

# Who Gets to Run the World?

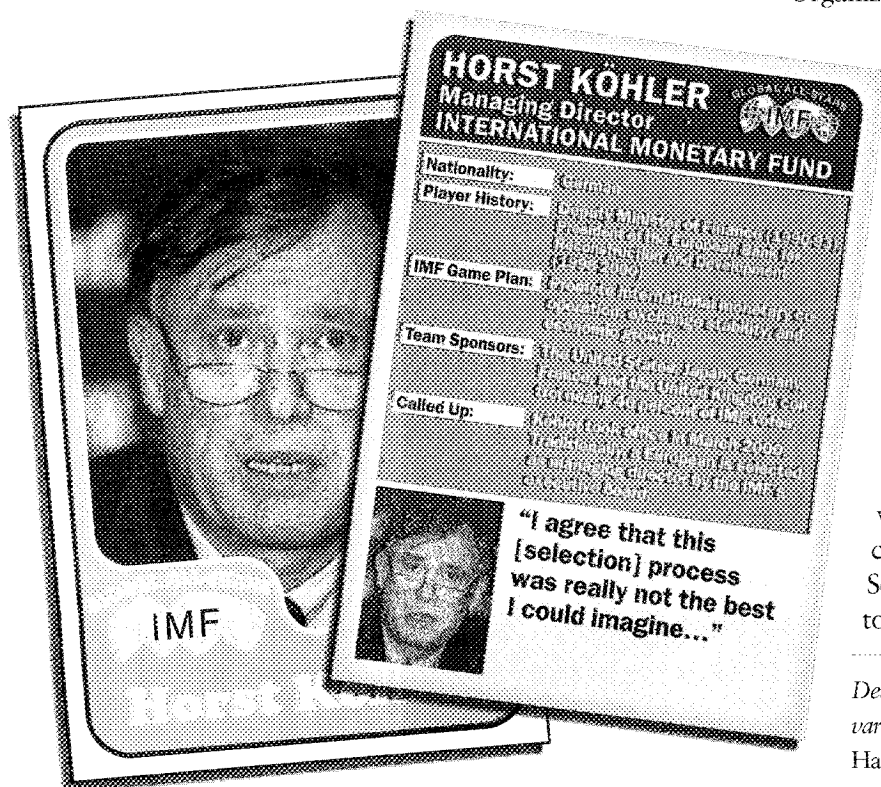
*Now more than ever, the world's multilateral organizations need top talent. But they usually don't get it. Find out how today's bureaucratic all-stars really make the team—and why the best players rarely get a chance.* | **By Devesh Kapur**

**T**he recent firestorm sparked by the botched selection process for the new managing director of the International Monetary Fund (IMF) exposed a deeper problem than merely the wranglings of petty bureaucrats in Washington or Geneva. At a time when multilateral institutions have become more important than ever, the international community appears incapable of establishing a fair, expedient, and successful process for appointing the top leaders of these organizations. The IMF's travails, the Euro-

pean Union's (EU) squabbles in 1998 over who would head the European Central Bank, and the current jockeying for the top post at the United Nations High Commissioner for Refugees (UNHCR) are but the most visible examples of this widespread paralysis.

The timing is particularly bad. Globalization has increased the world's demand for effective multilateral organizations that can establish international rules and standards and address complex transnational problems. The agendas and influence of institutions such as the IMF, World Bank, and the World Trade Organization (WTO) have expanded considerably in

recent years, while lesser-known institutions such as the Bank for International Settlements (BIS) are rapidly gaining influence. Meanwhile, advances in communications technology have prompted the creation of entirely new organizations, such as the Internet Corporation for Assigned Names and Numbers (ICANN). But the unseemly, ad hoc feuds that appear to break out every time a top international post becomes vacant mean that the most competent candidates are rarely chosen or even put forward. Moreover, drawn out leadership battles distract the institutions from their core work, as occurred with the WTO during the crucial run-up to its failed 1999 meetings in Seattle. Even as more and more players demand to be heard on the international stage, the lack



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of a proper process to select leaders only undermines support for the system of global governance, precisely when the stresses of globalization make such support more critical than ever.

## WHY LEADERS MATTER

Most multilateral organizations were set up by nation-states wary of surrendering national autonomy. As a result, the leaders of these institutions are often vested with relatively weak formal powers compared, for instance, with those wielded by the chief executive officers of major multinational corporations. Nonetheless, the high visibility of such positions allows them to be used as "bully pulpits," as several U.N. secretaries-general have amply demonstrated. The managers of global institutions also enjoy considerable agenda-setting power, affecting not just which issues are debated but, more critically, when they are brought forward. Leaders often have considerable discretion in shaping the internal characteristics of their organizations, ranging from budgetary procedures and priorities to financial controls, personnel, and procurement policies. And in international financial institutions like the World Bank and the IMF, leaders can exert heavy influence over the global distribution of enormous financial resources.

Some leaders of international organizations have emerged as invaluable consensus builders, helping member states forge compromises around thorny issues. Consider Maurice Strong of Canada, whose able stewardship of the United Nations Conference on Trade and Development (UNCTAD) helped bridge sharp regional divides at the Rio Conference on Environment and Development in 1992. The importance of the "honest broker" role in contentious negotiations is one reason why nationals from small and mid-size countries are often overrepresented in the leadership of multilateral institutions. While their abilities are not always outstanding, such individuals attract broader support since their countries are less distrusted. Prominent examples include Norway's Gro Brundtland at the World Health Organization (WHO) and Ireland's Peter Sutherland, who chaired the Uruguay Round of trade negotiations of the General Agreement on Tariffs and Trade (GATT).

The leadership of multilateral organizations seems to matter more on the downside than the upside.

Given the constraints imposed by member states, good leaders are often reduced to housekeeping roles as they simply seek to keep their institutions on track. By contrast, poor leaders can undermine the func-

**GRO HARLEM BRUNDTLAND**  
Director-General  
WORLD HEALTH ORGANIZATION

**Nationality:** Norwegian

**Player History:** Prime Minister of Norway (three terms during 1980s and 1990s)

**WHO Game Plan:** Coordinate international health policy and research and provide medical and nutritional aid in emergencies.

**Team Sponsors:** The WHO has a 32 member executive body with seats allotted regionally. Currently, developed countries occupy only seven of those seats.

**Called Up:** Gro Harlem Brundtland took office in July 1996. The director-general is nominated by the executive board and elected by member states.

**"WHO is not and will not become a field agency. Our role is to give the best advice—support and develop the best policies—[and] trigger and stimulate the best research."**

tioning and legitimacy of their organizations with surprising ease. Such was the case with Edouard Saouma of Lebanon, the former director-general of the Food and Agriculture Organization (FAO), an institution charged with raising global nutrition levels and improving agricultural productivity in developing countries. When Saouma left office in 1993 after 18 years of service, the organization spent as much money on internal administration as it did on aid, and roughly half of its 6,000-plus staffers were comfortably stationed in urban Rome. The decade-long leadership of Japan's Hiroshi Nakajima at the WHO had similar, albeit less extreme, effects on that institution's administration. And James Wolfensohn, the World Bank's current president, has selectively committed the institution's resources to bankrolling the foreign-policy objectives of the world's advanced economies and enhancing his image. In recent years, the bank's research budget has been roughly equal to its public-relations expenditures—an odd priority for an organization that now calls itself a "knowledge institution."

In the absence of any objective criteria and monitoring devices, the only real sanction that member states can wield against mediocre leaders is the denial

Most international organizations have only vague statutes governing the selection of their top executives. Often, the institution's governing council (or in the case of some parts of the United Nations, the secre-

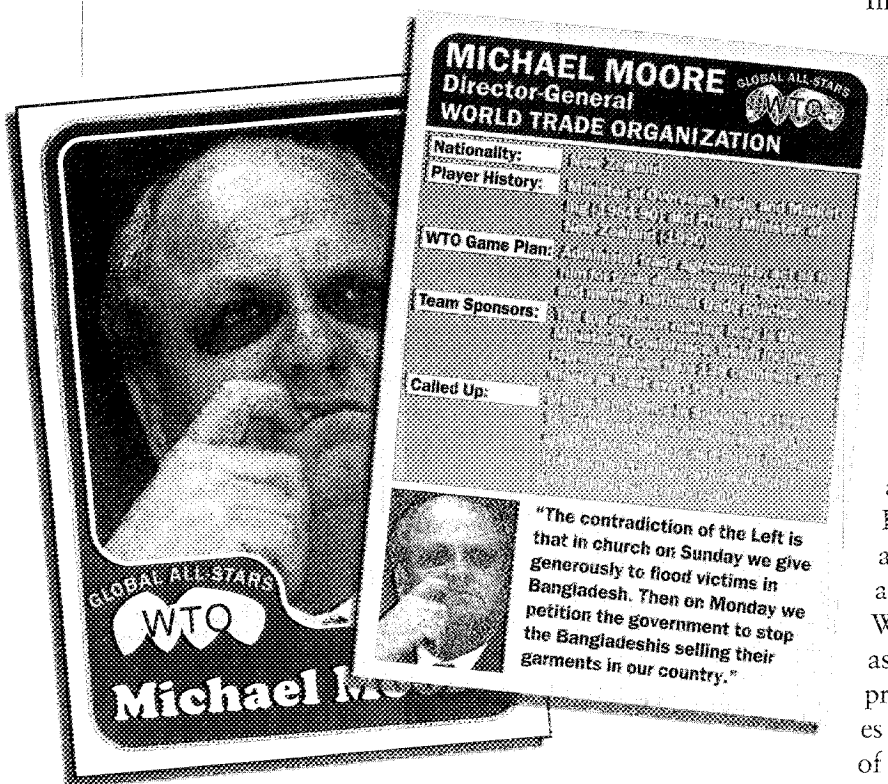
enjoy veto power over who can become secretary-general. When the United States blocked the reappointment of Boutros Boutros-Ghali in 1996, the final Security Council vote was 14 for reappointment and one against. Had the U.N. General Assembly been consulted, the likely vote would have been 183 in favor of reappointment and two against, with only Israel backing the U.S. position.

Unlike the United Nations, most of the international financial institutions operate on a system of weighted voting that gives their largest shareholders (generally the richest countries) the most influence.

In the case of the IMF and World Bank, a decades-old "gentlemen's agreement" reserves the top job at the fund for a European and the high post at the bank for an American. Even here, however, there are no formal search and selection procedures, and domestic political considerations often prevail. In 1967, U.S. President Lyndon Johnson nominated Robert McNamara for the presidency of the World Bank, at least in part to ease the controversial secretary of defense out of the cabinet. Similarly, in 1986, U.S. Treasury Secretary James Baker chose Barber Conable, a former Republican congressman, as a candidate for the presidency of the World Bank largely because the nominee had to be acceptable to Secretary of State George Shultz and White House Chief of Staff Donald Regan. Whatever the merits of McNamara and Conable as leaders of the bank, a closed-door selection process based on domestic political compromises hardly seems an ideal way to choose the leader of an organization ostensibly serving a broad

global constituency. In many cases, the selection process has resulted in the appointment of bank presidents with little or no professional experience in the core mission of the institution—the economic development of poor nations.

Since multilateral institutions usually lack even informal conventions or official screening mechanisms such as search committees, countries often use candidates' national or regional affiliation as a proxy for whether they are likely to reflect certain policy preferences. Not knowing much about the candidates as individuals, governments tend to vote on the basis of what leaders are likely to do once in office. Nation-states often vote strategically, deploying their support in order to garner payoffs in other areas—be it foreign-aid funds or support for their nationals in other leadership battles.



tary-general) makes the final appointment, but such a process can be simply a rubber stamp for the political deals already cut among the most important member countries.

The United Nations operates on a “one country, one vote” system, and the selection of the secretary-general is ostensibly democratic. By tradition, the post is off-limits to the world’s major powers and rotates among the world’s various regions. The last time the top job became vacant, it was widely deemed to be Africa’s turn, so Ghanaian diplomat Kofi Annan took office in 1997. Yet the process is not nearly as inclusive as it might seem. Indeed, it can be dictatorial. Although each member country has a single vote at the United Nations, the five permanent members of the U.N. Security Council (China, France, Russia, the United Kingdom, and the United States)

These contests often display plenty of cajoling and outright arm-twisting, sometimes accompanied by an ample array of carrots and sticks. Japan, for example, is rumored to have held out the promise of greater development assistance to many countries to secure key votes in its ultimately successful campaign to install Yoshio Utsumi as head of the International Telecommunications Union (ITU), an organization that coordinates the use of telecom network services around the world. In addition, unrelated leadership squabbles sometimes become intertwined as countries keep score of which nationalities are over- or underrepresented in the top positions, and exactly who supported whom for which jobs and when. The overall process could hardly be more complicated or less transparent, and in the end there is no certainty that the best candidates will be selected, or even considered, when key jobs become vacant.

The farce at the IMF earlier this year provides a case study of what is wrong with the current system. When Michel Camdessus decided to retire as managing director before the end of his third term, Germany sought to redress its historical lack of visibility in international institutions by pushing the candidacy of Caio Koch-Weser, its deputy finance minister. The German claim centered on a complex balance sheet of intra-European IOUs: A French national was in line to head the European Central Bank; Italy owed Germany a favor for backing Italian Romano Prodi to lead the European Commission; and the British were indebted to Germany for backing George Robertson as the new head of NATO. Against these interlocking interests, the smaller European countries had little chance to intervene.

Despite intense European politicking, the United States effectively vetoed Koch-Weser's candidacy, and other countries offered at best lukewarm support for a person they believed lacked the stature for this prominent position. After much acrimony, another German national, Horst Köhler, former president of the European Bank for Reconstruction and Development, was awarded the post. Noting the arbitrariness of the process, some observers have suggested that Koch-Weser might have won the top IMF spot had he been Germany's second candidate, while Köhler might have been vetoed had he been nominated first. Ultimately, the consequences were threefold: As a second-choice candidate appointed after a bruising and high-profile battle, Köhler's authority was weakened; the tussle further tested already strained transatlantic relations; and in per-

suading other European countries to suppress lingering reservations, Germany ran up hefty political debts that will have to be settled through similarly awkward compromises down the road.

## BARBARIANS AT THE GATES

Such leadership travails point to a deeper underlying imbalance: The world has changed dramatically in the last 50 years, but its institutional grid has not. Fifty-one countries joined the United Nations at its founding in 1945; the structures they created now apply to today's 189 member states. Less than a quarter of the current members of the IMF and World Bank were present when the institution's structures were crafted in the 1940s. Developing nations joined gradually over the years, but did so as rule takers, not rule makers. There are now nearly 200 countries in the international system, and their pecking order has shifted; two of the world's three largest economies, Japan and Germany, were absent at the creation of the major Bretton Woods institutions. And finally, the advent of regional alliances and unions has prompted a realignment of positions and interests across the globe. With the passage of time, the mismatch between the antiquated structures of multilateral institutions and their larger global environment has increased—and so have tensions.

*Developing Countries* | The institutional mechanisms of global decision making appear glaringly inadequate if judged by the extent to which they truly represent the countries and people of the world. For example, the nations that are least represented in multilateral leadership positions, relative to their size, are China and India, which account for 37 percent of the global population. The Group of Seven industrialized countries (G7)—Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States—plus the rest of the EU represent a mere 14 percent of the world's population, yet they control 56 percent of the votes in the IMF's executive board. In addition, the managing director is selected from among their ranks. This situation prompted Camdessus to argue that the old practice of dividing the World Bank and IMF jobs between the United States and Europe "was justified in 1950, when the rest of the world was not there except for a few countries from Latin America. . . . Now the emerging countries are there, now the poorest countries must have their say." Indeed, a critical reason why Senegalese national Jacques Diouf won a nar-

row victory over an Australian challenger to head the FAO in 1993 was the belief by many developing countries that the GATT, which was dominated by rich countries, shortchanged their interests.

As in all clubs, the rules in multilateral institutions reflect the preferences of the founders. The Bank for International Settlements provides a good example. For more than 50 years, the BIS was an exclusive club—a forum for central bankers from advanced economies to cooperate and help promote international financial stability. Although the institution's ambit has rapidly expanded in recent years to include banking supervision and financial market monitoring, its governance structure remains locked in the past. Its executive board comprises the governors of the central banks of Belgium, France, Germany, Italy, the United Kingdom, the United States, and not more than nine governors of other member central banks (currently Canada, Japan, the Netherlands, Sweden, and Switzerland). In other words, at the beginning of the 21st century, Belgium, the Netherlands, and Sweden still carry more weight than Brazil, China, and India in these structures.

There is certainly some movement toward greater inclusion. Frustrated at the overrepresentation of Europe (and underrepresentation of key emerging markets) in the IMF's powerful International Monetary and Financial Committee and in the Basel-based Group of 10 (the G7 plus Belgium, the Netherlands, and Sweden), the United States spearheaded the creation in 1999 of the Group of 20 (G20)—a new forum for consultation on matters relating to the global financial system, which includes larger developing countries. But even this group still leaves the poorest countries voiceless. Furthermore, leadership of the G20 is likely to remain in G7 hands for the foreseeable future, thus ensuring control of the group by rich nations.

**Germany and Japan** | Germany's aggressive posture during the IMF succession battles reflected the frustration of a major economic power at being shut out of key positions because of its history. The same is true of Japan, which wants to project its global leadership and become a permanent member of the U.N. Security Council. Brandishing its substantial aid resources, Japan has sought the support of developing countries, often the largest voting bloc in many intergovernmental organizations. In the case of the ITU, Japan succeeded in gaining the top job for a Japanese national. In other cases, particularly where it is a major finan-

cial contributor—such as in the Asian Development Bank—Japan has also gained the top slot. Yet, despite their global importance and substantial financial contributions to multilateral institutions, Germany and Japan remain relative outsiders in the overall system and still do not have permanent seats on the U.N. Security Council.

**Regionalism** | The emergence of formal regional alliances has further complicated the clubby world at the top of international organizations. First, regional blocs engage in their own internecine leadership conflicts. In 1998, EU members could not agree on a candidate to head the new European Central Bank. In a move that dismayed financial markets, leaders agreed to split the eight-year term between Wim Duisenberg of the Netherlands and Frenchman Jean-Claude Trichet, who will assume office in 2002. Second, regionalism poses severe challenges to globalization, and compromises made by countries to enhance the former spill over into conflicts involving the latter. Talented individuals in Europe were ruled out from the top job at the IMF, victims of the complex interplay between the nationality distribution of key positions within the EU and in global institutions. An experienced technocrat and thinker such as Poland's former Finance Minister Leszek Balcerowicz was not even considered. Indeed, until Poland is a full member of the EU, its government will be reluctant to challenge Germany, as will any of the other prospective EU countries.

The proliferation of new regional groups—such as the Mercosur customs union in South America, the North American Free Trade Agreement, and the Asia-Pacific Economic Cooperation forum—will further complicate the politics within international institutions. The EU, and perhaps other regional bodies, will continue to try to have it both ways, wanting to be considered as single entities in international organizations when it suits them (for example, having their financial contributions considered in aggregate or claiming rights to certain leadership positions), but rejecting the notion that individual countries need no longer be represented on the governing councils of the IMF, the World Bank, and other such institutions. For instance, Denmark recently laid claim to the leadership of the U.N. Development Programme, arguing that overall the EU contributes much more to the agency than does the United States, for which the leadership position is traditionally reserved.

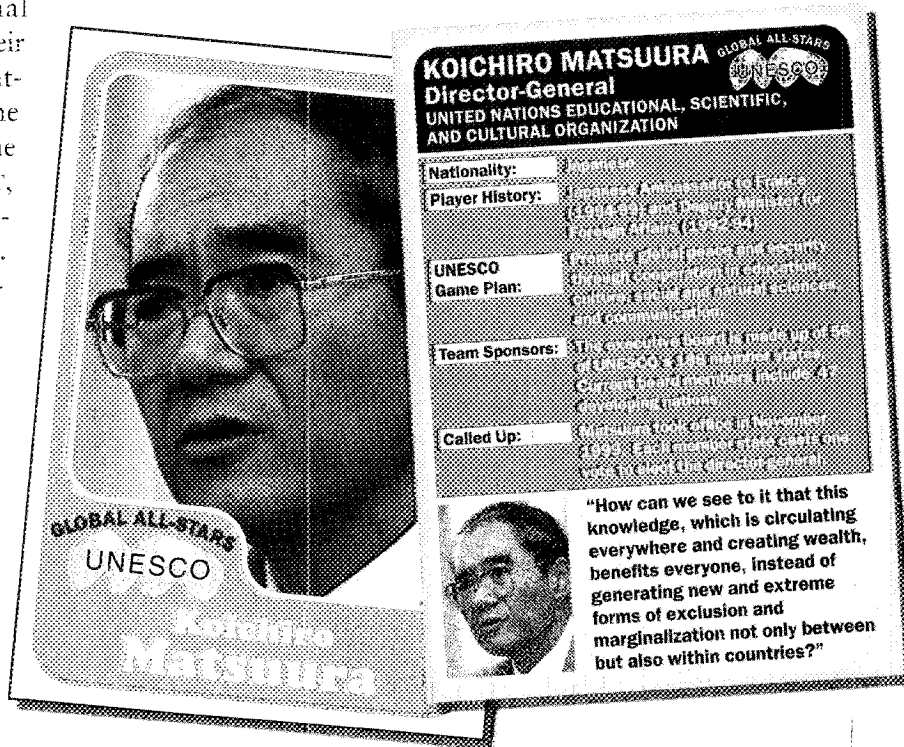
## FIXING THE FUTURE

Not all the acrimony and complexity surrounding multilateral leadership contests can be attributed to outsiders wanting in or to increasing regionalism within global institutions. The global environment within which multilateral institutions operate has changed in ways that make these institutions and their leaders more important. Globalization has meant that many international organizations now grapple with issues much broader and deeper than anything their founders intended. Mounting frustrations at the mismatch between the widening agendas of international organizations and the narrow base of their governance were manifest in the ugly battles that erupted over the selection of the director-general of the WTO in 1999. The WTO's predecessor institution, the GATT, had limited powers; consequently, disputes over its leadership were muted. The WTO, however, referees a much larger game and has substantial sanctioning authority. Developing countries resented what they considered stacked rules of the game coming out of the GATT's Uruguay Round of trade negotiations, so the selection of a new WTO director-general in 1999 became even more critical. Aware that the two previous incumbents (both European) had failed to protect the interests of developing countries, these nations adopted a much stronger stance, resulting in bitter conflicts, prolonged machinations, and a leaderless organization for four crucial months. The eventual solution involved splitting the director-general's six-year tenure into two three-year terms to accommodate both developed and developing countries.

Rapid technological change, particularly the digital revolution, has also increased the importance of some global organizations, thus multiplying the leadership conflicts. The controversy surrounding ICANN—the administrative body set up to facilitate Internet governance by assigning Internet addresses—reveals how powerful interests try to dominate the multilateral arena. Were it not for a last-minute effort by two public-interest groups, ICANN's governing board would have been selected indirectly through an electoral council rather than via direct elections by the world's Internet users. In the telling words of Esther Dyson, interim chairwoman of

ICANN, the electoral council had been established to prevent the nomination of "people who are stupid." So "smart" business interests, representing Internet service providers and intellectual property interests concerned with protecting their brands online, would have dominated the board relative to "stupid" consumer interests.

Ultimately, the struggles over leadership selection are a reflection—and a warning—of widespread frustration with the mechanisms of global governance. The current process for choosing multilateral leaders is for all, but more often than



**KOICHIRO MATSUURA** GLOBAL ALL-STARS  
**Director-General**  
 UNITED NATIONS EDUCATIONAL, SCIENTIFIC, AND CULTURAL ORGANIZATION

**Nationality:** Japanese  
**Player History:** Japanese Ambassador to France (1994-98) and Deputy Minister for Foreign Affairs (1992-94)

**UNESCO Game Plan:** Promote global peace and security through cooperation in education, culture, science and natural sciences, and communication

**Team Sponsors:** The executive board is made up of 54 UNESCO's 191 member states. Current board members include 47 developing nations

**Called Up:** Matsuura took office in November 1999. Last incumbent was Javier Pérez Guevara (Director-General)

**Quote:** "How can we see to it that this knowledge, which is circulating everywhere and creating wealth, benefits everyone, instead of generating new and extreme forms of exclusion and marginalization not only between but also within countries?"

not it is by and of the few. Indeed, the strains on the system have become so severe that the World Bank and the IMF recently initiated high-level reviews of their institutions' appointment processes—an encouraging sign that multilateral organizations are beginning to realize the magnitude of this problem. (Final reports and recommendations are due in 2001.) Prescriptions for improving selection processes abound: clear, transparent rules with standing selection committees to screen and shortlist candidates, as in the private sector; term limits for leaders of international organizations; and periodic independent performance appraisals of those leaders to reduce the chance that they will use their positions for partisan ends.

Nonetheless, a simple set of rules for leadership selection would not solve the problem. International-



al organizations face an unavoidable dilemma that forecloses easy options. Rules allowing international institutions to choose leaders opposed by key members would only leave these institutions exposed to the risk of losing the financial support of the major players. While in theory it is possible to separate governance from financial contributions (as in the exceptional case of the World Intellectual Property Organization, where member countries contribute less than a tenth of the annual budget), contributors would likely oppose financial autonomy precisely because it would undermine a key basis of their control. At the same time, an unrepresentative process in which rich nations dominate the selection

process only undermines the legitimacy and sustainability of multilateral organizations.

While many lament the "democratic deficit" in the world's global institutions, a careful balance is required between the resources that key members provide and the legitimacy of greater representation. As important as equitable representation is for both symbolic and substantive reasons, a democratic system of purely popular control over decision making would impair the effectiveness of most international organizations. This unavoidable tension is only exacerbated when key leaders are chosen through an ad hoc and opaque process that inevitably advances the interests of the powerful. **FP**

### Want to Know More?

Despite the growing importance of international organizations, there has been little systematic analysis of their leadership selection processes. Jochen Kraske offers a review of the performances of World Bank leaders in *Bankers with a Mission: The Presidents of the World Bank, 1946-91* (New York: Oxford University Press, 1996). Readers should also consult Tapio Kanninen's *Leadership and Reform: The Secretary-General and the UN Financial Crisis of the Late 1980s* (The Hague & Boston: Kluwer Law International, 1995) and "Leadership at the United Nations: The Roles of the Secretary-General and the Member States" (New York: United Nations Association of the United States of America, 1986). For an excellent account of the recent succession battles at the International Monetary Fund, see "Gun Fight at the IMF Corral" (*Financial Times*, March 17, 2000) by Stephen Fidler and Robert Graham.

For analyses of leadership issues in the public and private sector, read James Champy and Nitin Nohria's *The Arc of Ambition: Defining the Leadership Journey* (Cambridge: Perseus Books, 2000); Daniel Goleman's "What Makes a Leader?" (*Harvard Business Review*, November-December 1998); *The Transformational Leader: The Key to Global Competitiveness* (New York: John Wiley & Sons, 1997) by Noel M. Tichy and Mary Anne Devanna; and *Leadership: Understanding the Dynamics of Power and Influence in Organizations* (Notre Dame: University of Notre Dame Press, 1997) by Robert Vecchio. In "International Perspectives on International Leadership" (*Leadership Quarterly*, Fall 1997), Mark Peterson and James Hunt offer global views on leadership. Margaret G. Hermann and Joe D. Hagan examine domestic influences on the conduct of foreign policy in "International Decision Making: Leadership Matters" (*FOREIGN POLICY*, Spring 1998).

For studies on why multilateral institutions exist and how they operate, see Lisa Martin and Beth Simmons's "Theories and Empirical Studies of International Institutions" (*International Organization*, Autumn 1998); Kenneth Abbott and Duncan Snidal's "Why States Act Through Formal International Organizations" (*Journal of Conflict Resolution*, February 1998); and Michael Barnett and Martha Finnemore's "The Politics, Power, and Pathologies of International Organizations" (*International Organization*, Autumn 1999). Andrew Moravcsik presents a skeptical view of what leadership can achieve (based on an analysis of the European Union) in "A New Statecraft? Supranational Entrepreneurs and International Cooperation" (*International Organization*, Spring 1999).

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