Weighted Voting in the International Monetary Fund and the World Bank

William N. Gianaris*
Weighted Voting in the International Monetary Fund and the World Bank

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

* Assistant District Attorney, Queens County, New York; L.L.M. Candidate, New York University, 1992; J.D., Fordham University, 1988. The author wishes to express his special thanks to Professor Michael Malloy of Fordham University School of Law for his assistance and insightful comments.

² See generally id. (outlining rise of international cooperation after World War II).
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. 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. The IMF and World Bank's voting share. See infra notes 166-212 and accompanying text (discussing these developments).


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-XIII, 61 Stat. pt. 5 at 1265, T.I.A.S. No. 1700, at 8-61, 55 U.N.T.S. at 196-268.


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. 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.

In 1944, thirty nations founded the IMF. Membership has since grown to 154 nations. The IMF has a board of governors, an executive board, and a managing director. 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. 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? 5-5 (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. 1, 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.


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. XIII, § 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,\textsuperscript{16} which consists of twenty-two executive directors and a managing director who serves as chairman and who is selected by the executive board.\textsuperscript{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.\textsuperscript{18} In practice the executive board is the most important organ of the IMF, doing most of its decision-making.\textsuperscript{19}

\textbf{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.\textsuperscript{20} Planning for the World Bank was not as intensive as it was for the IMF.\textsuperscript{21} While membership in the World Bank is predicated upon IMF membership, the reverse is not true.\textsuperscript{22}

The World Bank’s basic purpose was to provide develop-
ment loans to its member nations. These loans were targeted to assist in the reconstruction and restoration of their economies, and to promote investment and growth. European countries were the initial recipients of World Bank assistance. 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. Its membership has since grown to 154 member states. The World Bank's structure is similar to the IMF's. The World Bank has twenty-one executive directors. Its president also serves as chairman.

Four affiliates have joined the World Bank since its establishment—the International Finance Corporation (the "IFC"), established in 1956; the International Development Agency (the "IDA"), established in 1960; the International Centre...
for Settlement of Investment Disputes (the "ICSID"), established in 1966;\textsuperscript{32} and the Multilateral Investment Guarantee Agency (the "MIGA"), established in 1988.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{36} The nations founding these institutions decided that all executive directors would not be international servants, but would be ac-


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 Delaum, ICSID Arbitration and the Courts, 77 Am. J. Int'l L. 784 (1983).


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.


36. See E. Mason \& R. Asher, supra note 6, at 31.
countable to the countries they represent.  

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.  

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.  

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.  

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.  

The IMF also assists member nations whose economies were disrupted by Iraq's invasion of Kuwait.  

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.  

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.  

In 1989, for instance, the World Bank lent US$20.7 billion to member nations for development programs.  

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 I. Horsefield, supra note 8, at 133.  
38. See R. Edwards, supra note 4, at 11-23 & 44-48; Silard, supra note 6, at 69.  
40. D. Driscoll, supra note 31, at 12.  
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.\textsuperscript{46}

In UNCTAD, for instance, many recommendations and programs adopted by consensus on trade, finance, developing nations, and other areas have not been fulfilled.\textsuperscript{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.\textsuperscript{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


\textsuperscript{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. \textit{See id.} UNCTAD has been effective and has done much useful work in areas such as international monetary reform and restrictive business practices. \textit{See id.}
vote, respectively. While many have criticized the United States for having an excessive proportion of the voting power, 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. 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. 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.

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. 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.


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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{57} It was eventually agreed to have special majorities within certain areas, although the number of special majorities has since increased.\textsuperscript{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.\textsuperscript{59}

\textsuperscript{55} Id.

\textsuperscript{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. \textit{Id.}

\textsuperscript{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. \textit{Id.}

\textsuperscript{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 \textit{id.} at 39-40 & 57-61.

\textsuperscript{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.\(^6\) Voting is based on quotas related to economic criteria.\(^6\) Quotas are based upon a complex formula that considers such relative economic strength factors as gross domestic product, external reserves, and variability of exports.\(^6\) 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.\(^6\) Members expressed concern about the doctrine of equality of states, a doctrine strongly embedded in the history of international organizations.\(^6\) As a result, at pre-conference negotiations, members discussed various numbers for basic votes to allot to each country.\(^6\) 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).
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.
63. 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.
64. See Gold, supra note 52, at 26. See generally F. Lister, supra note 61, at 44-51; Asherman, supra note 6, at 254-55.
each part of a nation's quota equivalent to US$100,000. 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. 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.

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. For purposes of voting under IMF article V, sections four (waiver of conditions) and five (ineligibility to use the IMF's general resources), 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.

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. 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.
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 2283, T.I.A.S. No. 8987, at 31.
enjoying the benefit of that "credit." 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.

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. 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. 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. 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. 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.
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].
twelve-month period as a result of net purchases.\textsuperscript{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.\textsuperscript{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."\textsuperscript{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.\textsuperscript{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.\textsuperscript{83}

Another area where voting strength is important is where

\begin{footnotesize}
\footnotesize
\textsuperscript{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.

\textsuperscript{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.

\textsuperscript{81} IMF Rules and Regulations, supra note 15, R. C-10.

\textsuperscript{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.

\textsuperscript{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
\end{footnotesize}
special majorities are required to make a decision. In such instances, a member or a group of members with enough votes can block the adoption of certain decisions. 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, provide for general exchange arrangements, or institute a par value.

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. The Second Amendment of the IMF Articles greatly increased the number of decisions for which special majorities are required. Furthermore, even where simple majorities are required, voting strength remains important because the executive directors normally desire broad-based support for decisions. Thus, while votes are held rarely, voting strength remains important in building a consensus before making decisions.

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


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; I.J. HORSEFIELD, supra note 8, at 106.


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.
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.\textsuperscript{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.\textsuperscript{110} In the IDA, each original member had 500 basic votes plus one additional vote for each US$5000 (1960 dollars) of subscription.\textsuperscript{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.\textsuperscript{112} Furthermore, developing countries are permitted to make additional subscriptions payable in their own currencies to avoid a reduction in their voting power.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{117}

\textsuperscript{109} See id.
\textsuperscript{111} E. Mason & R. Asher, supra note 6, at 392; see World Bank Staff, IDA in Retrospect 6-7 (1982) [hereinafter IDA in Retrospect].
\textsuperscript{112} See IDA in Retrospect 6-7.
\textsuperscript{113} See id.
\textsuperscript{114} See id.
\textsuperscript{115} See MIGA Convention, supra note 33, arts. 39-42, 24 I.L.M. at 1620-21.
\textsuperscript{116} See id. art 39(b), 24 I.L.M. at 1620; Shihata, supra note 33, at 318-19.
\textsuperscript{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.
120. See Zamora, supra note 7, at 594.
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. 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.

A fourth regional bank, established on May 29, 1990, is the European Bank for Reconstruction and Development. In this organization, there are forty members. 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. The voting strength of each nation is based exclusively on each nation's capital strength.

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. France, Germany, Italy, and the United Kingdom have the most votes, ten each, while Luxembourg has the fewest, two. Unlike the IMF and

126. Id. at 594; see Asian Development Bank Annual Report (1989).
127. See Zamora, supra note 7, at 594.
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.
WEIGHTED VOTING

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. Danielson, 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).
139. Id.
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.
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.
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.\textsuperscript{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.\textsuperscript{149} While there have at times been much conflict, more decisions are today reached by consensus through informal consultation.\textsuperscript{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.\textsuperscript{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.\textsuperscript{152}

\begin{itemize}
  \item 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. \textit{Id.} at 16. Specific procedural matters include:
  \begin{itemize}
    \item Inclusion of items in the agenda;
    \item Order of items on the agenda;
    \item Invitations to participate in the proceedings;
    \item Challenges to rulings of the President;
    \item The postponement of consideration of items on the agenda;
    \item Suspension or adjournment of a meeting;
    \item Order of voting on proposals;
    \item Retention or removal of items from the list of matters of which the Council is seized;
    \item Convocation of emergency special sessions of the General Assembly.
  \end{itemize}

\textit{Id.} at 17.
\end{itemize}

\begin{itemize}
  \item 148. See id. at 14-15. See generally \textit{id.} at 18-25.
  \item 151. See S. Bailey, supra note 142, at 3-4.
  \item 152. See id. at 12-13; \textit{U.N. Dep't of Public Information, supra note 143}, at 7; \textit{supra} note 146 and accompanying text (discussing some nations' initial opposition to veto).
\end{itemize}
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.

opposing country will vote against the agreed position of the Group of 77. This has, in essence, worked to unify the voice of the less developed countries within and outside of UNCTAD. 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”). 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. 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. Moreover, trade concessions and retaliatory threats weigh much more heavily than votes, thereby giving the developed countries an advantage.

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-

---

159. See supra note 158 and accompanying text (discussing voting in UNCTAD).
160. See K. Sauvant, supra note 158, at 131.
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. 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. Second, the Soviet Union is seriously considering and may soon be applying for membership in the IMF and the World Bank. Third, many nations, primarily developing ones, are also requesting a greater proportion of the total voting power. 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. 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. 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).


170. See J. Gold, supra note 15, at 238; E. Mason & R. Asher, supra note 6, at 802 (listing percentages).
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).


such an increase. The result was a compromise fifty percent increase. The United States also has stalled with proposals to increase resources in the World Bank. There are some rational arguments for U.S. opposition, such as the United States' overdue payments totalling more than twice the IMF's reserves. 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. In addition, the Japanese have increased their involvement with third world investment and lending, becoming the world's largest creditor nation. 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. Japan also has the world's second highest gross domestic product. Japan was properly made number two in the IMF's voting power order, as it had become in the World Bank in 1986. 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 countries is no longer applicable in light of Japan's recent large economic contributions.

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).
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.\textsuperscript{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.\textsuperscript{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."\textsuperscript{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.\textsuperscript{187} During the 1960s, however, that percentage declined to twenty to twenty-five percent and has remained there since.\textsuperscript{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

\textsuperscript{184} See Farnsworth, \textit{IMF Panel Votes to Add $60 Billion to Pool for Loans}, N.Y. Times, May 9, 1990, at A1, col. 3.
\textsuperscript{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 \textsc{S. Husted & M. Melvin, International Economics} (1990).
\textsuperscript{187} See Huntington, \textit{supra} note 169, at 81.
\textsuperscript{188} See \textit{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-


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


more than one percent of its voting strength.\textsuperscript{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.

\textbf{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

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

The current structure works because the developed nations have investment or political interests in the economic well-being of the developing nations. 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. 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. 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 158-60 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. 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. Such a solution would prevent the erosion of the developing nations' voting power when the overall level of quotas increase. Since new nations are no longer being created at the rate they have been since World War II, 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.

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-

208. See, e.g., Zamora, supra note 7, at 606.
209. See id. at 607.
210. Id.
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.