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Weighted Voting in the International Monetary Fund and the World Bank

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William N. Gianaris

Abstract

This Article contends that the current system of weighted voting is essential for the efficient operation of the IMF and the World Bank. Part I briefly reviews the historical background of the IMF and the World Bank. Part II analyzes the IMF's and the World Bank's weighted voting systems. Part III discusses the weighted voting systems of regional banks. Part IV discusses other international organizations with weighted voting. Part V examines international organizations that have equal voting systems. Part VI analyzes the changes and challenges to the weighted voting system in the IMF and the World Bank.

WEIGHTED VOTING IN THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK

William N. Gianaris*

INTRODUCTION

Historically, nations have joined together to create international organizations to deal with international problems and to regulate economic ties between them.¹ The number and power of these international organizations has dramatically increased since World War II.² Decision-making processes of international organizations vary. Prior to World War II, most international organizations had equal voting systems.³ Weighted voting, where a nation's economic or military strength is reflected in its voting strength, was introduced after the war.⁴ Today, two of the largest and most effective public international financial organizations are the International Monetary Fund (the "IMF") and the International Bank for Reconstruction and Development (the "World Bank"). Both have weighted voting systems.⁵

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1. See Sweeney, *From Columbus to Cooperation—Trade and Shipping Policies from 1492 to 1992*, 13 FORDHAM INT'L L.J. 481, 483-84 & 488-509 (1989-1990).

2. See generally *id.* (outlining rise of international cooperation after World War II).

3. R. KLEIN, SOVEREIGN EQUALITY AMONG STATES: THE HISTORY OF AN IDEA 1-4 & 54 (1974); see E. DICKINSON, THE EQUALITY OF STATES IN INTERNATIONAL LAW 334-35 (1920).

4. See generally R. EDWARDS, INTERNATIONAL MONETARY COLLABORATION 44-94 (1985) (reviewing international organizations).

5. See Articles of Agreement of the International Monetary Fund, Dec. 27, 1945, art. XII, § 5, 60 Stat. 1401, 1418-19, T.I.A.S. No. 1501, 2 U.N.T.S. 39, 86-88, *amended* May 31, 1968, 20 U.S.T. 2775, T.I.A.S. No. 6748, *amended* Apr. 30, 1976, 29 U.S.T. 2203, T.I.A.S. No. 8937 [hereinafter IMF Articles]; Articles of Agreement of the International Bank for Reconstruction and Development, Dec. 27, 1944, art. V, § 3, 60 Stat. 1440, 1451, T.I.A.S. No. 1502, 2 U.N.T.S. 134, 162 [hereinafter IBRD Articles]. These organizations' voting systems are currently undergoing challenges from Japan's recent increase in voting strength to number two in the voting order of the IMF, by the Soviet Union's serious consideration of applying for membership to the IMF and the World Bank, and by the demands of developing countries for a greater

This Article contends that the current system of weighted voting is essential for the efficient operation of the IMF and the World Bank. Part I briefly reviews the historical background of the IMF and the World Bank. Part II analyzes the IMF's and the World Bank's weighted voting systems. Part III discusses the weighted voting systems of regional banks. Part IV discusses other international organizations with weighted voting. Part V examines international organizations that have equal voting systems. Part VI analyzes the changes and challenges to the weighted voting system in the IMF and the World Bank. This Article concludes that the IMF and the World Bank should retain weighted voting to preserve efficient functioning.

I. HISTORICAL BACKGROUND OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK

The IMF and the World Bank were created at Bretton Woods, New Hampshire in 1944.⁶ They were among the first public international organizations established after the outbreak of World War II. During this period, nations formed international organizations with a vision towards a new and interdependent post-war world.⁷ The IMF and World Bank's

voting share. See *infra* notes 166-212 and accompanying text (discussing these developments).

6. See IMF Articles, *supra* note 5; IBRD Articles, *supra* note 5; see also E. MASON & R. ASHER, *THE WORLD BANK SINCE BRETTON WOODS* 12-13 (1973); Asherman, *The International Monetary Fund: A History of Compromise*, 16 N.Y.U. J. INT'L L. & POL. 235, 240 (1984). See generally Silard, *International Economic Institutions: The Challenge of Coordination*, 4 AM. U. J. INT'L L. & POL'y 67, 69-72 (1989).

7. See R. EDWARDS, *supra* note 4, at 4-8; Asherman, *supra* note 6, at 240-41.

In 1945, one year after the IMF and the World Bank were created at the Bretton Woods Conference, the Charter of the United Nations was adopted in San Francisco. See U.N. CHARTER; see also R. EDWARDS, *supra* note 4, at 48. The Charter established a close relationship between the United Nations, the IMF, and the World Bank. See *id.* at 48-49. As a result, the IMF and the World Bank work closely with the United Nations, particularly with the U.N. Conference on Trade and Development ("UNCTAD"), the U.N. Economic and Social Council, and the U.N. Education, Scientific and Cultural Organization ("UNESCO"). See *id.* at 48-52.

In 1947, the General Agreement on Tariffs and Trade (the "GATT") was signed, creating a legal framework by which nations could work to reduce tariffs and other trade barriers. The General Agreement on Tariffs and Trade, *opened for signature* Oct. 30, 1947, 61 Stat. pts. (5) & (6), T.I.A.S. No. 1700, 55 U.N.T.S. 187 [hereinafter GATT]. Although GATT's founders envisioned the creation of a permanent international trade organization to replace it, those plans were defeated because of U.S. congressional opposition. See, e.g., H.R. REP. No. 2007, 84th Cong., 2d Sess. 46-55 (1956). The GATT remains as a body of rules under which contracting parties

primary economic concerns of that time were to create stability in currency, to reconstruct the economies of war-ravaged nations, and to establish a regime for international trade and investment.⁸

A. *The International Monetary Fund*

The IMF was formed after five years of planning by the United States and the United Kingdom primarily to provide currency stability.⁹ Economic events of the 1920s and 1930s

work to reduce tariffs and trade barriers. See Zamora, *Voting in International Economic Organizations*, 74 AM. J. INT'L L. 566, 579 (1980). The GATT was intended to be not an organization but a multilateral treaty, intertwined with and operating under the International Trade Organization (the "ITO") or the Organization for Trade and Cooperation ("OTC"). See H.R. REP. NO. 2007, 84th Cong., 2d Sess. 1 (1956); H.R. Doc. No. 146, 85th Cong., 1st Sess. 1 (1957); H.R. Doc. No. 140, 84th Cong., 1st Sess. 1 (1955). When the U.S. Congress did not approve the ITO because of protectionist pressure and pressures from liberal trade interests who found the ITO's prohibitions too weak, GATT, which was created before the ITO, was left to survive on its own. See Sykes, *Protectionism as a "Safeguard": A Positive Analysis of the GATT "Escape Clause" with Normative Speculations*, 58 U. CHI. L. REV. 255, 277 (1991). The general clauses of GATT were the same as those in the chapter of the draft ITO Charter devoted to trading rules. Compare H.R. REP. NO. 2007, 84th Cong., 2d Sess. 1 and H.R. Doc. 140, 84th Cong., 1st Sess. at 5-11 with GATT, *supra*, arts. I-XXIII, 61 Stat. pt. 5 at 1265, T.I.A.S. No. 1700, at 8-61, 55 U.N.T.S. at 196-268.

While GATT is still not technically an organization, it has been deemed and treated as a substitute for the ITO and as an organization. See R. HUDEC, *THE GATT LEGAL SYSTEMS & WORLD TRADE DIPLOMACY* 49 (1990); J. JACKSON, *RESTRUCTURING THE GATT SYSTEM* 9-17 (1990). Other public international organizations include the European Economic Community, the Organization of Petroleum Exporting Countries Special Fund, the Inter-American Development Bank, the African Development Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development. See Treaty Establishing the European Economic Community, Mar. 25, 1957, 1973 Gr. Brit. T.S. No. 1 (Cmd. 5179-II), 298 U.N.T.S. 3 (1958) [hereinafter EEC Treaty]; Agreement Establishing the African Development Bank, U.N. Doc. E/CN. 14/AFDB, art. 35 (1964); Barnes, *The African Development Bank's Role in Promoting Regional Integration in the Economic Community of West African States*, 4 B.C. THIRD WORLD L.J. 151, 151-56 (1984) (discussing African Development Bank); Agreement Establishing the Asian Development Bank, Dec. 4, 1965, 17 U.S.T. 1419, T.I.A.S. No. 6103, 571 U.N.T.S. 123; Agreement Establishing the European Bank for Reconstruction and Development, EC Council Decision, No. 90/679/EEC, Nov. 19, 1990.

8. IMF Articles, *supra* note 5, art. I, 60 Stat. at 1401-02, T.I.A.S. No. 1501, at 1, 2 U.N.T.S. at 40; IBRD Articles, *supra* note 5, art. I, 60 Stat. at 1440-41, T.I.A.S. No. 1502, at 1-2, 2 U.N.T.S. at 134-36; see S. REP. NO. 452, 79th Cong., 1st Sess. 9-10 (1945) [hereinafter SENATE REPORT]; *Preliminary Draft Proposal for a United Nations Stabilization Fund and a Bank for Reconstruction and Development of the United and Associated Nations* (Apr. 1942) in 3 J. HORSEFIELD, *THE INTERNATIONAL MONETARY FUND, 1945-1965: TWENTY YEARS OF INTERNATIONAL MONETARY COOPERATION* 37 (1969); see also R. EDWARDS, *supra* note 4, at 5-6.

9. See R. EDWARDS, *supra* note 4, at 4 (discussing formation of IMF).

affected its creation. The U.S. government did not want trade problems such as those of the 1930s to reappear and cause world-wide unemployment and depression.¹⁰ The IMF's basic purpose was to promote multilateral monetary cooperation, to stabilize and foster currency exchange among member nations, and to revive international trade and investment.¹¹

In 1944, thirty nations founded the IMF.¹² Membership has since grown to 154 nations.¹³ The IMF has a board of governors, an executive board, and a managing director.¹⁴ Six executive directors are appointed by member states with the largest quotas, currently France, Germany, Japan, Saudi Arabia, the United Kingdom, and the United States, with sixteen others elected biennially to represent groups of nations.¹⁵ The

10. See SENATE REPORT, *supra* note 8, at 2-9; H.R. REP. No. 629, 79th Cong., 1st Sess. 2-4 & 14-20 (1945) [hereinafter HOUSE REPORT]; see also D. DRISCOLL, WHAT IS THE INTERNATIONAL MONETARY FUND? 3-5 (1991); R. EDWARDS, *supra* note 4, at 4-5; J. HORSEFIELD, *supra* note 8, at 4-10; Asherman, *supra* note 6, at 240.

11. See IMF Articles, *supra* note 5, art. I, 60 Stat. at 1401-02, T.I.A.S. No. 1501, at 2, 2 U.N.T.S. at 40; SENATE REPORT, *supra* note 8, at 2-9; D. DRISCOLL, *supra* note 10, at 3-4.

12. See IMF Articles, *supra* note 5, art. XX, 60 Stat. at 1429-31, T.I.A.S. No. 1501, at 27-34, 2 U.N.T.S. at 112-20; see also J. GOLD, MEMBERSHIP AND NONMEMBERSHIP IN THE INTERNATIONAL MONETARY FUND 17 (1974). Fifty-five nations had been given the opportunity to become the original members by the end of 1945. IMF Articles, *supra* note 5, art. XX(1)2, schedule A, 60 Stat. at 1429-31, T.I.A.S. No. 1501, at 27-36, 2 U.N.T.S. at 112-20.

13. See INTERNATIONAL MONETARY FUND, INTERNATIONAL FINANCIAL STATISTICS 4-5 (Jan. 1991) (listing current members).

14. IMF Articles, *supra* note 5, art. XII, § 1, 60 Stat. at 1415, T.I.A.S. No. 1501, at 16, 2 U.N.T.S. at 78 (stating that "Fund shall have a Board of Governors, Executive Directors, a Managing Director, and a staff").

15. *Id.* art. XII, § 3, 60 Stat. at 1416-18, T.I.A.S. No. 1501, at 18-19, 2 U.N.T.S. at 82-84; see THE INTERNATIONAL MONETARY FUND ANNUAL REPORT, 1990, app. VI, at 120-59 (listing executive directors and members they represent); R. EDWARDS, *supra* note 4, at 28-29.

The Board of Governors, on the other hand, has one governor and an alternate appointed by each member to cast its votes. IMF Articles, *supra* note 5, art. XII, § 2, 60 Stat. at 1415, T.I.A.S. No. 1501, at 16-17, 2 U.N.T.S. at 78; Asherman, *supra* note 6, at 258. Both the Board of Governors and the Executive Board apply weighted voting. IMF Articles, *supra* note 5, art. XII §§ (2)(e) & (3)(i), 60 Stat. at 1416-18, T.I.A.S. No. 1501, at 17 & 19, 2 U.N.T.S. at 80-81 & 84-85; Asherman, *supra* note 6, at 258.

All powers, except those specifically reserved to the Board of Governors, may be, and in fact have been, delegated by the Board of Governors to the Executive Board. See IMF Articles, *supra* note 5, art. XII, §§ 2(b), 60 Stat. at 1416, T.I.A.S. No. 1501, at 17, 2 U.N.T.S. at 80-82 (stating that "Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except the power[s)] conferred directly by Agreement on Board of Governors); INTERNATIONAL

board of governors has always delegated its powers to the executive board,¹⁶ which consists of twenty-two executive directors and a managing director who serves as chairman and who is selected by the executive board.¹⁷ The board of governors is the senior organ of the IMF and has all the powers of the IMF not directly conferred on the executive board or managing director, while the executive board is responsible for the general operations of the IMF.¹⁸ In practice the executive board is the most important organ of the IMF, doing most of its decision-making.¹⁹

B. The World Bank and Its Affiliates

The United States and the United Kingdom took a lead role in planning both the World Bank and the IMF.²⁰ Planning for the World Bank was not as intensive as it was for the IMF.²¹ While membership in the World Bank is predicated upon IMF membership, the reverse is not true.²²

The World Bank's basic purpose was to provide develop-

MONETARY FUND, BY-LAWS RULES AND REGULATIONS § 15 (1988). The Articles expressly reserve to the Board of Governors the powers to: (i) admit new members and determine the conditions of their admission; (ii) approve a revision of quotas; (iii) approve a uniform change in the par value of the currencies of all members; (iv) make arrangements to cooperate with other international organizations in most areas; (v) determine the distribution of the net income of the IMF; (vi) require a member to withdraw; (vii) decide to liquidate the IMF; (viii) decide appeals from interpretations of the agreement by the Executive Directors; (ix) revise the provisions and rules for repurchases and their distribution among types of monetary reserves, and (x) make transfers from any special reserve to the IMF's general reserve. IMF Articles, *supra* note 5, 60 Stat. at 1417, T.I.A.S. No. 1501, at 17, 2 U.N.T.S. at 80-82, amended May 31, 1968, 20 U.S.T. 2775, 2779, T.I.A.S. No. 6748, at 5-6; see J. GOLD, VOTING AND DECISIONS IN THE INTERNATIONAL MONETARY FUND 10-14 (1972) (discussing Board's powers).

16. See R. EDWARDS, *supra* note 4, at 28.

17. *Id.* at 28-29.

18. *Id.* at 25-28 (discussing structure of Board of Governors).

19. *Id.* at 28-30.

20. See SENATE REPORT, *supra* note 8, at 3; HOUSE REPORT, *supra* note 10, at 6-8.

21. See HOUSE REPORT, *supra* note 10, at 6-8; E. MASON & R. ASHER, *supra* note 6, at 12-13; see also T. FERGUSON, THE THIRD WORLD AND DECISIONMAKING IN THE INTERNATIONAL MONETARY FUND 26 (1988); Mikesell, *The Emergence of the World Bank as a Development Institution*, in BRETTON WOODS REVISITED 70-72 (A. Acheson, J. Chant & M. Prachowny eds. 1972).

22. IBRD Articles, *supra* note 5, art. II, § 1(a), 60 Stat. at 1441, T.I.A.S. No. 1502, at 2, 2 U.N.T.S. at 136. IMF members need not be World Bank members. See *id.* art II, § 1(b), 60 Stat. at 1441, T.I.A.S. No. 1502, at 2, 2 U.N.T.S. at 136.

ment loans to its member nations.²³ These loans were targeted to assist in the reconstruction and restoration of their economies, and to promote investment and growth.²⁴ European countries were the initial recipients of World Bank assistance.²⁵ As the economies of the war-torn countries were restored, however, the World Bank turned its attention toward third world development.

Initially, the World Bank had thirty members.²⁶ Its membership has since grown to 154 member states.²⁷ The World Bank's structure is similar to the IMF's. The World Bank has twenty-one executive directors.²⁸ Its president also serves as chairman.²⁹

Four affiliates have joined the World Bank since its establishment—the International Finance Corporation (the "IFC"), established in 1956;³⁰ the International Development Agency (the "IDA"), established in 1960;³¹ the International Centre

23. *Id.* art. I, 60 Stat. at 1440, T.I.A.S. No. 1502, at 1-2, 2 U.N.T.S. at 134-36.

24. *See id.*

25. *See* E. MASON & R. ASHER, *supra* note 6, at 52-54 (discussing history of World Bank).

26. Asherman, *supra* note 6, at 240.

27. *See* Farnsworth, *Bush's Move Unlikely to Mean Quick Trade Surge*, N.Y. Times, Dec. 13, 1990, at A22, col. 1.

28. IBRD Articles, *supra* note 5, art. V, § 4, 60 Stat. at 1451, T.I.A.S. No. 1502, at 13-14, 2 U.N.T.S. at 162; *see* Kammert, *The World Bank Group*, in INTERNATIONAL BANKING HANDBOOK 462, 467 (W. Baughn & D. Mandich eds. 1983).

29. IBRD Articles, *supra* note 5, art V, § 5, 60 Stat. at 1452, T.I.A.S. No. 1502, at 14-15, 2 U.N.T.S. at 164-66.

30. International Finance Corporation Articles of Agreement, May 25, 1955, 7 U.S.T. 2197, T.I.A.S. No. 3620, 264 U.N.T.S. 118; E. MASON & R. ASHER, *supra* note 6, at 77-82 (discussing structure of IFC).

31. International Development Association Articles of Agreement, Sept. 24, 1960, 11 U.S.T. 2284, T.I.A.S. No. 4607, 439 U.N.T.S. 249.

The IFC and the IDA were established to assist in lending to developing countries, primarily because the World Bank could not lend to the poorest countries without hurting its own credit position in international credit markets. *See* E. MASON & R. ASHER, *supra* note 6, at 80; Silkenat, *The Role of International Development Institutions in International Project Financing: IBRD, IFC and Co-Financing Techniques*, 17 INT'L LAW. 615, 620-24 (1983). With the creation of the IFC and the IDA, the World Bank came to be known as the World Bank Group. The IFC was established to facilitate economic development by investing in productive private enterprises in less developed countries in association with private investors without governmental guarantees of the investments. E. MASON & R. ASHER, *supra* note 6, at 80. The IFC has since given much of its power back to the World Bank. *See id.*

The IDA was established to provide concessional loans to less developed countries to finance bank-type projects. *See id.* at 80-81; *see also* D. DRISCOLL, THE IMF AND THE WORLD BANK: HOW DO THEY DIFFER? 5 (1988). The IDA works more closely

for Settlement of Investment Disputes (the "ICSID"), established in 1966;³² and the Multilateral Investment Guarantee Agency (the "MIGA"), established in 1988.³³ The World Bank operates in a manner virtually identical to the IMF, but is more management-dominated than the IMF because it is predominantly a project lending institution.³⁴

*C. The Formation and Functioning of the IMF, the World Bank,
and Other Public International Organizations*

When the IMF and the World Bank were formed, the United States had the world's strongest economy. Accordingly, the United States assumed a leadership role in the IMF and the World Bank Group, supplying approximately one-third of the finances of both.³⁵ In part as a result of U.S. economic strength at that time, Washington, D.C. became the site of the IMF's and the World Bank's headquarters.³⁶ The nations founding these institutions decided that all executive directors would not be international servants, but would be ac-

with the World Bank than does the IFC, and has its membership divided into two categories: high-income countries and middle and low-income countries. See E. MASON & R. ASHER, *supra* note 6, at 81. "Part I countries are the high-income member countries, which through governmental appropriations provide virtually all of the usable resources of the [IDA]." *Id.* Part II countries are composed of the remaining middle and low-income members. See *id.* It has a more active role in the functioning of the World Bank Group than the IFC. Both of these organizations function in a manner similar to the World Bank.

32. Convention on the Settlement of Investment Disputes Between States and Nationals of Other States, Mar. 18, 1965, 17 U.S.T. 1270, T.I.A.S. No. 6090, 575 U.N.T.S. 159 [hereinafter ICSID]; see E. MASON & R. ASHER, *supra* note 6, at 82 & 339-41.

ICSID was established to help deal with investment disputes between states and foreign investors. ICSID, *supra*, 17 U.S.T. 1270, T.I.A.S. No. 6090, 575 U.N.T.S. 159; see Delaun, *ICSID Arbitration and the Courts*, 77 AM. J. INT'L L. 784 (1983).

33. Convention Establishing the Multilateral Investment Guarantee Agency, *opened for signature* Oct. 11, 1985, *reprinted in* 24 I.L.M. 1598 [hereinafter MIGA Convention]. MIGA provides facilities for conciliation and arbitration but does not engage in them. See SHIHATA, *MIGA AND FOREIGN INVESTMENT* 109 (1988).

MIGA was formed to issue guarantees against non-commercial risks in respect of investments, and encourage the flow of investments for productive purposes among the member countries. See MIGA Convention, *supra*, art. 2, 24 I.L.M. at 1608.

34. See J. GOLD, *supra* note 15, at 85-97.

35. See SENATE REPORT, *supra* note 8, at 13-15; HOUSE REPORT, *supra* note 10, at 8-9 & 25-27; see also J. GOLD, *supra* note 15, at 227-38 (providing fuller listing of percentages).

36. See E. MASON & R. ASHER, *supra* note 6, at 31.

countable to the countries they represent.³⁷

Most authorities support the conclusion that the IMF, the World Bank, and the regional development banks have been extremely effective in fulfilling their intended purposes.³⁸ The IMF, for instance, has, since its creation, overseen and maintained the international monetary system, lent billions of dollars to developing member nations in need, and provided invaluable technical assistance and training to developing nations in certain specialized areas.³⁹ The IMF has provided technical assistance in organizing central banks, establishing and reforming tax systems, and setting up agencies to gather and publish economic statistics.⁴⁰ During 1983 and 1984, for example, the IMF lent approximately US\$22 billion to member countries that were having trouble paying their financial obligations to other member nations.⁴¹ The IMF also assists member nations whose economies were disrupted by Iraq's invasion of Kuwait.⁴² In addition, the IMF is assisting the countries of Eastern Europe in their transition to market economies, as well as continuing to help developing nations achieve stable economic growth.⁴³

The World Bank, similarly, has been, and continues to be, an effective institution. The World Bank has lent billions of dollars to developing nations for various projects.⁴⁴ In 1989, for instance, the World Bank lent US\$20.7 billion to member nations for development programs.⁴⁵

The progress and effectiveness of the IMF, the World Bank, and their related institutions, all of which have weighted

37. See E. MASON & R. ASHER, *supra* note 6, at 30-31; see also 1 J. HORSEFIELD, *supra* note 8, at 133.

38. See R. EDWARDS, *supra* note 4, at 11-23 & 44-48; Silard, *supra* note 6, at 69.

39. D. DRISCOLL, *supra* note 10, at 13, 19-21; D. DRISCOLL, *supra* note 31, at 10-13.

40. D. DRISCOLL, *supra* note 31, at 12.

41. D. DRISCOLL, *supra* note 10, at 13 & 21.

42. *Id.* at 22.

43. *Id.*; see IMF, ANNUAL REPORT 6-60 (1990).

44. See THE WORLD BANK ANNUAL REPORT 1990, 39-86, 183-220 (listing monies lent to developing nations) [hereinafter IBRD ANNUAL REPORT]; see also D. DRISCOLL, *supra* note 31, at 10-13. While two-thirds of the assistance provided by the World Bank went to electric power and transportation projects during the first two decades of the World Bank's existence, the World Bank has since become more diversified in the types of projects in which it assists. *Id.* at 6 & 13.

45. IBRD ANNUAL REPORT, *supra* note 44, at 12.

voting systems, is not evident in any other public international organization. The United Nations, while being as important if not more important an organization than the IMF and the World Bank, has not been nearly as effective as the IMF or the World Bank. As UN Secretary-General Javier Perez de Cuellar stated:

The will to use the machinery of the Charter needs to be consciously strengthened. This year, time after time we have seen the Organization set aside or rebuffed, for this reason or for that, in situations in which it should, and could, have played an important and constructive role.⁴⁶

In UNCTAD, for instance, many recommendations and programs adopted by consensus on trade, finance, developing nations, and other areas have not been fulfilled.⁴⁷ These include open-ended compensatory or supplementary financing schemes, encroachment or change of existing international institutions such as the IMF, a binding code for the transfer of technology, the implementation of any kind of mandatory targets, and international development strategies.⁴⁸ The weighted voting system used by the IMF and the World Bank gives these organizations greater effectiveness in implementing decisions.

II. *THE IMF'S AND THE WORLD BANK'S WEIGHTED VOTING SYSTEMS*

A. *The IMF's Weighted Voting System*

1. Background

When the IMF and the World Bank began, the United States had approximately thirty-three percent and thirty-five percent of the vote, respectively, while the United Kingdom had approximately sixteen percent and fifteen percent of the

46. REPORT OF THE SECRETARY-GENERAL ON THE WORK OF THE ORGANIZATION 4, 37 U.N. GAOR Supp. (No. 1) at 4, U.N. Doc. A/37/1 (1982).

47. See S. MICHALAK, JR., UNCTAD: AN ORGANIZATION BETRAYING ITS MISSION 74 (1983); Krishnamurti, *UNCTAD as a Negotiating Institution*, 15 J. WORLD TRADE L. 3, 7 (1984).

48. See S. MICHALAK, *supra* note 47, at 74; Krishnamurti, *supra* note 47, at 8-14. This is not to say, however, that UNCTAD does not provide a very valuable function of strengthening and uniting the developing nations for negotiating purposes. See *id.* UNCTAD has been effective and has done much useful work in areas such as international monetary reform and restrictive business practices. See *id.*

vote, respectively.⁴⁹ While many have criticized the United States for having an excessive proportion of the voting power,⁵⁰ this proportion resulted from the dominant economic position that the United States held immediately after World War II. U.S. voting power has since steadily declined to the current levels of 19.1 percent in the IMF and 17.22 percent in the World Bank.⁵¹ Moreover, it was the United States that insisted on basic votes for members from the beginning, proposing one hundred basic votes with an additional one vote for the equivalent of each US\$1 million of quota.⁵² The United Kingdom, on the other hand, had little interest in the voting formula. Lord John Maynard Keynes, special consultant to the British Treasury, stated:

It is depressing that so much attention has been concentrated on voting. It never crossed my mind that we were under an accusation of having tried to rig this. Indeed, so little attention was paid to it that we had not even examined how it would work out in practice. Some of the American press comments dealing with this as a branch of power politics is, in its way, an extraordinary exhibition of vulgarity.⁵³

The agreement as to basic votes was more easily reached in the IMF than in the World Bank. The issue of basic votes for the World Bank was actually not resolved until a few days before the end of the Bretton Woods Conference, after some delegations claimed that voting power should be determined exclusively by shareholding as it was in other banks and commercial enterprises.⁵⁴ Delegates to the Convention eventually

49. See J. GOLD, *supra* note 15, at 238; E. MASON & R. ASHER, *supra* note 6, at 802 (listing percentages of voting strength).

50. See J. GOLD, *supra* note 15, at 43-49; see also T. FERGUSON, *supra* note 21, at 63. This criticism comes primarily from the developing nations, which argue that, being a majority among world nations, they should have a greater role in the decision-making process of the Fund. See J. GOLD, *supra* note 15, at 43-49; see also T. FERGUSON, *supra* note 21, at 7.

51. See IBRD ANNUAL REPORT, *supra* note 44, app. E (Statement of Voting Power and Subscriptions and Contributions); 1990 INTERNATIONAL MONETARY FUND ANNUAL REPORT app. VI (Executive Directors and Voting Power on April 30, 1990) [hereinafter IMF ANNUAL REPORT].

52. See J. GOLD, *supra* note 15, at 22-23; see also Gold, *The Origins of Weighted Voting Power in the Fund*, FIN. & DEV., Mar. 1981, at 27.

53. See Gold, *supra* note 52, at 27 (quoting letter written on April 16, 1943 to British Treasury official in Washington, D.C.).

54. *Id.* at 26-27.

agreed to adopt the same voting system as the IMF in deference to the traditional doctrine of equality of states, and because the World Bank was a regulatory as well as financial organization.⁵⁵

Furthermore, there was a dispute between the United States and the United Kingdom as to what majorities should be required for decisions. Harry Dexter White, assistant to the U.S. Secretary of the Treasury, proposed special majorities of the total voting power for a variety of decisions so that the United States would be able to block decisions with which it did not agree.⁵⁶ Lord Keynes, however, vigorously opposed this approach; seeking to minimize constraints on the United Kingdom's freedom of action, he preferred that simple majorities prevail.⁵⁷ It was eventually agreed to have special majorities within certain areas, although the number of special majorities has since increased.⁵⁸

Despite the disagreement and compromise as to voting power, Lord Keynes nonetheless believed that voting power would prove to be unimportant:

I most strongly agree with you that in actual working voting power is not likely to prove important. If the organisation begins voting about everything, it will not be long before it breaks down.⁵⁹

55. *Id.*

56. *Id.* at 28. The United States proposed special majorities of eighty percent for many decisions of substance, and also proposed, probably to meet the objections to special majorities, that no member have more than twenty-five percent of the voting power. *Id.*

57. *Id.* Lord Keynes argued that it is better to seek to minimize constraints on freedom of action and that the United States only wanted such a high majority so it could block decisions it did not like. *Id.*

58. See generally IMF Articles, *supra* note 5, 29 U.S.T. 2203, T.I.A.S. No. 8937; J. GOLD, VOTING MAJORITIES IN THE FUND: EFFECTS OF SECOND AMENDMENT OF THE ARTICLES, IMF Pamphlet Series No. 20 (1977). In 1977, by endorsing the incorporation of the Second Amendment of the IMF Articles into the IMF Articles of Agreement, the United States agreed to a decrease in its quota to under twenty percent in order to increase the quotas of oil-exporting countries, but only after delegations agreed to expand the use of the eighty-five percent special majority to all "political" decisions, totalling approximately thirty types of decisions. See *id.* at 39-40 & 57-61.

59. Gold, *supra* note 52, at 27 (containing letter Mr. Keynes wrote to Jacob Viner dated June 9, 1943).

2. Quotas and the Weighted Voting System

The IMF and the World Bank differ from most public international organizations because they follow a weighted voting system.⁶⁰ Voting is based on quotas related to economic criteria.⁶¹ Quotas are based upon a complex formula that considers such relative economic strength factors as gross domestic product, external reserves, and variability of exports.⁶² At the outset, the United States and the United Kingdom accepted the principle of weighted voting for the IMF and the World Bank, and did not object during the Bretton Woods Conference.⁶³ Members expressed concern about the doctrine of equality of states, a doctrine strongly embedded in the history of international organizations.⁶⁴ As a result, at pre-conference negotiations, members discussed various numbers for basic votes to allot to each country.⁶⁵ The final agreement reached for the IMF and the World Bank gave each nation 250 basic votes, with a weighted voting of one additional vote for

60. See *infra* notes 153-65 and accompanying text (discussing organizations that lack weighted voting systems).

61. IMF Articles, *supra* note 5, arts. III & XII § 5, 60 Stat. at 1402-03 & 1415-19, T.I.A.S. No. 1501, at 2-3 & 20, 2 U.N.T.S. at 42-46 & 86-89; see IMF Press Release No. 90/25 (June 1, 1990); see also J. GOLD, *supra* note 15, at 22-23; F. LISTER, DECISION-MAKING STRATEGIES FOR INTERNATIONAL ORGANIZATIONS: THE IMF MODEL 46-48 (1984).

62. Hosomi, *Japan Takes Over the IMF*, EUROMONEY, Sept. 1988, at 103. See generally J. GOLD, *supra* note 35, at 6 & 17-30; F. LISTER, *supra* note 47, at 45-46. The quotas of the nations participating at the Bretton Woods Conference were determined "ad hoc, according to a nation's political power at the time." Asherman, *supra* note 6, at 255; see 1 J. HORSEFIELD, *supra* note 8, at 97-99.

In contrast to the quotas of the thirty original nations, initial quotas of nations that later joined were determined by the Board of Governors. IMF Articles, *supra* note 5, art. III, § 1, 29 U.S.T. at 2206, T.I.A.S. No. 8937, at 4; see Asherman, *supra* note 6, at 255. The IMF Articles give the Board of Governors no guidelines to determine quotas. See IMF Articles, *supra* note 5, art. III, § 2, 29 U.S.T. at 2206, T.I.A.S. No. 8937, at 4; Asherman, *supra* note 6, at 255. The Board of Governors also conducts a general review of each nation's quotas at intervals of not more than five years and proposes any adjustments of the quotas of the members which it deems appropriate. See IMF Articles, *supra* note 5, art. III, §§ 1-2, 29 U.S.T. at 2206, T.I.A.S. No. 8937, at 4; see also F. LISTER, *supra* note 45, at 51; Asherman, *supra* note 7, at 255.

63. See Gold, *supra* note 52, at 26. See generally F. LISTER, *supra* note 61, at 44-51; Asherman, *supra* note 6, at 254-55.

64. See HOUSE REPORT, *supra* note 10, at 54-55; J. GOLD, *supra* note 15, at 18-19; Gold, *supra* note 52, at 26-27; see also F. LISTER, *supra* note 61, at 46-48.

65. See 1 J. HORSEFIELD, *supra* note 8, at 34 & 81; see also J. GOLD, *supra* note 15, at 22-23; Asherman, *supra* note 6, at 255-57.

each part of a nation's quota equivalent to US\$100,000.⁶⁶ The basic votes were included because of the concern that some of the less developed members with very small quotas would otherwise have no sense of participation in the organizations' functions.⁶⁷ This concern was more evident in the IMF than in the World Bank because the World Bank would lend money to the member nations regardless of their quotas.⁶⁸

The IMF's weighted voting system is quite complex. Adjustments are made in certain instances relating to a member nation's net purchases of the currencies of other members and net purchases made by other members of its currency.⁶⁹ For purposes of voting under IMF article V, sections four (waiver of conditions) and five (ineligibility to use the IMF's general resources),⁷⁰ a member's voting power decreases when it has a net purchase of currencies of other members, and increases when other members have a net purchase of its currency.⁷¹

The United States proposed the provision basing votes on currency holding so that a member's voting power would reflect the member's financial position in the IMF.⁷² The United States was interested in giving members that provide "credit" to the IMF (*i.e.*, the United States in 1944) a larger voice in the conduct of the IMF and to give a smaller voice to members

66. J. GOLD, *supra* note 15, at 18. This formula has since been changed, so that each nation now receives 250 basic votes plus one additional vote for each part of a nation's quota equivalent to 100,000 Special Drawing Rights. See R. EDWARDS, *supra* note 4, at 32.

67. See J. GOLD, *supra* note 15, at 18-19; Gold, *supra* note 52, at 26-27.

68. See E. MASON & R. ASHER, *supra* note 6, at 30.

69. See generally J. GOLD, *supra* note 15, at 30-43.

70. IMF Articles, *supra* note 5, art. V, §§ 4-5, 61 Stat. at 1406-07, T.I.A.S. No. 1501, at 7, 2 U.N.T.S. at 54-56.

71. *Id.* Article XII, section 5(b) of the IMF Articles of Agreement provides for the adjustment of a member's number of votes:

(i) by the addition of one vote for the equivalent of each four hundred thousand special drawing rights of net sales of its currency from the general resources of the [IMF] up to the date when the vote is taken, or

(ii) by the subtraction of one vote for the equivalent of each four hundred thousand special drawing rights of its net purchases under Article V, Section 3(b) and (f) up to the date when the vote is taken, provided that neither net purchases nor net sales shall be deemed at any time to exceed an amount equal to the quota of the member involved.

Id. art. XII, § 5(b), 29 U.S.T. at 2233, T.I.A.S. No. 8937, at 31.

72. See SENATE REPORT, *supra* note 8, at 13-15; HOUSE REPORT, *supra* note 10, at 26; J. GOLD, *supra* note 15, at 31-32; Asherman, *supra* note 6, at 254-55.

enjoying the benefit of that "credit."⁷³ A member's voting power is adjusted upwards by the addition of one vote for each 400,000 Special Drawing Rights ("SDRs") purchased from the IMF in the equivalent of other members' currency.⁷⁴

At the Bretton Woods Conference, the United States initially proposed an increase or reduction of quotas for every US\$200,000 providing credit to the IMF of net purchases or sales of a currency.⁷⁵ However, there was much opposition to the U.S. proposal to adjust weighted voting power according to a member's use of or contribution to the IMF's resources.⁷⁶ Many argued that a member should not be penalized for using the IMF's resources, and that the proposed formula would result in too large a reduction in a member's voting power if that member purchased too much currency.⁷⁷ As a result, a compromise was reached whereby adjustments were made for every US\$400,000 paid in or borrowed and a maximum limit was placed on adjustments through the provision that net sales or net purchases of currency were deemed not to exceed a member's quota.⁷⁸ A member's voting power thus could not be adjusted more than twenty-five percent downward in any

73. See J. GOLD, *supra* note 15, at 31.

74. IMF Articles, *supra* note 5, art. XII, § 5(b), 29 U.S.T. at 2233, T.I.A.S. No. 8937, at 31; see Asherman, *supra* note 6, at 256; *supra* note 71 (quoting section 5(b)).

75. See J. GOLD, *supra* note 15, at 31.

76. See SENATE REPORT, *supra* note 8, at 13-15; HOUSE REPORT, *supra* note 10, at 26; J. GOLD, *supra* note 15, at 31-32.

77. See J. GOLD, *supra* note 15, at 31-32.

78. *Id.* at 32-33; see *supra* note 71 and accompanying text (explaining purchases and sales of currency). IMF article V, section (3)(b) provides that

[a] member shall be entitled to purchase the currencies of other members from the [IMF] in exchange for an equivalent amount of its own currency subject to the following conditions:

(i) the member's use of the general resources of the Fund would be in accordance with the provisions of this Agreement and the policies adopted under them;

(ii) the member represents that it has a need to make the purchase because of its balance of payments or its reserve position or developments in its reserves;

(iii) the proposed purchase would be a reserve tranche purchase, or would not cause the Fund's holdings of the purchasing member's currency to exceed two hundred percent of its quota;

(iv) the Fund has not previously declared under Section 5 of this Article, Article VI, Section 1, or Article XXVI, Section 2(a) that the member desiring to purchase is ineligible to use the general resources of the [IMF]. IMF Articles, *supra* note 5, art. V, § 3(b), 29 U.S.T. 2211, T.I.A.S. No. 8937, at 9.

twelve-month period as a result of net purchases.⁷⁹

3. Importance of Voting Within the IMF

Although such complex and elaborate voting procedures exist, rarely is a vote held within the IMF, and when it is held the vote is usually unanimous or nearly so.⁸⁰ This is the case because the members are always making an effort to compromise on an agreement all can accept. In fact, Rule C-10 of *The Rules and Regulations of the International Monetary Fund* notes that the executive board chairman "shall ordinarily ascertain the sense of the meeting in lieu of a formal vote."⁸¹

Voting strength is nonetheless important in many aspects of the IMF's functions. One aspect where voting majorities are important is in the biennial elections of executive directors, where a candidate needs a minimum proportion of the votes allotted to members to be elected.⁸² Members with homogeneous interests and with modest voting strength can in that case unify their voting power to elect a candidate of their choice.⁸³

Another area where voting strength is important is where

79. See SENATE REPORT, *supra* note 8, at 13-14.

The complexity of the formula for adjusting voting power is also seen in the definition of "net sales" and "net purchases" for purposes of adjustment. See J. GOLD, *supra* note 15, at 37-38. The level of the IMF's holdings of a member's currency does not necessarily determine the member's voting power, as only certain transactions with the IMF are taken into account. See *id.* at 38-43 (discussing World Bank's currency holding formula). The executive directors have not found a need to define the formula because voting in the practice of the IMF is very infrequent, and because it is extremely unlikely that the slight variation resulting from the formula adjustment would ever make a difference in a vote. *Id.* at 38-39. Until mid-1971, the IMF had only one formal vote that required adjusted weighted voting power calculations. See *id.* at 196. This one vote was one of thirty votes overall, twenty-five of which occurred between 1946 and 1953. *Id.*

80. See IBRD ANNUAL REPORT, *supra* note 44; IMF ANNUAL REPORT, *supra* note 51 (providing breakdown of votes); see also J. GOLD, *supra* note 15, at 195-97.

81. IMF RULES AND REGULATIONS, *supra* note 15, R. C-10.

82. IMF Articles, *supra* note 5, art. XII, § 3 & schedule E; 29 U.S.T. at 2231 & 2266-67, T.I.A.S. No. 8937, at 26-30 & 64-65.

83. See *supra* note 15 and accompanying text (discussing election of directors). In 1990, the Executive Board consisted of five executive directors, one each from France, Germany, Japan, Saudi Arabia, the United Kingdom, and the United States, appointed pursuant to article XII, section 3(c). IMF ANNUAL REPORT, *supra* note 51, app. VI; see IMF Articles, *supra* note 5, art. XII, § 3(c), 29 U.S.T. at 2231, T.I.A.S. No. 8937, at 29. Saudi Arabia, being one of the two non-appointed members whose currencies have been drawn from the General Resource Account in the largest absolute amounts, is entitled to an appointment. *Id.* The IMF elects sixteen executive directors (one of whom represents only China) pursuant to a 1980 understanding in which

special majorities are required to make a decision.⁸⁴ In such instances, a member or a group of members with enough votes can block the adoption of certain decisions.⁸⁵ Members that have or can collectively muster more than fifteen percent of the total voting power may, for example, block the adoption of decisions to adjust quotas, establish a council, allocate SDRs,⁸⁶ provide for general exchange arrangements, or institute a par value.⁸⁷

Moreover, a special majority of seventy percent is required to resolve certain operational issues, such as the rates of the charges on the use of the IMF's resources, and the interest rate on SDR holdings.⁸⁸ The Second Amendment of the IMF Articles greatly increased the number of decisions for which special majorities are required.⁸⁹ Furthermore, even where simple majorities are required, voting strength remains important because the executive directors normally desire broad-based support for decisions.⁹⁰ Thus, while votes are held rarely, voting strength remains important in building a consensus before making decisions.⁹¹

Moreover, when a vote occurs, IMF members seek to avoid a confrontation where possible. An example of this is an

the number of elected directors was increased from fifteen to sixteen. See R. EDWARDS, *supra* note 4, at 29 n.123.

84. See generally J. GOLD, *supra* note 58.

85. See *id.*

86. R. EDWARDS, *supra* note 4, at 32-33; see IMF Articles, *supra* note 5, art. III § 2(c), 29 U.S.T. at 2206, T.I.A.S. No. 8937, at 4 (concerning adjustment of quotas); *id.* art. XII § 1, 29 U.S.T. at 2229, T.I.A.S. No. 8937, at 27 (concerning establishment of Council); *id.* art. XV, § 2, 29 U.S.T. at 2238, T.I.A.S. No. 8937, at 36 (concerning SDRs); *id.* art. XVII, 29 U.S.T. at 2239-40, T.I.A.S. No. 8937, at 37-38 (concerning participants and other holders of SDRs). See generally *Research and Treasurer's Reports*, in *ROLE OF SDR IN THE INTERNATIONAL MONETARY SYSTEM* (1987); J. GOLD, *SPECIAL DRAWING RIGHTS*, IMF Pamphlet Series No. 13 (1969); Asherman, *supra* note 6, at 274-76.

87. R. EDWARDS, *supra* note 4, at 32-33; see IMF Articles, *supra* note 5, art. IV, § 2(c), 29 U.S.T. at 2209, T.I.A.S. No. 8937, at 7 (discussing general exchange agreements); *id.* art. IV § 4, 29 U.S.T. at 2209-10, T.I.A.S. No. 8937, at 7-8 (discussing institution of par value systems).

88. STAFF OF IMF, *THE ROLE AND FUNCTIONS OF THE INTERNATIONAL MONETARY FUND* (1985).

89. See J. GOLD, *supra* note 58, at 6 (discussing Second Amendment of Articles).

90. *Id.* at 9; see IMF Articles, *supra* note 5, art. XII, § 5(c), 29 U.S.T. at 2233, T.I.A.S. No. 8937, at 31. Simple majorities are required whenever the IMF Articles do not require a special majority. *Id.*

91. See J. GOLD, *supra* note 15, at 198-99.

IMF vote on a US\$1.1 billion loan to South Africa in 1983.⁹² The executive board representatives of the African nations were opposed to the loan.⁹³ Rather than confront the United States, the United Kingdom, and Saudi Arabia, who had already stated their support for the loan, they abstained from voting, as did eight Latin American countries, thereby allowing the loan to pass without much of a fight.⁹⁴

4. National Groupings in the IMF Voting System

The groupings of nations are also an interesting aspect of the manner of voting.⁹⁵ The negotiations by which the members combine for the election of an executive director are done outside of the IMF's structure and are often quite complex.⁹⁶ The durability of the resulting groupings varies, with some permanent over time, some semi-permanent, and others occasional.⁹⁷ With the exception of the grouping of the American republics that are not entitled to individually appoint executive directors, no provisions exist that there be regional or other types of groupings.⁹⁸ There are no regional or other types of restrictions for the groupings of members for the purposes of

92. See Kwitny, *Going Along: How IMF Overcame Political Issues to Vote a Loan to South Africa*, Wall St. J., May 5, 1983, at 1, col. 1.

93. *Id.*

94. *Id.*

95. The groupings are divergent, with members from different continents and with different economic systems or cultures combining in a group. One group, for example, consists of Cyprus, Israel, the Netherlands, Romania, and Yugoslavia, with the Netherlands having more than half of the voting strength within the group and with the executive director and alternate executive director being from the Netherlands. IMF ANNUAL REPORT, *supra* note 15, at app. VI, at 20. Other groups with divergent members include a group in which Spain is the only non-American country aligned with Mexico, Venezuela, and most of the Central American countries, and a group in which Canada and Ireland are grouped with ten Caribbean countries. *See id.* There are also groups with members coming from the same general region. One group, for instance, consists of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Pakistan, Qatar, Somalia, the Syrian Arab Republic, the United Arab Emirates, the Yemen Arab Republic, and the People's Democratic Republic of Yemen. *See id.* at 120-21. There are also three groups with all Asian and Australian members. *See id.* at 14-22. The number of members in each group varies from one, China, to twenty-four, with the two largest groups consisting of African developing countries. *Id.* at 120-23. The American republics may have a separate election for executive directors, who will receive at least twenty-eight percent of the eligible votes. *See* J. GOLD, *supra* note 15, at 71; 1 J. HORSEFIELD, *supra* note 8, at 106.

96. *See* J. GOLD, *supra* note 15, at 63-66.

97. *See id.* at 65.

98. *See id.* at 64.

electing executive directors.⁹⁹ Delegations at Bretton Woods proposed special groupings similar to those of the American republics, but they were not accepted.¹⁰⁰

An executive director may cast his vote only as a unit, but if a conflict arises within the group he is free to abstain from voting.¹⁰¹ In the alternative, the executive director may vote with the group, but place the divergent views of the members on the record in the minutes.¹⁰² Delegates at the Bretton Woods Conference and at the drafting of the amendment of the Articles of Agreement proposed that a member be able to split his votes, but the proposal was rejected mainly because it would have diluted the effectiveness of a member's participation if the member had more than one executive director.¹⁰³

The IMF's voting system rarely requires votes because of the realistic reflection in the voting system of the members' relative strength and power. Additionally, the executive directors, keeping in mind that the less powerful members must not be ignored, try to reach a consensus in making decisions.¹⁰⁴

B. *The World Bank Group Weighted Voting System*

1. The World Bank Voting System

The World Bank has a weighted voting system similar to the IMF.¹⁰⁵ Like the IMF, each member has 250 basic votes plus one additional vote for each share of capital equivalent to US\$100,000 subscribed.¹⁰⁶ The World Bank based each member's quota on IMF quotas.¹⁰⁷ While most states wanted a large quota in the IMF, giving them enhanced drawing rights, the less developed countries preferred a lower quota in the World Bank because the amount they could borrow was independent of their capital contribution.¹⁰⁸ To resolve the con-

99. *See id.*

100. *See id.*

101. *Id.* at 66.

102. *Id.*

103. *See id.*

104. *See id.* at 198-99.

105. Compare IBRD Articles, *supra* note 5, art. V, § 3, 60 Stat. at 1451, T.I.A.S. No. 1502, at 13, 2 U.N.T.S. at 162 with IMF Articles, *supra* note 5, art. XII, § 5, 60 Stat. at 1418-19, T.I.A.S. No. 1502, at 20, 2 U.N.T.S. at 86-88.

106. *See* E. MASON & R. ASHER, *supra* note 6, at 392.

107. *See id.* at 30.

108. *See id.*

troversy, the United States agreed to accept a larger quota in the World Bank than in the IMF.¹⁰⁹

2. The IDA and the MIGA Voting Systems

While the World Bank has a voting formula similar to that of the IMF, its affiliate, the IDA, does not.¹¹⁰ In the IDA, each original member had 500 basic votes plus one additional vote for each US\$5000 (1960 dollars) of subscription.¹¹¹ The formula has since been changed six times; each member currently has 9,900 basic votes plus one vote for each US\$25 of subscription.¹¹² Furthermore, developing countries are permitted to make additional subscriptions payable in their own currencies to avoid a reduction in their voting power.¹¹³ The industrial countries do not receive additional votes for each US\$25 of subscription until after they have made a contribution of US\$10,279.60.¹¹⁴ The voting formula in the IDA is thus much more favorable toward developing countries than the formula in the IMF and the World Bank.

MIGA also has a more favorable voting formula for developing countries.¹¹⁵ MIGA has adopted a voting formula similar to the World Bank's with the additional provision that during the first three years of MIGA's existence, supplemental votes would be issued to the developing countries to ensure that they attain a minimum of forty percent of the total votes.¹¹⁶ At the end of those three years, however, the Council of MIGA would review the allocation of shares and structure the votes to reflect the actual subscriptions, attain voting parity, and facilitate members' ability to subscribe to their shares.¹¹⁷

109. *See id.*

110. Compare IDA Articles of Agreement, *supra* note 31, art. VI, § 3, 11 U.S.T. at 2290-97, T.I.A.S. No. 4607, at 13-14, 439 U.N.T.S. at 270 with IBRD Articles, *supra* note 5, art. V, § 3, 60 Stat. at 1451, T.I.A.S. No. 1502, at 13, 2 U.N.T.S. at 162.

111. E. MASON & R. ASHER, *supra* note 6, at 392; *see* WORLD BANK STAFF, IDA IN RETROSPECT 6-7 (1982) [hereinafter IDA IN RETROSPECT].

112. *See* IDA IN RETROSPECT 6-7.

113. *See id.*

114. *See id.*

115. *See* MIGA Convention, *supra* note 33, arts. 39-42, 24 I.L.M. at 1620-21.

116. *See id.* art 39(b), 24 I.L.M. at 1620; SHIHATA, *supra* note 33, at 318-19.

117. *See* MIGA Convention, *supra* note 33, art. 39(c), 24 I.L.M. at 1620.

III. THE REGIONAL BANKS' WEIGHTED VOTING SYSTEMS

While the four regional development banks are modeled after the World Bank in terms of voting and structure, there are some significant differences. Each regional bank allows non-regional members to join, but ensures that the regional members hold a majority of the voting power. Moreover, the basic votes as a percentage of the total votes vary among the three regional banks.

In the Inter-American Bank (the "IDB"), there are currently forty-four members, each having 135 basic votes.¹¹⁸ While the IDB originally allowed only regional countries to be members, it allowed other non-regional countries to join in 1976 and 1977, although the regional countries still maintained the majority of the voting power.¹¹⁹ The basic votes in the IDB are equivalent to only 3.2 percent of the total votes, as opposed to eleven percent in the World Bank.¹²⁰

In the African Development Bank (the "AfDB"), there were seventy-three members as of 1988.¹²¹ Until 1982, only regional countries were members.¹²² Thereafter, non-regional members were allowed to acquire more funds, while the regional members still controlled the majority of the voting power.¹²³ The AfDB allocates forty-five percent of the total votes as basic votes, giving 625 to each member.¹²⁴

The African Development Fund was created in 1973 to assist the AfDB with additional funds from developed nations. In the African Development Fund, the developed nations and regional members each have fifty percent of the voting power.¹²⁵

The Asian Development Bank (the "ADB"), unlike the other two regional banks, was established with regional and

118. INTER-AMERICAN DEVELOPMENT BANK, ANNUAL REPORT (1988); see Zamora, *supra* note 7, at 578 & 594.

119. Epstein, *Inter-American Development Bank*, in INTERNATIONAL BANKING HANDBOOK, 503, 507-08 (W. Baughn & D. Mandich eds. 1983).

120. See Zamora, *supra* note 7, at 594.

121. AFRICAN DEVELOPMENT BANK ANNUAL REPORT 92-93 (1988).

122. See *id.*

123. See Zamora, *supra* note 7, at 577 n.41.

124. See *id.* at 578.

125. See *id.*

non-regional members. As of 1989, there were forty-seven members, with basic votes equivalent to twenty percent of total votes distributed.¹²⁶ Another unique aspect of the ADB is that the basic votes are a constant twenty percent of the total votes, thereby preventing the decline of less developed countries' voting strength as total votes increase with an increase in quotas.¹²⁷

A fourth regional bank, established on May 29, 1990, is the European Bank for Reconstruction and Development.¹²⁸ In this organization, there are forty members.¹²⁹ The member nations from the European Community control fifty-one percent of the World Bank's capital; the United States, the bank's largest single member, controls ten percent, Japan 8.5 percent, and the Soviet Union six percent.¹³⁰ The voting strength of each nation is based exclusively on each nation's capital strength.¹³¹

IV. OTHER INTERNATIONAL ORGANIZATIONS WITH WEIGHTED VOTING

Another organization that has a type of weighted voting system is the European Economic Community (the "EEC"). In the EEC's principal organ, the Council of Ministers, each member has a fixed number of votes.¹³² France, Germany, Italy, and the United Kingdom have the most votes, ten each, while Luxembourg has the fewest, two.¹³³ Unlike the IMF and

126. *Id.* at 594; see ASIAN DEVELOPMENT BANK ANNUAL REPORT (1989).

127. See Zamora, *supra* note 7, at 594.

128. See N. GIANARIS, *THE EUROPEAN COMMUNITY AND THE UNITED STATES: ECONOMIC RELATIONS* 164 (1991); see also Farnsworth, *U.S. Role in Aid Bank Draws Fire*, N.Y. Times, Apr. 12, 1990, at D1, col. 1; Riding, *Industrial Nations to Create Bank to Aid Eastern Europe*, N.Y. Times, Apr. 10, 1990, at D2, col. 1; Greenhouse, *Nations Widen Role for East-Bloc Aid*, N.Y. Times, Mar. 12, 1990, at A12, col. 1.

129. See N. GIANARIS, *supra* note 128, at 164; see also Farnsworth, *U.S. Role in Aid Bank Draws Fire*, N.Y. Times, Apr. 12, 1990, at D1, col. 1; Riding, *Industrial Nations to Create Bank to Aid Eastern Europe*, N.Y. Times, Apr. 10, 1990, at D2, col. 1; Greenhouse, *Nations Widen Role for East-Bloc Aid*, N.Y. Times, Mar. 12, 1990, at A12, col. 1.

130. See N. GIANARIS, *supra* note 128, at 164; see also Farnsworth, *U.S. Role in Aid Bank Draws Fire*, N.Y. Times, Apr. 12, 1990, at D1, col. 1; Riding, *Industrial Nations to Create Bank to Aid Eastern Europe*, N.Y. Times, Apr. 10, 1990, at D2, col. 1; Greenhouse, *Nations Widen Role for East-Bloc Aid*, N.Y. Times, Mar. 12, 1990, at A12, col. 1.

131. See Farnsworth, *U.S. Role in Aid Bank Draws Fire*, N.Y. Times, Apr. 12, 1990, at D1, col. 1.

132. EEC Treaty, *supra* note 7, art. 148; see Zamora, *supra* note 7, at 583.

133. EEC Treaty, *supra* note 7, art. 148; see Zamora, *supra* note 7, at 583.

the World Bank, the EEC does not set forth guidelines by which to determine a member nation's voting strength, but rather determines voting power based upon a combination of considerations such as economic strength, historical precedent, political reality, and population.¹³⁴

The OPEC Special Fund also has a weighted voting system that is different from that of the IMF and the World Bank.¹³⁵ While each of the thirteen members on the Governing Committee has one vote, committee decisions require a two-thirds majority, provided that members in the majority contribute at least seventy percent of the fund.¹³⁶ Moreover, certain matters require a higher majority and a higher percentage of contributions. Iran and Saudi Arabia are the largest contributors to the fund, each contributing approximately twenty-five percent.¹³⁷ It can thus be seen that even developing countries support a weighted voting system where they have contributed higher proportions than other members.

Another economic organization with weighted voting is the International Fund for Agricultural Development (the "IFAD"), which was established to provide concessional lending to developing countries for agricultural projects.¹³⁸ The IFAD's weighted voting system is different from others previously mentioned. The IFAD divides the total of 1800 votes equally into three categories: developed countries, OPEC countries, and developing countries.¹³⁹ Each category is allowed to determine how to distribute its 600 votes; the developed and OPEC countries have selected a weighted voting system while the developing countries have selected an equal vot-

134. See Zamora, *supra* note 7, at 582-83.

135. Agreement Establishing the OPEC Special Fund, Jan. 28, 1976, art. 5, 15 I.L.M. 1356, 1359-61 [hereinafter OPEC Agreement]. While OPEC was established in September 1960 as a result of a conference held in Baghdad, Iraq, the thirteen member countries—Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela—also established a new financial facility, the OPEC Special Fund, in January 1976, whose purpose is to recycle petrodollars to non-oil producing developing nations. See *id.*; see also A. DANIELSEN, *THE EVOLUTION OF OPEC* 4-5 (1982); Zamora, *supra* note 7, at 588.

136. OPEC Agreement, *supra* note 135; see Zamora, *supra* note 7, at 588.

137. See OPEC ANNUAL REPORT 56 (1976).

138. Agreement Establishing the International Fund for Agricultural Development, adopted June 13, 1976, U.N. Doc. IFAD, art. 6, §§ 3 & 6 (1977) [hereinafter IFAD Agreement].

139. *Id.*

ing system.¹⁴⁰ There are also requirements for a special quorum (one-half of the total votes in each category) and for special majorities of two-thirds or more for major decisions, thereby giving developed nations some leverage against the combined strength of the OPEC and developing nations.¹⁴¹

A non-economic organization that has a type of weighted voting system is the U.N. Security Council. The Security Council has the primary responsibility, under the U.N. Charter, for the maintenance of peace and security.¹⁴² It consists of fifteen members, each of which has one vote.¹⁴³ Decisions require nine votes.¹⁴⁴ There are, however, five permanent members—China, France, the Soviet Union, the United Kingdom, and the United States—who must concur in decisions on substantive matters.¹⁴⁵ This gives each of the permanent members a veto over substantive decisions. While many of the nations at the San Francisco Conference in 1945 opposed such a veto, they agreed to it because without it, the major powers would not have agreed to form the United Nations.¹⁴⁶

The Security Council has accepted certain matters as procedural.¹⁴⁷ The permanent members again have a veto, re-

140. *Id.* art. 6, § 3(a); see Zamora, *supra* note 7, at 587.

141. IFAD Agreement, *supra* note 138, art. 6, §§ 2(a) & 5(f); see Zamora, *supra* note 7, at 587.

142. See S. BAILEY, VOTING IN THE SECURITY COUNCIL 3-4 (1969).

143. U.N. CHARTER, art. 27; see U.N. DEP'T OF PUBLIC INFORMATION, BASIC FACTS ABOUT THE UNITED NATIONS 7 (1987) [hereinafter BASIC FACTS].

144. U.N. CHARTER, art. 27; see BASIC FACTS, *supra* note 143, at 7.

145. U.N. CHARTER, art. 27; see BASIC FACTS, *supra* note 143, at 7. Article 27 of the U.N. Charter explains:

1. Each member of the Security Council shall have one vote.
2. Decisions of the Security Council on procedural matters shall be made by an affirmative vote of nine members.
3. Decisions of the Security Council on all other matters shall be made by an affirmative vote of nine members including the concurring votes of the permanent members; provided that, in decisions under Chapter VI, and under paragraph 3 of Article 52, a party to a dispute shall abstain from voting.

U.N. CHARTER, art. 27. The ten non-permanent members are elected for two-year terms. The U.N. General Assembly elects them on the bases of their contribution to the maintenance of international peace and security, and equitable geographical distribution. *Id.* art. 23; see J. VINCENT, A HANDBOOK OF THE UNITED NATIONS 157 (1976). In practice, geographic factors have become the most important. *Id.*

146. See S. BAILEY, *supra* note 142, at 12-13. See generally Goodrich, *The U.N. Security Council*, in *THE UNITED NATIONS: PAST, PRESENT AND FUTURE* 19-26 (J. Barros ed. 1972).

147. See S. BAILEY, *supra* note 142, at 16-17. Areas that have been accepted as

ferred to as a "double-veto," on the question of whether a matter is procedural or substantive.¹⁴⁸ Thus, a permanent member may veto a matter that many might think is procedural by simply voting against treating it as a procedural matter.

In the first forty years of the United Nations' existence (1945-1985), there were 184 vetoes, including 114 by the Soviet Union and forty-two by the United States.¹⁴⁹ While there have at times been much conflict, more decisions are today reached by consensus through informal consultation.¹⁵⁰ In this regard, the decision-making of the Security Council resembles the IMF's and the World Bank's because members always seek a consensus. The main reason that the Security Council is effective and even exists is that the voting system reflects the reality of the members' strength by giving the five nations with the most military and political strength the right to veto matters with which they disagree.¹⁵¹ Without the veto power in the Security Council, the only U.N. body that has the power to make obligatory decisions that the member states must carry out, the United Nations would probably not have come into being.¹⁵²

procedural include decisions on which the Council has expressly taken a decision that the matter was procedural and decisions that the Council took despite the negative vote of a permanent member. *Id.* at 16. Specific procedural matters include:

[i]nclusion of items in the agenda; [o]rder of items on the agenda; [i]nvitations to participate in the proceedings; [c]hallenges to rulings of the President; [t]he postponement of consideration of items on the agenda; [s]uspension or adjournment of a meeting; [o]rder of voting on proposals; [r]etention or removal of items from the list of matters of which the Council is seized; [c]onvocation of emergency special sessions of the General Assembly.

Id. at 17.

148. *See id.* at 14-15. *See generally id.* at 18-25.

149. *See* ANNUAL REVIEW OF UNITED NATIONS AFFAIRS: A CHRONOLOGICAL AND FACT BOOK OF THE UNITED NATIONS 1941-1985, at 317 (T. Hovet & E. Hovet eds. 1986).

150. *See* S. BAILEY, *supra* note 142, at 75-83. *See generally* Note, *Informal Consultation: A Mechanism in Security Council Decision-Making*, 18 N.Y.U. J. INT'L L. & POL. 267 (1985).

151. *See* S. BAILEY, *supra* note 142, at 3-4.

152. *See id.* at 12-13; U.N. DEP'T OF PUBLIC INFORMATION, *supra* note 143, at 7; *supra* note 146 and accompanying text (discussing some nations' initial opposition to veto).

V. INTERNATIONAL ORGANIZATIONS WITHOUT WEIGHTED VOTING

Many international organizations still follow the more traditional notion of equality of nations in their voting systems. Unlike the Security Council, both the U.N. General Assembly and other U.N. bodies, such as the U.N. Conference of Trade and Development ("UNCTAD"), assume an equality of nations in their voting systems.¹⁵³

UNCTAD was established in 1964 to negotiate and adopt multilateral legal instruments in the field of international trade.¹⁵⁴ UNCTAD is perceived as an organization that favors developing countries, which constitute seventy-five percent of its members.¹⁵⁵ Each member has one vote and all substantive decisions require a two-thirds majority of the members present and voting.¹⁵⁶ As in the IMF and the World Bank, however, voting is relatively rare in UNCTAD because there exist formal conciliation procedures to soften the impact of the developing countries' voting strength, which might cause the developed countries to refuse to participate.¹⁵⁷ Moreover, before a vote takes place in UNCTAD, each group—the developing countries of Groups A and C (the "Group of 77"), developed countries of Group B, and socialist countries of Group D—must work out an agreed common position.¹⁵⁸ It is rare that a devel-

153. See G.A. Res. 1995, 19 U.N. G.A.O.R. Supp. (No. 15) at 1, U.N. Doc. A/5815 (Dec. 30, 1964) (establishing UNCTAD) [hereinafter UNCTAD Charter]; U.N. DEP'T OF PUBLIC INFORMATION, *supra* note 143, at 79-81. UNCTAD is involved with a variety of programs. One of the major ones, the Integrated Program for Commodities, aims at securing stable prices for the primary commodities on which developing countries depend heavily for export earnings through the negotiation of fixed-term agreements on specific commodities (e.g., rubber, cocoa, olive oil, and tin). See *id.* Other multilateral agreements negotiated through UNCTAD include the Convention on a Code of Conduct for Liner Conferences, the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, the U.N. Convention on International Multimodal Transport of Goods, and the U.N. Convention on Conditions for Registration of Ships. *Id.*

154. See Zamora, *supra* note 7, at 580-81.

155. UNCTAD Charter, *supra* note 153, ¶ 2-4; see Zamora, *supra* note 7, at 580.

156. Zamora, *supra* note 7, at 580.

157. See Nye, *UNCTAD: Poor Nations' Pressure Group*, in *THE ANATOMY OF INFLUENCE: DECISION MAKING IN INTERNATIONAL ORGANIZATIONS* 334 (R. Cox & H. Jacobson eds. 1973); see also Krishnamurti, *supra* note 47, at 14-18.

158. See K. SAUVANT, *THE GROUP OF 77: EVOLUTION, STRUCTURE, ORGANIZATION* 16-18 (1981); Dell, *The Origins of UNCTAD*, in *UNCTAD & THE SOUTH-NORTH DIALOGUE: THE FIRST TWENTY YEARS* 10, 30-31 (M. Cutajar ed. 1985). See generally Iida,

oping country will vote against the agreed position of the Group of 77.¹⁵⁹ This has, in essence, worked to unify the voice of the less developed countries within and outside of UNCTAD.¹⁶⁰ UNCTAD's decisions, however, are not binding on the members and more closely reflect recommendations to other economic organizations whose decisions are more binding, such as the IMF and the World Bank. UNCTAD basically serves the important function of expressing the opinions of the less developed countries from a more cohesive and stronger negotiating position.

Another organization that follows the one vote per nation principle is the General Agreement on Tariffs and Trade (the "GATT").¹⁶¹ In the GATT, all decisions are made by a simple majority with the exception of decisions to amend the basic rules or Articles, which require unanimity or a two-thirds majority.¹⁶² Unlike in UNCTAD, however, the developing countries do not have a major voice in the GATT's decisions. This is so because the GATT is more of a negotiating body than a regulatory body, and because nations often negotiate independently and guard their independence.¹⁶³ Moreover, trade concessions and retaliatory threats weigh much more heavily than votes, thereby giving the developed countries an advantage.¹⁶⁴

The decisions of organizations with weighted voting systems are more easily enforceable than decisions of organizations with equal voting systems because the developed industrial nations with a majority of capital and power are far more willing to participate. Countries often treat decisions of equal voting organizations as advisory opinions, but abide by deci-

Third World Solidarity: The Group of 77 in the U.N. General Assembly, 42 INT'L ORG. 375 (1988). The Group of 77 was established in 1964 at the UNCTAD conference in Geneva, Switzerland. See K. SAUVANT, *supra*, at 1. During that conference, the "Joint Declaration of the Seventy-Seven" was adopted, setting forth the outstanding importance of the unity of developing countries at the conference and in the future. See *id.* at 2. The continuation of Group D, the socialist countries, in UNCTAD may be in jeopardy in light of the rapid changes that have recently occurred in Eastern Europe.

159. See *supra* note 158 and accompanying text (discussing voting in UNCTAD).

160. See K. SAUVANT, *supra* note 158, at 131.

161. GATT, *supra* note 7, art. XXV, §§ 3 & 4, T.I.A.S. No. 1701, at 64, 55 U.N.T.S. at 272.

162. *Id.*; see Zamora, *supra* note 7, at 579.

163. See Zamora, *supra* note 7, at 579.

164. See *id.*

sions of weighted voting organizations.¹⁶⁵ Thus, while equal voting systems on their face might be more beneficial towards developing nations, they do not reflect economic reality and are thus not as effective as weighted voting systems.

VI. *CHANGES AND CHALLENGES TO WEIGHTED VOTING SYSTEM IN THE IMF AND THE WORLD BANK*

While the IMF and the World Bank have functioned smoothly since their inception at Bretton Woods, there have been recent changes and challenges to their weighted voting system. First, the balance among the leading members of the IMF has been changed by Japan's recent move to number two in the voting order.¹⁶⁶ Second, the Soviet Union is seriously considering and may soon be applying for membership in the IMF and the World Bank.¹⁶⁷ Third, many nations, primarily developing ones, are also requesting a greater proportion of the total voting power.¹⁶⁸ The rapid changes in the world may eventually require the IMF and the World Bank to restructure its weighted voting system, thereby changing the balance that has allowed the IMF and the World Bank to function smoothly over the years.

When the IMF and the World Bank were formed at Bretton Woods, the United States had the most economic strength.¹⁶⁹ As a result, the United States emerged with 33.14 percent of the total votes in the IMF and 35.07 percent of the votes in the World Bank.¹⁷⁰ As the industrial war-ravaged nations rebuilt their economies after World War II and as more developing countries joined the World Bank and the IMF, U.S. voting power declined.

165. See *supra* notes 35-48 & 80-94 and accompanying text (discussing effectiveness of different voting systems and importance of voting in IMF).

166. See *infra* notes 172-86 and accompanying text (discussing Japan's increase in voting strength); Farnsworth, *IMF Panel Votes to Add \$60 Billion to Pool for Loans*, N.Y. Times, May 9, 1990, at A1, col. 3 (noting that Germany and Japan will share number two ranking).

167. See *infra* notes 189-99 and accompanying text (discussing Soviet Union's possible entry into IMF).

168. See J. GOLD, *supra* note 15, at 43-49.

169. Huntington, *The U.S.—Decline or Renewal*, FOREIGN AFF. 77, 81 (Winter 1988/89).

170. See J. GOLD, *supra* note 15, at 238; E. MASON & R. ASHER, *supra* note 6, at 802 (listing percentages).

U.S. PERCENTAGE OF TOTAL VOTES

Year	Organization	
	IMF	World Bank
1946-47	33.14	35.07
1951	29.96	24.99
1961	24.99	29.25
1971	21.42	23.82
1981	20.01	20.84
1990	19.10	17.22 ¹⁷¹

A. Increase in Japan's Voting Strength

Currently, the United States' ability to dominate and lead the IMF and the World Bank as it has in the past is clearly waning. This is evident from the IMF's criticism of U.S. economic policies and by the dispute over raising the quotas in the IMF and the World Bank, in which the United States was dragging its feet.¹⁷² The IMF has been critical of the U.S. budget and trade deficit problems and finds it difficult to tell developing countries to practice austerity while the United States incurs annual budget and trade deficits of over US\$100 billion.¹⁷³

Furthermore, while the IMF Managing Director, Michael Camdessus, had proposed a doubling of the IMF's quotas to cope with the increasing demands of developing nations and the demand for assistance in East European markets, and although seventy percent of the IMF's membership supported an increase of sixty-seven percent or more, the United States, along with the United Kingdom and Saudi Arabia, opposed

171. IMF ANNUAL REPORT, *supra* note 51, at 120; IBRD ANNUAL REPORT, *supra* note 43, at 213; *see supra* note 170 (listing statistics).

172. *See* Rowen, *U.S. Rejects IMF Call for More Funds*, Wash. Post, Sept. 25, 1989, at A4, col. 4; Pine, *IMF Faces Role Crisis as Leaders Meet*, L.A. Times, Sept. 24, 1989, § 4, at 1, col. 5; Truell, *Nations Likely to Discuss IMF Fund Increase*, Wall St. J., Sept. 14, 1989, at A17, col. 1; Scherer, *Battle Looms on Funding IMF*, Christian Sci. Monitor, Apr. 7, 1989, at A8; Farnsworth, *IMF Official Says U.S. Faces Criticism at Talks*, N.Y. Times, Apr. 2, 1989, § 1, at 8, col. 1; Nasar, *To the U.S. from the IMF: Shape Up*, FORTUNE 77 (May 23, 1988).

173. Budget of the United States Government, H.R. Doc. No. 122, 101st Cong., 2d Sess. A281 (1990); *see Steady Trade Deficit Seen*, N.Y. Times, Dec. 4, 1990, at D2, col. 6; Farnsworth, *Import Fall Narrows Trade Gap*, N.Y. Times, June 16, 1990, at 27, col. 6.

such an increase.¹⁷⁴ The result was a compromise fifty percent increase.¹⁷⁵ The United States also has stalled with proposals to increase resources in the World Bank.¹⁷⁶ There are some rational arguments for U.S. opposition, such as the United States' overdue payments totalling more than twice the IMF's reserves.¹⁷⁷ It cannot be denied, however, that the United States is not showing leadership in this situation.

Japan, on the other hand, supported a one hundred percent increase in the IMF's quotas.¹⁷⁸ In addition, the Japanese have increased their involvement with third world investment and lending, becoming the world's largest creditor nation.¹⁷⁹ Japan investors own fifty percent of the World Bank's traded debt, and Japan recently pledged a total of US\$6.55 billion, in coordination with the IMF and the World Bank, to help reduce the international debt of third world nations.¹⁸⁰ Japan also has the world's second highest gross domestic product.¹⁸¹ Japan was properly made number two in the IMF's voting power order, as it had become in the World Bank in 1986.¹⁸² The U.S. argument that Japan did not deserve more voting power because it did not show enough interest in helping solve the IMF's arrears problems and assisting less developed countries¹⁸³ is no longer applicable in light of Japan's recent large economic contributions.

174. See Truell, *Funding Clouds World Bank, IMF Parleys*, Wall St. J., Sept. 29, 1989, at A11, col. 1.

175. See *id.*

176. *Id.* (United States stalling on \$14.5 billion increase in IDA resources); Sparks, *Revolution at the IMF*, WORLD PRESS REV., Nov. 1988, at 47 (noting that United States balked at World Bank's proposal to increase capital base); McNamee, *Jockeying for Power at the IMF*, BUS. WK., Oct. 3, 1988, at 110 (noting that United States has not fulfilled pledge to add \$14 billion [US\$420 million in cash and rest in guarantee] to World Bank).

177. See Rowen, *U.S. Rejects IMF Call for More Funds*, Wash. Post, Sept. 25, 1989, at A4, col. 4.

178. See Francis, *Power Sharing is Key Issue*, Christian Sci. Monitor, Sept. 20, 1989, at 1. Japan's lobbying resulted in a fifty percent increase.

179. See, e.g., Rowen, *Japan Pledges \$2 Billion for Debt Crisis*, Wash. Post, June 14, 1989, at F2, col. 4; McNamee, *Jockeying for Power at the IMF*, BUS. WK., Oct. 3, 1988, at 108 (noting that Japanese investors now own fifty percent of World Bank's publicly-traded debt).

180. Awanohara, *Fairer Shares*, FAR E. ECON. REV., Sept. 7, 1989, at 89; Rowen, *Japan Pledges \$2 Billion for Debt Crisis*, Wash. Post, June 14, 1989, at F2, col. 4.

181. Hosomi, *Japan Takes Over the IMF*, EUROMONEY, Sept. 1988, at 98.

182. See *id.* at 103-07.

183. See *id.* at 107.

Making Japan number two in the voting order, however, required a compromise with France, Germany, and the United Kingdom. Under the agreement, Japan will have six percent of the voting strength, as will Germany; the United Kingdom and France will each have 5.5 percent, and the United States will continue to possess approximately twenty percent of the voting strength.¹⁸⁴

While some in the United States fear that Japan may be trying to take over the leading role in the IMF from the United States, such fears are unfounded. The United States still has the largest voting share of any other nation by far. Moreover, Japan's gross domestic product will never come close to that of the United States.¹⁸⁵ Takeshi Ohta, an official at the World Bank of Japan, has stated: "We Japanese have never tried to be the forerunner, only to be second best. We need the absolute leadership of the U.S."¹⁸⁶ It is also clear, however, that the United States, in its leading position, will have to cooperate and consult with Japan and other nations more so than it has in the past.

The United States was thrust into the leadership after World War II, when it was producing forty to forty-five percent of the gross world product.¹⁸⁷ During the 1960s, however, that percentage declined to twenty to twenty-five percent and has remained there since.¹⁸⁸ The United States' voting power in the IMF and the World Bank has declined accordingly. The decline of the U.S. share of the world gross product was natural and the United States would be mistaken to try to cling to its postwar glory as though it still had half of the global economic power. It was once U.S. policy to help the war-ravaged industrial nations recover so that they could assist in world production and in the promotion of the capitalist system. Now that the United States has succeeded and its relative economic power has declined, it should allow other industrial countries

184. See Farnsworth, *IMF Panel Votes to Add \$60 Billion to Pool for Loans*, N.Y. Times, May 9, 1990, at A1, col. 3.

185. The United States' gross national product, US\$4 trillion, is more than three times that of Japan, which equals US\$1.3 trillion. See S. HUSTED & M. MELVIN, *INTERNATIONAL ECONOMICS* (1990).

186. See McNamee, *Jockeying for Power at the IMF*, BUS. WK., Oct. 3, 1988, at 110.

187. See Huntington, *supra* note 169, at 81.

188. See *id.*

that have built up their economic strength to carry more of the economic burden.

B. The Soviet Union's Entry Into The IMF And The World Bank

A challenge posed to the United States, the IMF, and the World Bank is the entry of the Soviet Union into the IMF and the World Bank.¹⁸⁹ After refusing an offer to join the IMF and the World Bank with thirteen percent of the voting shares in 1944, the Soviet Union has expressed strong interest in joining the IMF and the World Bank over the past few years.¹⁹⁰ Soviet President Mikhail Gorbachev sent a letter on July 14, 1989 to the annual summit meeting of the Group of Seven industrial democracies, stating that "[o]ur *perestroika* is inseparable from a policy aiming at our full participation in the world economy."¹⁹¹ Former Soviet Foreign Minister Eduard Shevardnadze further stated that "[w]e would like to participate actively in the work of the IMF and the World Bank, being convinced that our cooperation with them, as well as with GATT and FAO [U.N. Food and Agriculture Organization] will be useful for the community [of nations] as a whole."¹⁹² The Soviets have also sent delegations to study the IMF and the World Bank and have invited IMF staff officials to an international monetary conference in Moscow and for a visit to the state bank.¹⁹³ The Soviet Union has already been granted observer status in the GATT and is expected to be granted special membership status in the IMF and the World Bank, giving it access to financial and economic assistance from these orga-

189. Bulgaria and Czechoslovakia have recently become members of the Fund and the Bank, joining Hungary, Poland, and Romania. See *IMF/World Bank Meeting*, *Fin. Times*, Sept. 25, 1990, § 1, at 10; Farnsworth, *Czechoslovakia Gets \$1.8 Billion IMF Loan*, *N.Y. Times*, Jan. 8, 1991, at A13, col. 1.

190. See Francis, *Soviets Eye Economic Institutions*, *Christian Sci. Monitor*, Oct. 24, 1989, at 9. The Soviet Union has already joined the recently formed European Bank for Reconstruction and Development, holding six percent of the bank's capital. See Greenhouse, *A New Bank Plans East European Aid*, *N.Y. Times*, May 30, 1990, at A14, col. 1.

191. See Francis, *Soviets Eye Economic Institutions*, *Christian Sci. Monitor*, Oct. 24, 1989, at 9. The Group of Seven consists of the seven leading industrial nations: Canada, France, Germany, Italy, Japan, the United Kingdom and the United States. See Chisholm, *Cracks in the G7 Front*, *MACLEAN's*, Mar. 6, 1989, at 30.

192. See Francis, *Soviets Eye Economic Institutions*, *Christian Sci. Monitor*, Oct. 24, 1989, at 9.

193. See *id.*

nizations.¹⁹⁴

The Soviet Union's joining the IMF and the World Bank would clearly have a great impact. The Soviet Union's gross national product is greater than US\$1 trillion, and would entitle the Soviet Union to approximately six percent of the total voting power and the right to appoint one of the twenty-two directors.¹⁹⁵ By its sizeable vote and influence, the Soviet Union would have considerable clout in both organizations.

Some fear that the Soviet Union might cause problems by seeking to coalesce a voting bloc within the IMF and the World Bank, reneging on repayment obligations, or appointing an ideologically-oriented staff, all of which may tend to polarize the organizations.¹⁹⁶ Others claim that the Soviet Union's economy would not be able to adjust its structure to fit the IMF's requirements.¹⁹⁷ The latter claim is not a very strong argument in light of the admission of such nations as China and Romania, which have controlled economies. Some claim, however, that because of the Soviet Union's economic and political strength, the IMF should require that the Soviet Union adhere more closely to the IMF's ideals than do other smaller and less consequential IMF members.¹⁹⁸

If the changes in the Soviet Union continue at their current pace, it will not be long before the Soviet Union will be able to join the IMF and the World Bank. Should this happen, it is estimated that the United States would have to give up

194. See Prokesch, *Rich Nations Back Junior Soviet Role in Monetary Fund*, N.Y. Times, June 24, 1991, at A1, col. 6; Farnsworth, *World Agencies Plan Aid to Soviets and China*, N.Y. Times, Oct. 1, 1990, at D5, col. 1; Bollag, *Soviet Union Becomes Observer in Trade Body*, N.Y. Times, May 17, 1990, at D2, col. 5; Farnsworth, *World Trade Body is Expected to Let Soviets Have Role*, N.Y. Times, May 15, 1990, at A1, col. 1. Gaining full membership in the IMF would take the Soviet Union six months or longer. See Prokesch, *supra*. At their most recent economic summit, the Group of Seven presented a plan that included creating a "special association" between the Soviet Union and the IMF, but they did not approve an increase in financial assistance to the Soviet Union. Murray & Revzin, *Leaders Present Plan To Bring Soviet Union Into Capitalist World*, Wall St. J., July 18, 1991, at A12, col. 1.

195. See Manning, *Soviets in IMF—What's in It for the West*, Wall St. J., May 8, 1989, at A16, col. 3.

196. See Francis, *Soviets Eye Economic Institutions*, Christian Sci. Monitor, Oct. 24, 1989, at 9.

197. See *id.*; Manning, *Soviets in IMF—What's in It for the West*, Wall St. J., May 8, 1989, at A16, col. 3.

198. See Manning, *Soviets in IMF—What's in It for the West*, Wall St. J., May 8, 1989, at A16, col. 3.

more than one percent of its voting strength.¹⁹⁹

Additionally, should the Soviet Union form a voting coalition in the World Bank or the IMF, the United States would have to take a more conciliatory approach in the organizations' co-management. The Soviet Union's entry is very likely to change the harmonious balance that currently exists in these organizations, and could very well result in the Soviet Union becoming a rallying force for the causes of less developed countries. While the Soviet Union has seemingly been putting less stress on competing with the Western nations militarily, and while it realizes that its economy is inferior to that of the United States, it may still attempt to compete with the United States by using its strength in the IMF and the World Bank to assist and thus gain favor with developing countries.

Economic competition, however, should not be feared. First, it would benefit developing nations. Moreover, the United States has already invested heavily in many developing countries and has a great degree of interdependence with them, placing it in a strong competitive position. Additionally, the Soviet economy is weak. The Soviet Union is seeking to attract foreign investment, and must focus on internal woes in the foreseeable future. Furthermore, the United States would still have more voting power than any other nation, enough to veto major decisions, and would continue to work with its Western industrial allies. In the long run, the Soviet Union itself may even become an ally of the United States. The Soviet Union's entry into the IMF and the World Bank should be encouraged as a way to reform and privatize the Soviet economy and to guide the Soviet Union to compete in a more peaceful and constructive manner.

C. Developing Countries' Desire For Greater Voting Strength

The third factor posing a challenge to the current structure of the weighted voting system of the IMF and the World Bank is the developing countries' discontent with the current system and their desire to have greater voting strength. Many developing countries have complained that their interests are not adequately expressed within the world bodies that exist to

199. See Francis, *Soviets Eye Economic Institutions*, *Christian Sci. Monitor*, Oct. 24, 1989, at 9.

help them.²⁰⁰ The developed nations currently control approximately two-thirds of the voting strength while having less than one-third of the world population.²⁰¹ This, many believe, results in disproportionate representation and decisions which are not truly in the interests of the developing countries.²⁰² Developing nations further claim that the current quota system limits them from taking as much capital as they need out of the IMF.²⁰³ They believe that the answer is to give them a greater voting share in the IMF and the World Bank.

What the developing countries do not address, however, is that it is the realistic apportionment of voting strength that makes the IMF and the World Bank such viable and effective organizations. An increase of the voting strength of the developing countries would not be large enough to make a difference. Furthermore, a significant increase would ruin the harmonious and conciliatory balance that now exists, and would most likely lead to a less effective, polarized organization.²⁰⁴

The current structure works because the developed nations have investment or political interests in the economic well-being of the developing nations.²⁰⁵ Moreover, certain developed countries, such as Canada, the Netherlands, and the Scandinavian countries tend to argue for the interests of less developed countries, thereby adding to their strength.²⁰⁶ Additionally, the developing countries exercise voting power by unifying their strength within the IMF and the World Bank through such groups as UNCTAD, the Group of 77, and the Group of 24.²⁰⁷ Although these organizations do not put de-

200. See J. GOLD, *supra* note 15, at 43-49. The developing nations, through UNCTAD, the Group of 77 and the Group of 24, have sought to change the current weighted voting system to a voting system that more closely follows the concept of equality of nations. See generally T. FERGUSON, *supra* note 21, at 84-108; J. GOLD, *supra* note 15, at 43-49.

201. J. GOLD, *supra* note 15, at 43.

202. See *id.*

203. See *id.*

204. See *supra* notes 80-94 and accompanying text (discussing functioning of IMF's voting system).

205. See Zamora, *supra* note 7, at 603-04.

206. See *id.*

207. See *supra* notes 153-60 and accompanying text (discussing UNCTAD and Group of 77). The Group of 24 was formed in 1972 at a meeting of the Group of 77 in Geneva. See R. SAUVANT, *supra* note 158, at 60-61 & 127. It is an intergovernmental group composed of eight nations each from Africa, Asia and Latin America, whose

veloping countries on equal footing with industrialized countries, they do help developing countries unify their strength.

The developing countries, nonetheless, have a legitimate complaint that their opinions are often neglected. There are ways of addressing such grievances without reapportioning the weighted voting system.²⁰⁸ One solution would be to do away with the fixed number of 250 basic votes and allocate basic votes as a constant percentage of the total vote, as is done in the Asian Development Bank.²⁰⁹ Such a solution would prevent the erosion of the developing nations' voting power when the overall level of quotas increase.²¹⁰ Since new nations are no longer being created at the rate they have been since World War II,²¹¹ there will be fewer new members to offset the reduction of the basic votes to total votes percentage. This would allow the developing countries to maintain at least the voting strength they have today. Another solution could be to enlarge the executive boards to allow more representatives of the less developed countries to be heard, necessitating the hiring of more qualified staff from less developed countries.²¹²

An increase in the voting power, or adoption of an equal voting system, is not the answer because it would only weaken the effectiveness of the IMF and World Bank. The solution lies in involving developing countries more in the decision-making process and working harder to resolve their current problems, most particularly the third world debt crisis.

CONCLUSION

While the world is changing at a rapid pace, the IMF and the World Bank are in a good position to adjust and help bring about change. When the IMF and the World Bank were formed, the framers did not foresee the world that awaited them. They invited Soviet delegates to Bretton Woods, ex-

purpose is to evaluate the international monetary situation and recommend any action it deems necessary for the well-being of the developing countries to the Group of 77. *Id.* at 60-69 & 127.

208. *See, e.g.,* Zamora, *supra* note 7, at 606.

209. *See id.* at 607.

210. *Id.*

211. *See, e.g.,* M. CHAMBERLAIN, *DECOLONIZATION* (1985) (explaining post-World War II creation of new nations); P. KENNEDY, *THE RISE AND FALL OF THE GREAT POWERS* 392-94 (1987).

212. *See* Zamora, *supra* note 7, at 607.

pecting them to join. They did not foresee the cost and the time it would take to rebuild the European nations. They did not foresee the vast increase in membership. And they did not foresee the third world debt crisis. Yet, the IMF and the World Bank adjusted to each of these changes, and remained viable and effective organizations. In fact, their importance has increased over time.

As the world is changing and we are approaching a new millennium, it is clear that we could very well be living in a new and different world characterized by increased economic interdependence and cooperation. Should the drastic changes in the Soviet Union continue and should the Soviet Union join the IMF and the World Bank, the IMF and the World Bank would play pivotal roles in regulating economic competition among nations to a more beneficial end for all nations involved. They could also play an important role in reducing tensions between industrialized and developing nations, which might otherwise worsen as a result of the third world debt crisis and the shifting of the world from an East-West to a North-South balance of power. Only through organizations in which a nation's economic strength is truly reflected will all nations be willing to work toward reaching solutions to problems that confront them. While advisory organizations with equal voting systems such as UNCTAD are valuable in expressing the thoughts and opinions of developing countries, they depend on the IMF and the World Bank to put such thoughts into actions or reach compromise solutions. The IMF and the World Bank have and will continue to provide invaluable assistance to the ever-changing world and its economic problems. All nations should seek to work through these organizations in the manner in which they were intended to function—with a weighted voting system reflecting each members' economic strength, in which conciliation is stressed and almost always reached.