the BWIs are given the mandate to preach democratic values - good governance, accountability, transparency etc - to the elected leaders of developing countries. Furthermore, whereas the World Bank President, for instance, is always an American "by tradition," the Articles of Agreement require him to recruit personnel on as wide a geographical basis as possible.[9] So the Bank knows the importance of diversity, but not in the highest office. Little wonder then that the institutions are seen as mechanisms for applying the foreign policy of the biggest developed countries.

17. This convention is very unfortunate, to say the least, because the heads of these institutions play a very important role in defining the direction of the institutions. Not only do they have a casting vote in the event of a deadlock in the Executive Boards, they also appoint their deputies and other staff who are responsible for diverse operations. In addition the heads exercise large influence in the decision-making process because of the nature, prestige and authority of their offices. For example, the IMF Executive Board discussions are based on proposals presented in papers prepared by staff, which must be previously approved by the Managing Director or his deputies.[10] Proposals go to the Board for approval or rejection: constituencies' views are unlikely to result in a rewriting of the proposal unless the constituencies are willing and able to reject the loan. This shows that real decision-making starts well in advance before an

[8] Woodward, D., "The IMF and World Bank in the 21st Century: the Need for Change" – Written submission to the European Parliament on "Strategic Reforms of the IMF" 9 May 2005, at p. 4, available at http://www.jubileeresearch.org/analysis/articles/imf201005.htm, last accessed on 27 July, 2006 (Woodward: Change).
[9] Article V, Section 5.
[10] Portugal, at p. 13.

item is formally brought to the Board.[11] Thus the Managing Director's direct and delegated authority over his staff affects the nature of the decisions taken by the Executive Board.

18. There have been many calls for democratizing the process and making it more transparent through involving various stakeholders and assessing candidates on merits, regardless of nationality.[12] Other suggestions have been laughable though. For instance, the DFID White Paper on the International System said that "the practice of picking the heads of both institutions based on nationality should end". However, as Woodward correctly points out, the problem is not the nationality of the person but the nature of the appointment itself – the fundamental problem of biased leadership structures will remain for as long as there is no democratic and transparent process allowing equal participation of all members in terms of the selection of the institutions' heads.[13]

19. The WTO's selection process for its director-general, by comparison to that of the World Bank and IMF with respect to their heads, is more inclusive and participatory. The procedures for the appointment of the directors-general were adopted by the WTO's General Council in 2002.[14] They require full transparency and inclusiveness at all stages of the process. The appointment has to be made by a consensus decision with recourse to voting preserved as a last resort. Members can only nominate their own nationals as candidates.[15]

20. There are three main aspects of the WTO appointment process that differ from that in the BWIs. First, the WTO encourages candidatures representing the diversity of members from all regions. If equally meritorious candidates are competing in the final selection process, members are required to take into account "the desirability of reflecting the diversity of the WTO's membership in successive appointments to the post of Director-General". This is theoretically very different from the selection of nationals from particular countries in the World Bank and IMF.[16] Second, the candidates meet with all the members in a formal meeting of the General Council, make a brief presentation, and answer questions from members. In contrast to the BWIs, the meeting with members is not just a mere formality. The candidates have three months to make themselves

[11] Woods, N., and Lombardi, D., "Effective Representation and the Role of Coalitions within the IMF" GEG Working Paper 2005/17, October 2005, at p. 22, available at http://www.globaleconomicgovernance.org/papers.php, last accessed on 6 August 2006.

[12] For example, see the European Civil Society Organization's open statement on governance reform of the IMF, available at http://www.brettonwoodsproject.org/art.shtml?x=539161, last accessed on 27 July 2006.

[13] Woodward, D., "Hot Air and Cold Comfort: The DFID White Paper on the International System" (July 2006), at p. 3, on file with author, commenting later at p. 5 that the White Paper "…should have called on developed country governments to stop using the anachronistic "traditions" of the IMF and World Bank to appoint their head…" (Woodward: Hot Air)

[14] WTO "Procedures for the Appointment of Directors-General" WT/L/509 (20 January 2003).

[15] This last requirement has prevented some prominent people from running for the office because they could not get the necessary nomination from their countries: Raghavan, C., "Forward to the Ancient Regime" in SEATINI Bulletin, Volume 8, No. 2 pp. 1-5 at pp. 3-4.

[16] See footnote 21 below.

known to members and to engage in discussions on the issues pertinent to the WTO. In the most recent selection process, this included a question and answer session with civil society organizations. The usefulness of that meeting may be debatable but still this is better than the lack of scrutiny of the nominees for the highest posts in the BWIs. Third, the General Council conducts consultations to narrow the field of candidates until there is consensus around one candidate. The outcome of the consultations is reported to the members at each stage and the whole selection process takes up to nine months. In contrast, the current World Bank president was appointed following a single meeting of the Executive Board, 15 long days after his nomination by the US President.[17] There was no possibility for meaningful consultations with members or meetings with civil society and other stakeholders.

21. The WTO may have learned from past problems. The selection process undertaken in 1998-1999 to select the successor to Renato Ruggiero was protracted and controversial, with members basically split along developed-developing country lines. There was no consensus on a single candidate and members had to improvise by allowing the top two candidates (Michael Moore of New Zealand and Supachai Panitchpakdi of Thailand) to have consecutive three-year non-renewable terms of office, instead of the normal four-year renewable term. This experience inspired and led to the adoption of the 2002 selection process procedures.

22. But, the 2002 procedures are not failsafe. There are two reasons for this. One, the procedures require a consensus decision. Unless otherwise stated, consensus in the WTO is achieved when no member present at the meeting when the decision is taken formally objects to the proposed decision.[18] As the South Centre has previously said, this presumes the actual and informed presence of a member's representative during the meeting in which the decision is made[19] Under this system, absence or silence, for whatever cause, amount to joining consensus. This may reduce the inclusiveness and participatory nature of the process. The presumption that underlies the consensus rule in the WTO is all too often not borne out in actual practice. For example, a good number of developing country members (currently 20) do not have permanent representatives at the WTO. In addition, many other developing country members are short-staffed and have only between 1 to 4 people, including the ambassador, assigned to cover WTO

[17] Woodward: Change, at p. 4. There have been efforts to improve the selection process of the World Bank President. In a report of April 2001, the Executive Board adopted a report that recommended that an advisory group should make a short list of potential candidates, that there should be an open process, allowing the participation of all members, and that candidates should be chosen on merit: Buira, at pp. 23-24.

[18] Footnote 1 to Article IX .1 of the Marrakesh Agreement Establishing the World Trade Organization (The Marrakesh Agreement). This is what could be termed as "passive" consensus where the lack of an objection implies acceptance of the decision. This is different from "active" consensus where members would be required to actually state their acceptance of or non-objection to the decision so that absence, silence or the lack of a verbalized objection would not be taken as consent to the decision.

[19] South Centre, "Selection of the WTO Director-General: Some Points to Consider" South Centre Analytical Note (SC/TADP/AN/IG/8 – January 2005) at p. 7 and South Centre "Institutional Governance and Decision-Making Processes in the WTO" South Centre Analytical Note (SC/TADP/AN/IG/7 – December 2003) at p. 19.

matters (on top of taking care of attending to matters relating to the other intergovernmental organizations based in Geneva such as the UN, UNCTAD, WIPO, WHO, WMO, ILO, South Centre). This human resource constraint makes it difficult and sometimes impossible for many developing countries to attend all the meetings at which a consensus decision is required such as in the selection process for the WTO director-general.

23. Two, as stated earlier, members may have recourse to voting if there is no consensus around one candidate. But the relevant paragraph does not stipulate the voting percentage that would lead to the selection of the Director-General, unlike other WTO provisions which clearly require simple majority, two-thirds majority, or three-quarters majority depending on the nature of the proposed decision. Instead, the paragraph says that the voting procedure would be determined at that time. This could open the door to weighted voting based on trade shares, which was proposed by some members in the discussions leading to the adoption of the 2002 selection procedures. Trade-weighted voting would obviously diminish the say of developing countries.[20]

24. Developing countries have the opportunity to be more involved in the selection process of the head of the WTO than in any of the BWIs. Ironically, the post of the WTO Director-General carries less power and authority than the President of the World Bank or the Managing Director of the IMF. Perhaps this explains why the major powers are unwilling to open up the selection process in the BWIs. However, the relatively more open and inclusive WTO system has not prevented the appointment of more WTO directors-general coming from developed countries than those coming from a developing country.[21]

<u>b. Voting Rights and Power</u>

25. Each member of the IMF has two hundred and fifty basic votes plus one vote for each part of its quota equivalent to one hundred thousand special drawing rights. All decisions of the IMF are taken by a majority of the votes cast, except where stated otherwise. In practice, the Executive Board decides by consensus. The rules prescribe that the chair shall ordinarily ascertain the sense of the meeting in place of a formal vote. When there is a formal vote, some decisions require a simple majority (51%), others require two-thirds majority (66%) and others need a super majority (85%) to go through.

[20] See generally South Centre, "Selection of the WTO Director-General: Some Points to Consider" supra, at pp. 8-10.

[21] In the short eleven year history of the WTO there have been three directors-general from developed countries (Renato Ruggiero from Italy, 1995 to 1999; Mike Moore from New Zealand, 1999-2002; and Pascal Lamy from France, 2005-) and only one from a developing country (Supachai Panitchpakdi from Thailand, 2002-2005). The latter is in fact the only director-general from a developing country in the whole history of the GATT and the WTO. He obtained his appointment as a result of a compromise agreement between developed and developing countries during the WTO director-general selection process in 1999 to split an original 6-year term into two 3-year terms between Mike Moore (the developed countries' candidate) and Supachai Panitchpakdi (the developing countries' candidate). Note, however, that the rules do not require appointment based on nationality.

26. The voting formula for the World Bank is similar to that of the IMF: each member has two hundred and fifty basic votes plus one additional vote for each share of stock held. Just as with the IMF, the Articles of Agreement state that, except as otherwise provided, all matters shall be decided by a majority of the votes cast. In practice, most decisions are made by consensus.

27. The argument of developing countries is that the quota system is not fair as a key for decision-making and access to resources. This argument is strengthened by the fact that the allocation of quotas at the Bretton Woods conference lacked candor and created considerable controversy and mistrust.[22] The formula was used to reach the relative quota shares that had already been pre-determined in a political agreement amongst the big four wartime allies.[23]

28. To make matters worse, the importance of basic votes has been diminished over the years. As stated earlier, the BWIs have a two-tier system of votes: basic votes allocated to all members on account of their membership; and additional votes calculated on the basis of each member's quotas or shares. Basic votes enhance the voice of developing countries in general and small countries in particular. Basic votes used to account for 11.3% and 10.87% of the total quotas and capital shares of the IMF and the WB respectively. They have now gone down to 2.1 % and 2.84%.[24] The share of basic votes has declined from 14% in 1946 to less than 2% despite membership rising and most new members being developing countries.

29. The application of formulae in the quota reviews has accelerated the erosion of the democratic vote.[25] Taking the example of the IMF, for 25 members, basic votes represent more than half of their voting power, but these members account for only 0.4% of the total voting power in the institution. For 60 countries basic votes account for 20% of their voting power, while these countries represent only 1.9% of the total IMF voting power. In general, developed countries represent about 60% of the voting power while emerging markets, transition economies and developing countries account for about 40%.[26]

30. The discrepancy in voting rights is also apparent when one looks at the economic weight of the members. Advanced economies control 63% of the IMF Board's voting power while they represent only 53% of global GDP-PPP. In contrast, emerging market economies control 30% of votes while representing

[22] Portugal at p. 10.
[23] Buira, A., "The Bretton Woods Institutions: Governance without Legitimacy?" at p. 3, available at http://www.g24.org/research.htm, last accessed on 7 August 2006.
[24] Beltran at p. 19 and Buira at p. 2.
[25] Mohammed, A., "Governance Issues in Intergovernmental Groupings of Developing Countries" at p. 9, available at http://www.globaleconomicgovernance.org/papers.php, last accessed on 7 August 2006.
[26] Portugal at p. 8. The US has the largest voting share at 17.2%.

42% of GDP-PPP.[27] Developing countries account for 6% and 4.5% of GDP-PPP. Finally, the requirement of special majorities for some decisions gives powerful members the ability to block or veto decisions. For example, since the US wields 17.2% of the voting power in the IMF, it can veto any decision requiring an 85% super majority.

31. It is clear that the current voting rights distribution lacks legitimacy. It does not meet the minimum standards of equity because of the erosion of basic votes and also because it does not reflect the relative economic importance of the members.[28] In addition, the system does not pay any regard to members' population size. Some have actually gone as far as saying the voting structure discriminates against more populous countries.[29]

32. Voting power is very important in the BWIs because it influences the decisions either explicitly or implicitly. When there is no voting, the necessary consensus is deemed to have been reached when directors representing the requisite voting power have signaled their agreement. In assessing the sense of the meeting, the presiding person obviously gives a lot of weight to those with more voting power. Unequal voting power means that some members can be ignored completely in the decision-making.

33. The WTO vote allocation is as egalitarian as you can get: each member has one vote. Depending on their nature, decisions require simple majority, three-quarters majority, or two thirds majority. For example, a Ministerial Conference decision to submit a proposed amendment to the membership for acceptance is taken by a two-thirds majority if consensus is not reached; and most amendments take effect upon acceptance of two-thirds of the members.[30] The adoption of a waiver or an authoritative interpretation of the WTO agreements requires a three-fourths majority of the members.[31] But, amendments to selected articles of the WTO Agreement and several other WTO agreements such as the GATT 1994, GATS and TRIPS take effect only upon acceptance by all the members. Hence unanimity is required.[32] While the fact that developing countries far outnumber developed ones in the WTO might suggest that the former could have their way in most decisions, this is not the case.

34. Voting has to date never been done in the WTO. The one-country-one-vote system in the WTO gives the appearance of democratic decision-making but in

[27] Le Fort, G., "Issues on IMF Governance and Representation: An Evaluation of Alternative Options" at p. 6, available at http://www.g24.org/research.htm, last accessed on 7 August 2006. Developing countries account for 6% and 4.5% of the voting power and GDP-PPP respectively. Note: GDP-PPP means GDP at purchasing power parity.
[28] Akyuz, Y., "Reforming the IMF: Back to the Drawing Board" at p. 39 available at http://www.g24.org/research.htm, last accessed on 7 August 2006.
[29] Le Fort at p. 19.
[30] Articles X:1 and X:3 of the Marrakesh Agreement.
[31] Articles IX:2 and XI:3 of the Marrakesh Agreement.
[32] These are: Articles IX and X of the Marrakesh Agreement, Articles I and II of the GATT 1994, Article II:1 of GATS, and Article 4 of the Agreement on TRIPS. See Article X:2, Marrakesh Agreement.

practice the poorest countries have little or no representation.[33] In reality, decisions are taken by consensus. Article IX of the Marrakesh places emphasis on consensus and members have usually sought consensus and avoided voting in the negotiating and other bodies. As Narlikar aptly noted, the use of consensus as a basis for decision-making has meant that the possible majorities of developing countries remain unutilized.[34] This is a pity because numbers mean more votes and possibly more influence in the WTO, unlike in the BWIs, where members entrust their vote to their constituency chair on the Executive Board.

c. Constituencies

35. BWI members do not cast their vote individually. They are represented in constituencies whose chairs make the decisions and vote in the meetings of the executive board. There are no set rules for membership of constituencies and the organization of constituencies is left mostly to the political decisions of members. Since countries come together voluntarily, constituencies have evolved as a reflection of the countries' choices. Thus constituencies are a flexible and adaptable form of collective representation.[35] Since each constituency elects an executive director, Europe has 9 executive directors, Asia and the Americas have 5 each, sub-Saharan Africa has 2 and the Middle East has 3.

36. There are three types of mixed constituencies: some are heavily dominated by one country; others are led by an inner circle of countries, and others are more egalitarian.[36] A number of developing countries are dispersed in constituencies headed by developed countries (Australia/New Zealand and Canada, and Spain takes up a seat every three years in a Latin American constituency). The executive director cannot split his vote or cast separate votes for each of the members that he represents. Although the set-up creates the possibility of leveraging the vote of the developed member in favour of the weaker countries; it is more likely to lead to complete obliteration of the voice of the weaker countries as the dominant countries disregard their views.[37] This is because the executive director's vote will usually represent the views of the largest or most powerful member of the constituency.

37. The constituency problem is compounded by the fact that executive directors have a dual role: they are international officers accountable to the institution and guided by its Articles of Agreement and, at the same time, they represent the views and interests of the countries that appointed or elected them. The international objectives of the institution might clash with the individual

[33] South Centre "Institutional Governance and Decision-Making Processes in the WTO" at p. 7, citing UNDP.
[34] Narlikar, A., "WTO Decision-Making and Developing Countries", South Centre TRADE Working Paper No. 11 (November 2001), at p. 2. See also South Centre "Institutional Governance and Decision-Making Processes in the WTO" at p. 19. For a discussion on consensus, see pp. 13 below.
[35] Woods and Lombardi at p. 13.
[36] Ibidem, at p. 9.
[37] Portugal at p. 19.

national interests of members of the constituency. In such a case, it is likely that the executive directors, especially the elected ones, would put the interests of the institution first, for two reasons. One, the executive director is on the payroll of the institution and receives secretarial and administrative support from the organization. Second, there are no proper mechanisms for holding a chair accountable to members of a constituency. Executive directors are held to account through links to their national authorities, through moral suasion within the Board, and through their collective accountability to the Board of Governors. Appointed directors are more answerable to national authorities than the elected ones, who cannot be removed by any of the constituency members. The votes of an elected director are valid even if they are inconsistent with any instructions from his constituents as there is no obligation for a director to defer to the views of the constituents.[38]

38. There is no correlation between constituency size and voting power. The smallest voting share is held by the constituency with the most members: the Africa Group led by Equatorial Guinea, which has 1.42%. In terms of strategizing and administration, it appears that smaller constituencies are preferable: they would facilitate effective consultation and representation of country interests.[39] It has been noted that the large African constituencies increase the burden on the executive director especially as most of the countries are in long-term borrowing relationships with the IMF, which are demanding in terms of work.[40]

39. A rough comparison can be made between the constituency system in the IMF and the World Bank and the WTO informal meetings of a few select members. Informal negotiating sessions in the WTO include green rooms[41] and mini-ministerials.[42] The green rooms are usually attended by representatives from all the groups or coalitions: the Quad; Brazil; India; the G-20; G-33; G-90 (ACP, Africa Group, and LDCs). The main difference between the constituency system in the World Bank and the IMF and the informal meetings in the WTO is that the informal WTO meetings in which "constituencies" or various groupings are "represented" do not make final, binding decisions. The group representatives are not mandated to vote or take a binding decision on behalf of the countries they represent. They only negotiate in order to lay the basis for eventual consensus by all members and they have to report back to their own group members. The final decision is taken in the formal sessions where all WTO members have a right to participate and voice objections if necessary.

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[38] See Woods and Lombardi at pp.11 and Portugal at pp. 6-7.
[39] Woods and Lombardi at p. 15.
[40] Portugal at p. 20.
[41] "Green Room" is a phrase taken from the informal name of the director general's conference room.
[42] There are other informal sessions, like the informal HoDs (Heads of Delegations) meeting, and informal sessions of the various negotiating groups. All members are free to attend these sessions. The governance problems arise with respect to the exclusive informal meetings.

40. However, the green rooms usually lead to compromises which members rarely object to in the formal sessions as they are presented and *fait accompli*. So in effect the formal sessions turn out to be mere rubber stamps of what has already been agreed amongst the smaller group of members. Since informal discussions have no official records, they can lead to information asymmetry if a group's representative fails to convey properly the proceedings to the other group members. The informal meetings go against the member-driven nature of the organization. It empowers the Secretariat, the Director-General or the chairmen of committees. This is because: they decide which members to invite to informal sessions; and they determine the frequency, conduct, extent of participation, and parameters for discussions.[43] Consequently, informal meeting are largely perceived as increasing the problems of participation, transparency and inclusiveness.

41. The inclination towards negotiations in small and informal groups of select members might be seen as vindication for some of the criticism of the WTO's processes and decision-making structure. One critic has said in the past that the WTO was likely to suffer from slow and cumbersome policy-making and management and that it cannot be run by a "committee of the whole". He said "[m]ass management simply does not lend itself to operational efficiency or serious policy discussion. Both the IMF and the World Bank have an executive board to direct the executive officers of the organization, with permanent participation by the major developed countries and weighted voting. The WTO will require a comparable structure to operate efficiently".[44]

42. By and large however, developing countries have opposed the establishment of any executive board in the WTO for consensus-building purposes. They have emphasized that the "member-driven" nature of the organization should be reinforced rather than subverted by the creation of an executive board, even if it will only have advisory or consultative functions. The creation of an executive board would only serve to institutionalize the existing exclusionary and non-participatory informal mechanisms as well as the marginalization of a large number of developing countries from exercising their right to fully participate in the decision-making processes of the WTO. Existing power relations in the WTO will become formalized, thereby limiting the ability of the organization to adapt quickly to possible future changes in such relations as a result of changes in the WTO's membership and of changes in members' geopolitical and economic relationships with each other in the future.

43. Hence, the WTO informal processes should not eventually evolve to formal structures like the BWI executive boards. Instead, the WTO's governance and decision-making processes should be improved by making them more transparent, inclusive, participatory, and formally rule-based, with active rather

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[43] South Centre "Institutional Governance and Decision-Making Processes in the WTO" at p. 27.

[44] Schott, J.J., Institute of International Economics, Washington in "The Organization", quoted at http://www.wto.org/english/thewto_e/whatis_e/tif_e/org1_e.htm, last accessed on 4 August 2006.

than passive consensus forming the core of decision-making. The legitimacy impacts of a decision-making process that is transparent, fair, democratic and participatory should not be sacrificed for the sake of improving efficiency in decision-making.

d. Consensus Decision-making

44. Voting power is a major issue in any discussion of the governance of the BWIs and the WTO. But, consensus decision-making is equally topical as most decisions both in these institutions are taken by consensus. Consensus in the WTO is sometimes justified with the limitations on exit options. It is said that the high levels of legalization and discipline in the WTO, such as a strong enforcement mechanism, limit exit options and naturally require and lead to high demands for voice via participation and political input, such as consensus decision-making.[45] There are divergent views about the value of consensus decision-making for developing countries in particular and the global economic institutions generally.

45. In the IMF, consensus is understood to mean a large majority and the absence of explicit, significant and strong dissent. It is argued that consensus increases the likelihood of the decision being implemented effectively, which is important for the IMF because it relies on the cooperation of members for implementation. Additionally, consensus may also lead to better decisions because executive directors are forced to better argue their case and justify their positions in terms of substance and not voting power. This, it is said, strengthens the power of ideas, and increases scrutiny and attention.[46]

46. Proponents of consensus also say that it prevents a single country from disabling an institution as would be the case with unanimity, and promotes a more constructive approach to reaching a compromise suitable to everyone. They also say it opens up space for developing countries to make their views heard. Such views cannot go unnoticed and the voice of those who are not able to win a vote will be listened to. As such, for developing countries, consensus decision-making may yield a voice that is larger than their votes and the possibility of having greater influence in policy making.[47]

47. This may well be true in some cases. Consensus has enabled developing countries to assert their voice effectively in the GATT and WTO. For instance, the inclusion of special and differential treatment and other developing country issues in the agendas of the Dillon, Kennedy, Tokyo, Uruguay and Doha rounds of negotiations was due to developing countries' ability to block a consensus.[48]

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[45] Pauwelyn, J., "The Sutherland Report: A Missed Opportunity for Genuine Debate on Trade, Globalization and Reforming the WTO", (2005) Journal of International Economic Law 8(2), 329-346, at p. 338.
[46] See Portugal at pp. 15-16.
[47] Portugal at p. 16.
[48] South Centre "Institutional Governance and Decision-Making Processes in the WTO" at p. 19.

Further, the 1999 Seattle ministerial conference failed because some developing countries vowed not to join any consensus because they were marginalized from the decision-making process. Likewise, the collapse of the Cancun Ministerial Conference in 2003 was also due to developing country opposition to the proposed inclusion of the Singapore issues; and the clear indication that they would not join consensus. But it could also be argued that the developing countries prevailed not because of the consensus rule as such but because of the underlying voting power that they wielded.

48. Opponents of consensus decision-making point out that, in reality, consensus does not constitute a democratizing feature of global economic governance but a means of pressuring dissenters to go along with the majority.[49] This is especially true in the WTO because of the passive, as opposed to active, consensus rule. According to footnote 1 of Article IX:1 of the Marrakesh Agreement, consensus in the WTO is achieved when no member present at the meeting when the decision is taken formally objects to the proposed decision. Developing countries in the WTO prefer to remain silent for fear of political and/or economic reprisal from their donors; and, since silence means acceptance, they join consensus without meaning or wanting to.[50]

49. In light of this, it is not surprising that consensus is seen as a mere public relations tactic for the domination of certain countries within international organizations.[51] Some of the criticism has gone further by referring to consensus as organized hypocrisy, a ritual maintained for external display, and a procedural fiction serving as an external display to domestic audiences to help legitimize the WTO outcomes.[52] In fact the requirement of consensus has pushed the WTO leadership to rely more and more on informal processes which have had a largely negative effect in terms of transparency, participation and legitimacy of the negotiating process.[53]

50. For example, the period between the 1999 Seattle and the 2005 Hong Kong Ministerial Conferences saw an increased use of informal mechanisms through which the "key" countries (including those thought to represent key constituencies or coalitions – were brought into more select informal negotiating groups – e.g. "Green Room"-type meetings, mini-ministerials, etc. These were designed to be forums in which a basis for consensus would be reached by the participants which would then be presented to the full membership for further discussion and possible approval. As Odell pointed out: "during the period through 2004, chairs also relied increasingly on selected members to represent

[49] Akyuz at p. 39
[50] See Narlikar and South Centre "Institutional Governance and Decision-Making Processes in the WTO" generally for discussions on consensus decision-making in the WTO.
[51] Varma, S., "Improving Global Economic Governance" South Centre T.R.A.D.E. Occasional Paper 8, August 2002, at p. 16.
[52] South Centre "Institutional Governance and Decision-Making Processes in the WTO" at p. 19.
[53] South Centre "Institutional Governance and Decision-Making Processes in the WTO" at p. 5 and Varma at p. 17.

coalitions of states during private consultations. One state would represent the African Union, another the Caribbean Community, and the like. Some coalitions, like the Least Developed Countries, were defined functionally rather than geographically…. Initially chairs [of WTO negotiating groups] decided which state to invite, but practice trended toward inviting whichever state had been selected by the group's members. …"[54]

51. The current suspension of the negotiations in the Doha Round is evidence of the power of these informal sessions over the formal meetings in which members are supposed to make decisions. It was only after the so-called G-6 had failed to shift their positions that the director-general suspended the talks indefinitely.

<u>e. Coalitions</u>[55]

52. Coalitions are useful to institutions because they can contribute to generating consensus; and they are useful to the institutions' members by permitting their greater participation. Coalitions can enhance access to senior management and staff; can serve as a forum for discussing issues and deriving a better sense of the institution; can provide a greater chance for setting the agenda or blocking it on a specific issue; and may help to find collective solutions and to provide input into knowledge and research.[56] An effective coalition requires a common negotiating position. Additionally, a coalition's capacity to influence the agenda and policies will depend on the formal power that its members have and the degree to which they share interests or other reasons for unity.[57] No coalition can be effective in negotiations without shared interests and mechanisms for forging shared interests and coordinating strategy.[58]

53. Both developed and developing countries have created informal coalitions in the global economic institutions. This section provides a comparative assessment of the developing country coalitions in the BWIs and the WTO.

54. <u>The G-7</u> is the most powerful coalition in the IMF, with 47.13% of the votes at the Executive Board. It comprises of Canada, France, Germany, Italy, Japan, the UK, and the US. The US is the driving force of the group but may also act unilaterally (in which case it is called the G-1). The group coordinates positions and policies; and its discussions and proposals feed into the activities of its executive directors.

55. The G-7 has taken up a de facto management and oversight role of the institution. It sends clear signals on policy direction to the BWI management and

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[54] Odell, J.S., "Chairing a WTO Negotiation", 8:2 J. INT'L ECON. LAW 425 (2005), at p. 435.
[55] This section draws from Woods, N., and Lombardi, D., "Effective Representation and the Role of Coalitions within the IMF" and Bernal, L., Kaukab, R., Musungu, S., and Yu, V., "South-South Cooperation in the Multilateral Trading System: Cancun and Beyond" South Centre T.R.A.D.E. Working Paper No. 21, May 2004.
[56] Woods and Lombardi at p. 25.
[57] Woods and Lombardi at p. 22.
[58] Woods and Lombardi at p. 28.

other members.[59] This is sometimes done at the initiative of the management. For example, in large or contentious cases on loans, the IMF management undertakes prior consultations with the members of the G-7.[60] The group's annual summits – at head of state level - sketch out the international economic and financial agenda which set the tone, speed and direction of discussions, negotiations and decisions in the BWIs and other international organizations, including the WTO.[61] In a recent speech at the G-8[62] summit, the director-general of the WTO told the G-8 that the chief responsibility for progress in the Doha negotiations lay with them.[63] This is clear acknowledgement of the influence and dominance of the G-8 beyond the BWIs.

56. There are three main reasons for the dominance of the G-7 in the governance of global financial policies and institutions. First, the shareholding structure accords these countries a decisive voice and vote. Second, the countries' enjoy leverage by virtue of their crucial role in mobilizing resources and acting as donors. And third, they have made full use of the rise of small deliberative groups able to influence policy decisions.[64]

57. The minority shareholder position of developing countries in the BWIs requires them to work together with other groups of countries, including the transition countries, to counterbalance the G-7 dominance of the international financial agenda.[65] There are two main coalitions of developing countries in the BWIs: the G-11 and the G-24.

58. The G-11 brings together eleven constituencies and operates at the executive board level. Its directors meet periodically to discuss respective positions on major policy issues and country programs. The group is recognized by the IMF as an interlocutor and it provides an important forum for developing countries to discuss issues of particular concern to them and to interact on a sound footing with the G-7. It is very diverse geographically and in terms of the degree of development of members.[66]

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[59] Culpeper, R., "Overriding Jurisdictions in Global Financial Governance, and Long Term Financing for the Poorest Countries", at p. 3, available at http://www.g24.org/research.htm, last accessed on 7 August 2006, and Varma at pp. 10 and 14.

[60] Portugal at p. 15.

[61] Mohammed, at p. 12 and Varma at p. 10.

[62] G-7 plus Russia.

[63] Although there were other countries present at the meeting, like Brazil, China, India, Mexico and South Africa, the title of the news item leaves no doubt as to the intended recipients of the message. See "The chief responsibility lies here, Lamy tells G-8", available at http://www.wto.org/english/news_e/sppl_e/sppl32_e.htm, last accessed on 2 August 2006.

[64] Culpeper, pp. 5-6. The G-7 is not the only coalition of developed countries in relation to the BWIs. The European countries have their own coalition in the IMF, which includes all representatives from EU countries, called EURIMF. It tends to be strongest on issues related to the euro. See Woods and Lombardi, at pp. 23-24.

[65] Mohammed, at p. 15.

[66] It comprises of members from Africa, Asia, Middle East and Latin America, and both low income and emerging economies: Lombardi, at p. 24. The G-11 constituencies are those headed by – Argentina, Brazil, Egypt, Equatorial Guinea, India, Iran, Malaysia, Mexico, Tanzania, and Saudi Arabia. For the members of these constituencies, see http://www.imf.org/external/np/sec/memdir/eds.htm, last accessed on 10 August 2006.

59. Similarly, there is a divergence of interests amongst the G-24 membership[67]: geographically - Africa, Asia, Caribbean, and Latin America; and in terms of primary concerns - creditor and debtor, oil and non-oil, poor and middle income, large and small countries. Such diversity might create problems when trying to come up with common positions on certain issues. For example, emerging market members did not like the G-24 to take positions that most other members wanted to adopt because they were afraid that radical options would impair their access to private markets.[68] Nonetheless, developing countries have also been able to set aside their differences and to forge strong, common positions on several issues. For example, BWI reform is now firmly on the agenda as a result of the consistent and persistent pressure from members of the G-24. Their recognition of the commonality of their interests (economic, geographical, historical, or political) with respect to specific issues has often served as the basis for such strong unity and coherence in action.

60. The constituency system generally limits the impact and effectiveness of the developing country coalitions in the BWIs. A particular problem for the G-24 is that it operates at a ministerial level whereas the executive directors are national representatives who are also accountable to the BWIs. Few G-24 nationals serve as executive directors because of the constituency system; and those executive directors coming from G-24 countries still have to take into account the interests of non-G-24 members of their constituency when deciding by consensus or casting their vote.[69] The formation of a coalition does not, in many cases, actually result in more voting power in the BWIs.

61. Thus developing countries remain a permanent minority in terms of voting power in the BWIs. Although consensus rather than voting is used, the ability of developing countries to forge a blocking coalition requires a higher level of solidarity than is attainable. This is because they focus more on their client relationship with BWIs rather than on the policy matters related to their stake holding.[70] Furthermore, the developing country ministers and governors participating in BWI meetings are aware that their statements can impact negatively on their countries standing in private financial markets and on their negotiations for financial support from the BWIs.[71] This has led to a tempering of

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[67] The members are: Algeria, Argentina, Brazil, China (observer country), Colombia, Congo DR, Cote d'Ivoire, Egypt, Ethiopia, Gabon, Ghana, Guatemala, India, Iran, Lebanon, Mexico, Nigeria, Pakistan, Peru, Philippines, South Africa, Sri Lanka, Syria, Trinidad and Tobago, and Venezuela.

[68] Mohammed, at p. 4.

[69] Mohammed, at p. 6.

[70] Mohammed, at p. 9. This is not to say that the G-24 has not been effective has not been effective. For example, at the Fall 1994 meeting of the Interim Committee developing country representatives rejected a US-British proposal to make a new SDR allocation on the basis of an equity criterion so as to accommodate over 40 members that had joined the IMF after the last allocation in January 1981. The allocation would have required an amendment to the Articles of Agreement. The G-24 felt that the allocation would foreclose the possibility of a "general" allocation under the current Articles. This rejection may have led to developed countries exploring more inclusive approaches to decision-making: Mohammed, at p. 10.

[71] Mohammed, at p. 6.

the approach that the G-24 could take with respect to issues relating to the BWIs that contrasts with the sharper and more critical views of developing country representatives in other forums such as in the United Nations and the WTO.[72]

62. There are a range of different developing country coalitions in the WTO. The coalitions are recognized as interlocutors by other WTO members and the Secretariat. They negotiate as such with one or two group members as representatives on the understanding that the groups are not automatically bound by what the representative agreed to until after internal group consultations and consensus agreement.[73] The coalitions' representatives are usually invited to the green-room meetings and to some of the mini-ministerial meetings. There are no rules for the WTO coalitions. Some of the coalitions are formal while others are informal (issue-based).

63. Three notable formal coalitions are the Africa Group, the LDC group and the ACP group. The Africa Group: the composition of the Africa Group, which is geographically aligned, is axiomatic. This group operates on a daily basis on a technical level and, when necessary, on the ambassadorial level. Ministerial-level meetings are held periodically for trade ministers to agree on common negotiating objectives and strategies. The ambassadorial level group takes the political decisions; while the technical level group prepares the group's proposals and positions which are submitted to the WTO after the approval of the ambassadors and capital officials. In Geneva, the Africa Group receives support from the African Union Mission, the UN Economic Commission for Africa Interregional Advisory Services office, UNCTAD, the South Centre and non-governmental organizations. Different countries are assigned as focal points for the various issue areas and one country is chosen as the overall group coordinator. They all report back and are accountable to the group.

64. The Least-Developed Countries group: the LDC group is made up of the WTO member countries that are part of the group of countries that the UN designated as least developed. Their working and organizational style is similar to that of the Africa Group. The group also gets technical analytical support from UNCTAD, the South Centre and non-governmental organizations. The difference is that it does not have the institutionalized or administrative support that the African Group gets from the AU Mission and the UNECA. The group has been very effective in getting its interests and concerns reflected in the legal texts of the GATT/WTO and also in getting support from other WTO members and international organizations.[74]

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[72] Sakbani, A., "A Re-Examination of the Architecture of the International Economic System in a Global Setting: Issues and Proposals" p. 20, available at http://www.unctad.org/TEMPLATES/Page.asp?intItemID=1397&lang=1, last accessed on 7 August 2006.
[73] South Centre, "Institutional Governance and Decision-Making Processes in the WTO" at p. 8.
[74] See Bernal et al, at p. 14.

65. The ACP Group comprises of developing countries from Africa, the Caribbean and the Pacific who share historical, political and economic ties with, and receive preferential treatment from, the EU.[75] It was established two decades ago and has a proper organizational structure, including a Council of Ministers, a Committee of Ambassadors, a secretariat in Brussels and a permanent representative office in Geneva (which was established in 2002). The Geneva office provides technical and administrative support and information for the participation of the ACP Group in the WTO. The technical experts, and sometimes the ambassadors, are involved in the day to day work whereas the Ministers meet to adopt common positions periodically, most notably before each WTO ministerial conference.[76]

66. There are also a number of active issue-based developing country coalitions in the WTO. These coalitions evolve over time and the number in the name of the group does not always correspond to the number of the members of the group.

67. One of the most powerful developing country coalitions in the WTO is the G-20.[77] This was created shortly before the 2003 ministerial conference in Cancun. The coalition was formed as a direct reaction to the joint European Communities[78] and US proposal for a framework for agriculture negotiations.[79] Developing countries decided to come together to forge an alliance against the EC/US position. Despite the absence of formal structures, the coalition has continued to present common proposals and counterproposals in the agriculture negotiations. Generally, the G-20 pushes for the complete elimination of agriculture export subsidies in developed countries, the substantial reduction or elimination of domestic agricultural subsidies in developed countries, and improved market access for developing countries' agricultural exports in developed countries through substantial agricultural tariff reductions by the latter.

68. Another issue-based coalition is the G-33.[80] Like the G-20, it focuses on agriculture and is also known as the alliance for special products (SP) and

[75] Only 54 of the 79 ACP countries are members of the WTO.
[76] CARICOM (the Caribbean Community) is another formal coalition of developing countries. It has a Regional Negotiating Machinery with an office in Geneva. Fifteen CARICOM members are members of the WTO, videlicet: Antigua and Barbuda; Barbados; Belize; Dominica; Grenada; Guyana; Haiti; Jamaica; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Surinam; and Trinidad and Tobago.
[77] Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Thailand, Tanzania, Venezuela and Zimbabwe. Some members of the G-20 are also members of the Cairns Group, a coalition of the world's largest developed and developing country agriculture exporters.
[78] For legal reasons, the European Union is known as the European Communities (EC) in the WTO. The EU is a WTO member that is distinct from its member states: http://www.wto.org/english/thewto_e/whatis_e/tif_e/org3_e.htm, last accessed on 7 August 2006.
[79] Bernal et al, at p. 18.
[80] Barbados, Botswana, Congo, Côte d'Ivoire, Cuba, Dominican Republic, Haiti, Honduras, Indonesia, Jamaica, Kenya, South Korea, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Senegal, Sri Lanka, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia and Zimbabwe.

special safeguard mechanism (SSM). The G-33 consists of developing-country importers of agricultural products, many of them also single-crop producers and exporters. The members do not share the same positions in other areas of the agriculture negotiations but they have been able to maintain a coalition on their shared defensive interests. Some of the G-33 countries are also members of the G-20. Both the G-20 and the G-33 try to coordinate their positions with respect to SP and SSM issues.

69. The largest developing country coalition is the alliance that encompasses the ACP group, African Group, and LDC group. The alliance comes together mainly at ministerial conference. It does not replace the work of its constituent groups: each of its member coalitions pursues its own agenda on specific issues. The alliance does not have a formal technical support system. It relies on its constituent coalitions and also on the support of intergovernmental organizations.[81]

70. There are no coordination mechanisms for these different coalitions. However, this has not hampered the collective pursuit of the interests of developing countries in the WTO. One of the main reasons for this is that there is a significant degree of overlap in the membership of the coalitions. For example, the African LDCs, who are part of the LDC group, are also members of the African Group and the ACP Group. 71. Similarly, the members of the formal groups (ACP, African, CARICOM and LDC) are also members of the informal coalitions. This results in a good level of information flow and informal coordination, especially for the delegates in Geneva who work together on a daily basis. The cross-membership also makes it easier to coalesce around common positions on specific issues. The use of informal, issue-based coalitions allows countries to leave aside their differences in some negotiation areas to pursue their common interest in another.

71. The developing country coalitions have had varying degrees of effectiveness in the WTO. They have been largely effective in getting their issues on the agenda and getting political recognition for their issues. The jury is still out, however, on whether this has translated into meaningful benefits at the regional or national levels. Perhaps the main impact of the coalitions is that developed countries have realized that developing countries can forge strong, unified coalitions that can block consensus and win the majority vote should voting ever take place. This has forced developed countries to listen to developing country concerns and to try to avoid recourse to actual voting when making decisions on any issues.

72. The use of coalitions has qualitatively increased the ability of developing countries to participate in and influence decision-making in the WTO since the

[81] A much smaller issue-based group is the Cotton-Four (Benin, Burkina Faso, Chad and Mali), a group of countries that are heavily dependent on cotton and are fighting for the elimination of developed country cotton subsidies.

WTO Ministerial Conference in Seattle in late 1999. They have become more active, more vocal, more assertive in asserting and defending their interests, and more willing to work together in both bloc-type (e.g. African Group, ACP, LDCs) and issue-based (e.g. the G-20 and the G-33 on agriculture, the NAMA 11 on industrial goods, the Core Group of Developing Countries on trade facilitation) coalitions. [82]

73. Developed countries' responses to the increasing level of sophistication and unity of developing countries in the WTO negotiations have gone through different kinds. They were initially dismissive of the stability and viability of developing country groupings. Following the collapse of the Cancun Ministerial Conference in 2003, they engaged in outright attempts to break-up these groupings by trying to convince or pressure various members to break away.[83] They have now reconciled themselves to having to undergo group-based negotiations with developing countries.

74. These developing country coalitions require: (i) increased levels of information sharing and coordination in Geneva in order to minimize and address their negotiating resource constraints; and (ii) greater political willingness on the part of developing countries to work together through formal or informal groupings or coalitions and, corollary to this, the willingness of some key developing countries (such as Brazil, India, South Africa, Indonesia, Philippines with respect to various coalitions) to provide the administrative and logistical support needed to keep such coalitions up and running.

75. The increasing success and ability of developing countries in the WTO to form and maintain their coalitions, and hence their ability to influence both the pace and direction of WTO negotiations, can be seen in part from the varied results of the WTO ministerial conferences and negotiations since Seattle – e.g. the breakdown of the Cancun Ministerial Conference in September 2003, the conclusion of the Hong Kong Ministerial Conference in December 2005, and the suspension of the WTO Doha negotiations in July 2006.

76. In BWI matters, developed countries have come to realize that developing countries have to be part of the discussions rather than primarily being the principal sites of international financial instability. Therefore, emerging markets have been invited to the table to discuss international economic and financial

[82] A useful academic work assessing the changes in developing country participating in the WTO is Andrew Hurrel and Amrita Narlikas, *A New Politics of Confrontation? Developing Countries at Cancun and Beyond* (2005). See also Luisa E. Bernal, et al., *South-South Cooperation in the Multilateral Trading System: Cancun and Beyond* (South Centre TRADE Working Paper No. 21, May 2004); Amrita Narlikas, *WTO Decision-Making and Developing Countries* (South Centre TRADE Working Paper No. 11, November 2001). For discussions of the role of developing countries during the Uruguay Round negotiations, see e.g. Sheila Page, *Developing Countries in GATT/WTO Negotiations* (ODI Working Paper, October 2001); and Vinod Rege, *Developing Countries and Negotiations in the WTO* (SUNS North-South Development Monitor, 4 August 1998), at http://www.sunsonline.org/trade/process/followup/1998/08070098.htm.

[83] See e.g. ActionAid International, *Divide and Rule: The EU and US response to developing country alliances at the WTO* (2004).

matters. They now take part in the Financial Stability Forum and the G-20[84]. But there is little indication that the G-7 will ever invite the poorest countries to participate in deliberations.[85] This is similar to what is currently happening in the WTO.

77. In the GATT years, developed countries were far more dominant than they presently are. There were virtually no recognized coalitions of developing countries; and the advanced developing countries were not taking a leadership role in pressing for developing country positions. Things changed when developing countries started using coalitions more effectively. The developed countries realized the influence and importance of the major developing countries and started inviting them to the discussions. This has culminated in the G-6: Australia, Brazil, the EU, India, Japan, and the US. The WTO negotiations now centre on these countries. It is generally believed that once these countries agree on a deal the rest of the membership will accept that deal and conclude the Doha Development Round. But, just like in the BWIs, the poorest countries have been left out and there is little indication that they will ever be invited to the table. Being small and poor, and with a negligible contribution to world trade, they are expected to accept the results of the compromises reached by the G-6.

78. Overall, there is insufficient developing country participation in global economic governance despite the one country one vote system in the WTO, the consensus decision-making rule in the WTO and BWIs, and despite developing countries' increased ability to form and maintain coalitions in the WTO. Governance reform in both the BWIs and the WTO is therefore imperative if these institutions are to maintain their relevance to developing countries.

79. The times are changing and these institutions must also change to provide developing countries with a greater voice and a greater share in the decision-making structures for global economic governance. In addition, such changes must take place in conjunction with the creation of new forms and structures for global and regional economic and political relations among countries that would be fairer, equitable, and more sustainable and which could provide for better developmental benefits to the global poor and the marginalized as compared to the current global system.

IV. Changes in the BWIs and the WTO

a. Present Realities of the BWIs and the WTO

[84] This is a group of developed and developing countries which is seen as a developed country attempt to co-opt selected, influential developing countries in their discussions. It should not be confused with the G-20 in the WTO.
[85] Culpeper, at p. 6.

80. The institutional role of the BWIs has changed. There have been fundamental shifts from focusing on cooperation among the developed countries to providing support primarily to developing countries.[86] But this has not seen a corresponding change in their governance structure, which has yet to respond to the new realities of the global economy.[87] The Managing Director of the IMF recently acknowledged that the IMF work and governance structure must be adapted to the new realities if it is to remain relevant to its members.[88] What are these realities?

81. The BWIs are ailing and are increasingly becoming irrelevant. Woods has identified four ailments of BWIs, three of which are pertinent to this paper. First, although the institutions place great stock in advising members on economic policy, their advice is not seen by members as impartial. Second, their main clients no longer want to borrow from them. And, third, their income is diminishing.[89] These points require elaboration.

82. *Advice not impartial*: the IMF and the World Bank make decisions that affect the lives of hundreds of millions of people in developing countries. Yet the voice of the governments representing these people is not heard or listened to in the decision-making processes of these institutions. Instead, the BWIs have become mechanisms through which powerful developed countries exercise control over the governments of developing countries.[90] The IMF in particular is seen as a tool of US policy – offering advice that is too ideological and too prescriptive.[91] This is perhaps not surprising because the US does not hide its willingness to use the IMF as a tool of foreign policy.[92]

83. *Main clients no longer want to borrow*: developing and emerging economies are playing an increasingly important role in the world economy and raising their share of global output and trade. They are also home to the majority of the world's population. But, because of the inadequate and unresponsive governance structures of the BWIs (which do not recognize the changing role of developing countries in the world economy), developed country dominance of the institutions, and other factors, the main borrowers are opting to pay their debt and not borrow again. Argentina, Brazil, Indonesia, Turkey and Uruguay are all either paying off their debts ahead of schedule or seriously discussing the

[86] Woodward: Change and Akyuz, at pp. 2-4.
[87] Le Fort, at p. 2; Eggers, A., Florini, A., and Woods, N., "Democratizing the IMF: Involving Parliamentarians" GEG Working Paper 2005/20, at p. 4, available at http://www.globaleconomicgovernance.org/papers.php, last accessed on 7 August 2006.
[88] Rato, R., "The Changing Role of the IMF in Asia and the Global Economy", speech delivered at the National Press Club, Canberra, Australia, on 13 June 2006, available at http://www.imf.org/external/np/speeches/2006/061306.htm last accessed on 3 August 2006.
[89] The fourth is that conditionality does not work: Woods, N., "The Globalizers in Search of a Future: Four reasons why the IMF and World Bank must change, and four ways they can" CGD Brief, available at http://www.globaleconomicgovernance.org/papers.php, last accessed on 7 August 2006
[90] Woodward: Change, at p. 4.
[91] Woods, at p. 1.
[92] Sakbani, at p. 21.

option. All of them will not take any more IMF loans – and these are some of the IMF's biggest debtors.[93]

84. Countries that are gaining importance in the global economy and are not recognized as such are looking for substitutes of IMF services. Similarly, countries tired of the bureaucratic hassle of borrowing from the World Bank are turning to private sources of finance and other arrangements.[94]

85. For example, the Chiang Mai initiative started when Asian countries decided to build up their reserves and develop regional monetary arrangements as a form of insurance. The initiative provides liquidity support to its members when faced with contagion and speculative attacks against their currencies. It might eventually become the Asian monetary fund.[95] Latin America is not lagging behind. Venezuela and Argentina want to establish a new regional bank for nations frustrated with IMF conditions. This would create financial space permitting the generation of lines of finance for such countries.[96]

86. In addition, other pre-existing institutions might provide alternatives to developing countries. Regional banks are already becoming significant lenders: the Asian Development Bank is lending more to Asia than the World Bank does; and the Andean Development Fund (CAF) is lending more than the Inter-American Development Bank. But regional reserve arrangements will always be under pressure since the smaller the number of participants the higher the risk to each individual member.

87. *Income diminishing*: It is usually thought that the powerful developed countries are the ones footing the bills for the IMF and World Bank. This might have been true in the past but it is no longer the case. As Woods explains, the World Bank and the IMF are relying more on borrowers than on creditors for income. These borrowers are mainly the emerging market economies. In two decades, from 1980 to 2000, borrowers from the IMF raised their relative contribution from 28% to 71% while creditors decreased their contributions from 72% to 29%. This illustrates the increasing role taken by borrowers.[97] The problem for the BWIs is that the exit of the main borrowers means less income for them.

88. These ailments do not mean that there is no role for the BWIs. Most of the poorer countries cannot exit from IMF and WB in the short to medium term future.[98]

[93] Bello, W., and Ambrose, S., "Take the IMF off Life Support", (26 May 2006) available at http://www.commondreams.org/views06/0524-22.htm, last accessed on 7 August 2006. Even smaller countries are considering exiting: see Bretton Woods Project, "Internal Financial Crisis at the IMF" available at http://www.brettonwoodsproject.org/art.shtml?x=538439 , last accessed on 7 August 2006, giving the example of Ghana and Serbia.
[94] Woods, at p. 2.
[95] Buira, at p. 18.
[96] Hearn, K., "South American nations eye alternative to IMF" in The Washington Times of 14 July 2006, available at http://washingtontimes.com/world/20060713-100814-7313r.htm, last accessed on 7 August 2006.
[97] Woods and Lombardi, at pp. 17 and 18; and Woods at p. 2.
[98] Woods, at p. 2 and Buira at p. 22.

Hirschman's notion of exit and voice suggests that the closure of exit options or stricter legal discipline increases the demand for voice or participation in the political process.[99] This applies to the WTO generally and to the BWIs in respect of the poorer developing countries. In the WTO, members are faced with less exit options because of the legal structure (binding and automatic dispute settlement; strict rules on amendment of schedules and re-negotiation of concessions; and strict rules on amendment of provisions generally). Therefore, they need more political voice to ensure that decisions are taken in a transparent and participatory manner so that such decisions could provide as much flexibility as possible with respect to creating, implementing, and interpreting WTO rules. In the BWIs, the poor developing countries are deeply in debt with onerous conditionalities: aside from debt cancellation, there is no way out of this debt. Hence, as expected, they would like more political voice to make up for their (perceived or actual) lack of exit options from the conditionalities and prescriptions of the BWIs.

89. The suspension of the WTO's Doha negotiations reflects the impasse that WTO members find themselves in as far as effecting changes in the WTO's decision-making processes and structures is concerned. While developed countries by and large prefer to maintain the status quo where the underlying economic and power relationships favor them, developing countries on the other hand seek to effect changes that would improve the ability of the WTO's system of rules and normative behavior to provide economic and political benefits to developing countries.

90. The collapse of the Seattle and Cancun Ministerial Conferences (arising mainly from the failure to develop consensus around major procedural and substantive issues under discussion) and the circumstances under which the outcomes of the Doha Ministerial Conference were engineered have prompted calls from developing countries, on the one hand, for the organization to improve its decision-making processes by making them more transparent, inclusive, participatory, and formally rule-based; and from many developed countries, on the other hand, for flexible decision-making processes, with a focus on enabling officials handling or facilitating discussions, as well as Members' representatives, to benefit from flexible and more responsive mechanisms or procedures, including informal ones.

91. The WTO, with its broad and diverse membership, cannot long survive on internal governance mechanisms and procedures that effectively marginalize the greater majority of the membership. Real developmental benefits for developing countries from membership in the WTO are unlikely to arise without any serious changes in the way that negotiations and the day-to-day governance of the WTO are conducted.

[99] Pauwelyn, at p. 337.

92. The indefinite suspension of the WTO Doha negotiations in July 2006 is likely to prompt more calls, especially from developed countries, for putting in place a "more efficient" negotiating process. It is quite likely, if the suspension continues until 2007, that the proposals of the Sutherland Report[100] could be raised by the WTO director general, Pascal Lamy, with the WTO membership for consideration and discussion pending the resumption of the negotiations. The argument could be that putting in place a "more efficient" negotiating process could help members make up for lost negotiating time as a result of the suspension once the negotiations resume. Developing countries therefore need to keep this in mind.

b. Suggestions

93. It is hard to conceive of a world in which the richest countries would not use their power to dominate global economic governance.[101] Some advise that developing countries should not contest the domination because it reflects the facts of the world.[102] But surely, both the BWIs and the WTO, as global economic governance institutions, have to change. Reform is necessary not only for developing countries but also for the continued legitimacy and global relevance of these institutions, especially the BWIs. The clamour for the reform of BWIs and WTO governance so as to improve the presence and participation of developing countries is so loud it can neither be subdued nor ignored.

94. For the BWIs, for example, some have called for the abolition of the IMF on grounds that it is no longer needed. Others would like it to be merged with the World Bank.[103] However, the BWIs still have a constructive role to play given their accumulated expertise and the inability of private financing and regional initiatives currently to cater for all the needs of developing countries.[104] Other suggestions for reform include introducing an independent executive board,[105] a measured increase in the aggregate voting share of developing countries,[106] preserving the share of basic votes,[107] increasing the scope of double majority

[100] This is the report prepared by the Consultative Board of Eminent Persons constituted by then-WTO Director General Supachai Panitchpakdi in 2004 to "look at the state of the World Trade Organization as an institution, to study and clarify the institutional challenges that the system faced and to consider how the WTO could be reinforced and equipped to face them." The report is officially titled "The Future of the WTO: Addressing Institutional Challenges in the New Millennium" and was released by the Consultative Board in January 2005. The Board was composed of former GATT Director General Peter Sutherland, and its other members were Jagdish Bhagwati, Kwesi Botchwey, Niall FitzGerald, Koichi Hamada, John H. Jackson, Celso Lafer, and Thierry de Montbrial. The South Centre's comments to the report can be found at South Centre, WHAT UN FOR THE 21ST CENTURY? A NEW NORTH-SOUTH DIVIDE (South Perspectives, 2005).
[101] Culpeper, at p. 14.
[102] Sakbani, at p. 20.
[103] Akyuz, at p. 1. Others have also called for the formation of a new organization, the World Financial Authority or the Global Financial Organization.
[104] Varma, at p. 18. For problems with regional initiatives, see Le Fort at pp. 8-9.
[105] Le Fort, at pp. 15-18.
[106] Portugal at p. 9.
[107] Buira at p. 7.

voting,[108] and reallocating voting rights and the share of quotas on the basis of purchasing power parity.[109]

95. Ultimately, the issue of BWI reform is a political problem that requires a political solution.[110] It has to be addressed by the members of these institutions. Some commentators have pointed out that little reform is possible without getting the support of developed countries.[111] In this regard, it is notable that the US has said governance should evolve along with the world economy to ensure better reflection of countries' global weights and more effectively representation. Japan has stated that unless the IMF responds to the increasing importance of Asia in the world economy it could irrevocably lose relevance in Asia and ultimately in the world. But still there is some resistance to reform, especially among small European countries that fear losing chairs on the executive board.[112] Given this resistance, developing countries should be pro-active in defining their own agenda for structural change. At the same time, developing countries should seriously identify and consider alternatives to these institutions because reform initiatives are likely to be insufficient.

96. It appears that some reform might take place. The 2006 Spring meeting gave the Managing Director of the IMF the mandate to make concrete proposals to address governance issues. He envisages a two-year program starting after the September meetings. This would include immediate quota increases for the countries whose quotas are most clearly out of line with their weight in the global economy and also more fundamental changes like the position of small countries and a further round of ad hoc quota increases for underrepresented members following a review of the quota formula.[113] The G-24 has pointed out the lack of timeliness of this two stage process, and showed preference for a comprehensive reform package.[114] In a recent speech, the Managing Director acknowledged that low-income countries and underrepresented emerging market economies have every reason to be concerned about their voice and representation. He said he would make specific proposals on governance issues in the run-up to the Annual Meetings in September.[115]

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[108] Woods and Lombardi at p. 15 and The Bretton Woods Project, "NGOs demand democracy not tinkering" available at http://www.brettonwoodsproject.org/art.shtml?x=539527, last accessed on 7 August 2006.
[109] Akyuz, at pp. 40-41.
[110] Le Fort, at p. 3.
[111] Portugal, at p. 3.
[112] Buira, at p. 16.
[113] Rato, opere citato. The likely beneficiaries of quota increases are China, Korea, Turkey and Mexico, and there is also a possibility that Malaysia, Singapore and Thailand could benefit from expanded reform: The Bretton Woods Project, "IMF strategic review: too little too late?" available at http://www.brettonwoodsproject.org/art.shtml?x=538435, last accessed on 7 August 2006.
[114] Intergovernmental Group of Twenty Four on International Monetary Affairs and Development, Communiqué dated 21 April 2006, available at http://www.g24.org/commqs.htm, last accessed on 7 August 2006.
[115] Rato, R., "Renewing the IMF's Commitment to Low-Income Countries", speech delivered at the Center for Global Development, Washington D.C., USA, on 31 July 2006, available at http://www.imf.org/external/np/speeches/2006/073106.htm last accessed on 3 August 2006.

97. Any comments on the adequacy of the proposal can only be made after they are publicized. But if they do not go significantly beyond the ad hoc quota increases, they will be grossly insufficient. They will not make any practical difference to the governance of the IMF.

98. There are some general guiding principles that developing countries should follow and keep in mind when pursuing the reform of the BWIs. These include:

a. Borrowers should be included in decision-making at the top, not necessarily one-country-one-vote, but by creating incentives for the most powerful members to consult and build coalitions across a wide range of members. For example, the proposals for increasing the scope for double majority voting would ensure that developed countries cannot act or adopt decisions without considering the views of developing countries.[116]

b. Voting power is very important in the BWIs both explicitly and implicitly, because it underlies the consensus decision-making. But it would be naïve to expect that the one-country-one-vote rule will ever be introduced in the BWIs. Developing countries are unlikely to get the majority voting power in these institutions. Nonetheless, the underrepresented members should be given what is rightly theirs: voting power that reflects their position in the world economy. The suggestions for quota increases are in line with this principle, as are the G-24 proposals for a substantial increase in basic votes and a new quota formula that reflects the relative economic size of developing countries in the world economy.[117]

c. The fact that the executive directors make the decisions and cannot split their votes means in practice that developing countries, and especially those in mixed constituencies, do not take part in the decision-making at all. The system could be changed to ensure that each country’s vote is reflected.

99. The effectiveness of the representation that developing countries receive in the governing bodies of the BWIs also needs to be reassessed and addressed. EDs from developing countries, especially those from Africa, need to be provided with substantially more technical and logistical staff support (especially by staff coming from developing countries themselves). Developing countries in constituencies that consist of both developed and developing countries might wish to consider joining constituencies that are purely Southern in membership.

100. For the WTO, any changes in its governance and decision-making structures and processes must be based on the active consensus principle rather than the

[116] Woods, at pp. 4-6.
[117] The G-24 has suggested these changes in its communiqués: see http://www.g24.org/commqs.htm, as has the G-77 in Paragraph 15 of the Vienna Spirit, adopted at the Fortieth Meeting of the Chairmen/Coordinators of the G-77 on 8–9 June 2006 in Vienna, available at http://www.g77.org/vienna/ViennaSpirit.pdf, last accessed on 11 August 2006.

passive consensus that is currently used. The utility of engaging in group-based negotiating dynamics, especially for developing countries, has been clearly seen and proven in the past few years and should be retained and further enhanced. At the same time, however, efforts should be made to strengthen the ability of individual developing countries to participate effectively on their own account, independent of their group membership, in WTO proceedings.

101. A pro-active agenda for developing countries in the area of WTO institutional governance reform could involve the following:

a. the content, direction, and extent of technical assistance being provided by the WTO Secretariat to Members, to ensure that such technical assistance is aimed at enhancing the ability of national policymakers to maximize the use of existing flexibilities in trade policy to foster national development;

b. the role of the WTO Director-General and the other officers and chairs of the various WTO regular and negotiating bodies with respect to the preparation for and the conduct of WTO meetings, consultations, and negotiations, to ensure that the procedures and processes used are transparent, democratic, fully participatory, and ensures that the voices of developing countries are given full opportunity to be heard and reflected;

c. to clarify consensus as a means of decision-making in the WTO as requiring "active" rather than "passive" consensus, while retaining consensus as the bedrock of WTO decision-making and the foundation of the legitimacy of its rules and agreements for all Members;

d. the need to establish rules to govern the informal processes used in the WTO;

102. Developing countries will have to ensure, additionally, that any changes in the institutional mechanisms for decision-making in the WTO must not be made at the expense of the sovereign and equal right of Members to fully participate in the consensus-based decision-making processes of the organization. Suggestions relating to the establishment of an executive committee composed of a sub-set of Members for the purpose of facilitating consensus-building among Members, or to establish a trade-weighted voting system, should not be agreed to by developing countries.

c. Addressing Systemic Issues in Global Governance

103. Changes in institutional governance mechanisms, such as voting mechanisms, decision-making procedures, etc., are necessary for these institutions. It is important to put in place more transparent, democratic and fair procedures and governance structures in order to ensure that these institutions deliver on their development potential.

104. However, such changes may, ultimately, become simply cosmetic if the underlying global economic and political power structures that these institutions reflect are not also addressed. Hence, institutional changes must be linked to a broader understanding of and the need for structural changes in global economic and political power relations, in how developed and developing countries relate among and between themselves and their peoples.

105. The development of developing countries, including the creation of opportunities to allow their poor and marginalized communities to improve standards of living in a sustainable and sustained way, needs to be placed at the front and centre of the global governance debate. Institutions must be improved with the view of ensuring that, ultimately, they and their member countries will be better equipped to deliver on this global developmental objective.

106. This will require changes in how the roles of these institutions are seen and acted upon in the context of individual countries' own development policies. The BWIs are no longer the sole or even primary sources of development assistance for developing countries because, in an increasing number of cases, developing countries are now able to generate sufficient domestic savings (from domestic industry and, in some case, overseas remittances), obtain assistance from regional development banks, or obtain last-resort development assistance and capital lending from other developing countries. While the multilateral trade regime of the WTO may be important with respect to global trade flows, just as equally if not more important would be ensuring that the WTO's rules do not hamper the ability and policy flexibility of developing countries to design their own industrial and trade policy and to establish and strengthen South-South regional (e.g. geographically adjacent) trade, economic, political, and financial integration.

107. The potential for stronger South-South integration and interaction is now much greater than ever and constitutes a viable alternative that could be explored by developing countries at the same time as efforts to effect institutional structural changes in the BWIs and the WTO are made.

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