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Author(s): Kenneth W. Abbott and Duncan Snidal

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Why States Act through Formal International Organizations

KENNETH W. ABBOTT

*Graduate and International Studies
Northwestern University School of Law*

DUNCAN SNIDAL

*Department of Political Science
University of Chicago*

States use formal international organizations (IOs) to manage both their everyday interactions and more dramatic episodes, including international conflicts. Yet, contemporary international theory does not explain the existence or form of IOs. This article addresses the question of why states use formal organizations by investigating the functions IOs perform and the properties that enable them to perform those functions. Starting with a rational-institutionalist perspective that sees IOs as enabling states to achieve their ends, the authors examine power and distributive questions and the role of IOs in creating norms and understanding. Centralization and independence are identified as the key properties of formal organizations, and their importance is illustrated with a wide array of examples. IOs as community representatives further allow states to create and implement community values and enforce international commitments.

- When the United States decided to reverse the Iraqi invasion of Kuwait, it did not act unilaterally (although it often does). It turned to the United Nations (UN) Security Council.
- When the Security Council sought to learn the extent of chemical, biological, and nuclear arms in Iraq, it did not rely on U.S. forces. It dispatched inspectors from the International Atomic Energy Agency (IAEA).
- When the international community sought to maintain the suspension of combat in Bosnia, it did not rely only on national efforts. It sent in peacekeeping units under the aegis of the UN and North Atlantic Treaty Organization (NATO).
- When states liberalized trade in services and strengthened intellectual property protection in the Uruguay Round, they were not content to draft rules. They created the World Trade Organization (WTO) and a highly institutionalized dispute settlement mechanism.

Formal international organizations (IOs) are prominent (if not always successful) participants in many critical episodes in international politics. Examples in addition

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to those above include the following: Security Council sanctions on Libya, IAEA inspectors in North Korea, UN peacekeepers in the Middle East, and so forth. The UN secretary-general's 1992 Agenda for Peace sets out an even broader range of current and proposed UN functions in situations of international conflict: fact finding, early warning, and preventive deployment; mediation, adjudication, and other forms of dispute resolution; peacekeeping; sanctions and military force; impartial humanitarian assistance; and postconflict rebuilding. But IO influence is not confined to dramatic interventions like these. On an ongoing basis, formal organizations help manage many significant areas of interstate relations, from global health policy (the WHO) to European security (OSCE and NATO) to international monetary policy (IMF). What is more, participation in such organizations appears to reduce the likelihood of violent conflict among member states (Russett, Oneal, and Davis in press).

IOs range from simple entities like the APEC secretariat, with an initial budget of \$2 million, to formidable organizations like the European Union (EU)¹ and the World Bank, which has thousands of employees and multiple affiliates and lends billions of dollars each year. Specialized agencies like the ILO, ICAO, and FAO play key roles in technical issue areas. New organizations like UNEP, the EBRD, and the International Tribunal for the former Yugoslavia are regularly created. Older IOs like NATO and the Security Council are rethought and sometimes restructured to meet new circumstances.² As the examples illustrate, moreover, even the most powerful states often act through IOs. In short, "it is impossible to imagine contemporary international life" without formal organizations (Schermers and Blokker 1995, 3).

Why do states so frequently use IOs as vehicles of cooperation? What attributes account for their use, and how do these characteristics set formal organizations apart from alternative arrangements, such as decentralized cooperation, informal consultation, and treaty rules? Surprisingly, contemporary international scholarship has no clear theoretical answers to such questions and thus offers limited practical advice to policy makers.

We answer these questions by identifying the functional attributes of IOs across a range of issue areas. Although we are concerned with the concrete structure and operations of particular organizations, we also see IOs as complex phenomena that implicate several lines of international relations (IR) theory. From this vantage point, we identify two functional characteristics that lead states, in appropriate circumstances, to prefer IOs to alternate forms of institutionalization. These are *centralization* and *independence*.

IOs allow for the centralization of collective activities through a concrete and stable organizational structure and a supportive administrative apparatus. These increase the

1. Although we discuss certain of its operations, we deliberately de-emphasize the EU because some would regard it as an exceptional case of institutionalization.

2. A discussion of IOs is an exercise in acronyms. The ones not identified in the text, in order, are the World Health Organization (WHO), Organization for Security and Cooperation in Europe (OSCE), International Monetary Fund (IMF), Asia-Pacific Economic Cooperation forum (APEC), International Labor Organization (ILO), International Civil Aviation Organization (ICAO), Food and Agriculture Organization (FAO), United Nations Environment Program (UNEP), and European Bank for Reconstruction and Development (EBRD).

efficiency of collective activities and enhance the organization's ability to affect the understandings, environment, and interests of states. Independence means the ability to act with a degree of autonomy within defined spheres. It often entails the capacity to operate as a *neutral* in managing interstate disputes and conflicts. IO independence is highly constrained: member states, especially the powerful, can limit the autonomy of IOs, interfere with their operations, ignore their dictates, or restructure and dissolve them. But as in many private transactions, participation by even a partially autonomous, neutral actor can increase efficiency and affect the legitimacy of individual and collective actions. This provides even powerful states with incentives to grant IOs substantial independence.

The broad categories of centralization and independence encompass numerous specific functions. Most IOs perform more than one, though each has its own unique combination. We do not enumerate every such function or provide a comprehensive typology. Instead, we highlight several of the most important. We focus especially on the active functions of IOs—facilitating the negotiation and implementation of agreements, resolving disputes, managing conflicts, carrying out operational activities like technical assistance, elaborating norms, shaping international discourse, and the like—that IR theory has only sparingly addressed. Rational states will use or create a formal IO when the value of these functions outweighs the costs, notably the resulting limits on unilateral action.

Distinguishing formal IOs from alternative forms of organization is important from several perspectives. For IR scholars, who largely abandoned the study of formal IOs in the move from the legal-descriptive tradition to more theoretical approaches, developing such distinctions should “open up a large and important research agenda” with institutional form and structure as central dependent variables (Young 1994, 4; see also Koremenos et al. 1997). This will complement emerging work on international legalization, a closely related form of institutionalization (Burley and Mattli 1993; Abbott and Snidal 1997; Keohane, Moravcsik, and Slaughter 1997). Such research will also benefit practitioners of conflict management and regime design (Mitchell 1994). The policy implications of our analysis are significant as well. Many states, notably the United States, now resist the creation of IOs and hesitate to support those already in operation, citing the shortcomings of international bureaucracy, the costs of formal organization, and the irritations of IO autonomy. This is an ideal time for students of international governance to focus on the other side of the ledger.

The next section spells out our theoretical approach, drawing lessons from the ways in which different schools of theory have dealt with (or have failed to deal with) the questions posed above. It is followed by an analysis of the organizational attributes of centralization and independence and the functions they make possible—especially in contexts of cooperation and nonviolent conflict. The final section explores two composite functions that challenge conventional views of IO capabilities and demonstrate the complementarity of prevailing theories: developing, expressing, and carrying out community norms and aspirations and enforcing rules and commitments. We conclude with the example of the Security Council in the Gulf War, which draws together these themes in the context of violent conflict.

PUTTING IOs INTO THEORY AND THEORY INTO IOs

Our primary approach is rationalist and institutionalist. We assume, for simplicity, that states are the principal actors in world politics and that they use IOs to create social orderings appropriate to their pursuit of shared goals: producing collective goods, collaborating in prisoner's dilemma settings, solving coordination problems, and the like. We start with the pursuit of efficiency and employ the logic of transaction costs economics and rational choice (Snidal 1996), using analogies with business firms and medieval trading institutions. Decentralized cooperation theory and, especially, regime theory provide a strong deductive basis for this analysis.

Regime theory (Krasner 1983; Keohane 1984) represents a major advance in understanding international cooperation. It is self-consciously theoretical and focuses directly on the institutional organization of international cooperation. But it has several shortcomings. Most important, regime scholars embrace an earlier turn in IR, which unnecessarily coupled a move to theory with a move away from consideration of IOs themselves. This resulted in "the steady disengagement of international organization scholars from the study of organizations, to the point that today one must question whether such a field even exists any longer except in name only" (Rochester 1986, 783-84). Indeed, regime theory deals with institutions at such a general level that it has little to say about the particular institutional arrangements that organize international politics. Our focus on the concrete operations of formal IOs not only brings them into regime theory but also provides a broader opportunity for IR theory to differentiate among institutional forms and recapture institutional details. We draw on the legal-descriptive literature to accomplish this.

Furthermore, regime theory has been rightly criticized for paying insufficient attention to issues of power and distribution in international politics. We draw on realist considerations to supplement our institutionalist approach in this regard. Finally, although regime theory has paid increasing attention to the role of ideas and norms in international politics (Goldstein and Keohane 1993), it has only begun to incorporate these important considerations. Here, we draw on constructivist theory for guidance. In sum, we enrich our primarily rationalist approach with important insights from several different traditions, which we see as complementary rather than competitive.

Decentralized cooperation theory takes as the problematic of international governance the existence of coordination and collaboration problems requiring collective action (Oye 1986; Stein 1983; Snidal 1985a). It assumes anarchy, often depicted in game models, and analyzes how states cooperate in that spare context through strategies of reciprocity and other forms of self-help. The dependent variable is typically cooperation in the abstract, and much of the research in this tradition has been directed to disproving the realist assertion that cooperation in anarchy is unlikely. There is no nuanced account of the forms of cooperation because the anarchy assumption makes IOs and other institutions largely irrelevant. However, the strong assumptions that underlie the theory, such as the need for high-quality information, suggest that cooperation is unlikely without an adequate institutional context—although the theory is only beginning to analyze that context (Morrow 1994). For our

purposes, however, it performs a useful service by emphasizing that institutional capacities other than centralized enforcement are crucial in mediating interstate relations.

Regime theory, in contrast, deals explicitly with institutional factors affecting cooperation, and regime scholars frequently mention IOs. But they downplay the distinctive institutional role(s) of IOs, perhaps in continued reaction against the earlier preoccupation with formal organizations. For example, Martin (1992) depicts the European Economic Community (EEC) and the Coordinating Committee for Export Controls (COCOM) as important but nevertheless quite rudimentary forums for intergovernmental bargaining; Weber (1994) emphasizes the broad political and symbolic goals of the EBRD. Neither discusses the organizations' primary operational roles. Keohane's (1984) *After Hegemony* also emphasizes intergovernmental bargaining, arguing that regimes help states reach specific agreements by reducing transaction costs, improving information, and raising the costs of violations. But this valuable analysis also excludes many significant operational activities of IOs.³ In all these works, furthermore, regime scholars treat international institutions as passive. Regimes are seen, for example, as embodying norms and rules or clarifying expectations (Keohane 1984; Yarbrough and Yarbrough 1992; Garrett and Weingast 1993), functions also performed by treaties and informal agreements. Regimes are also seen as forums in which states can interact more efficiently: like Keohane and Martin, Moravcsik's (1991) analysis of the Single European Act treats IOs as sites of, but not as agents in, cooperation. Indeed, the canonical definition of *regime* (Krasner 1983) encompasses only norms and collective choice procedures, making no provision for the active and independent IO functions—and the corresponding institutional forms—that we emphasize below.

Legal scholarship continues to offer descriptive accounts of the history and institutional architecture of IOs, as well as doctrinal analysis of norms and texts, especially the normative output of organizations such as ILO treaties or General Agreement on Tariffs and Trade (GATT)/WTO panel decisions (Bowett 1982; Kirgis 1993). More important for present purposes, another strand of doctrinal theory addresses the constitutional law of IOs, including membership and voting rules, external relations, finance, and the authority of specific organs (Amerasinghe 1994; Sohn 1950, 1967; Dupuy 1988; Shihata 1991, 1995). The best of this work is comparative, examining how common problems of organization and operation are addressed in the constitutive documents and practices of various IOs (Schermers and Blokker 1995; Chayes and Chayes 1995). Unfortunately, "in the land of legal science, there is no strongly established tradition of developing theories on IOs" (Schermers and Blokker 1995, 8; see also Brownlie 1990, 679). Nevertheless, legal scholarship—like some earlier work in IR, notably Cox and Jacobson (1973)—carefully differentiates among institutional forms and emphasizes institutional details, an important contribution that we use in our analysis.

3. Keohane (1984) does discuss monitoring, but Glaser (1995) argues that regime theorists do not explain why monitoring must be done centrally.

Realist theory finds both legal and regime scholarship naive in treating IOs as serious political entities. Realists believe states would never cede to supranational institutions the strong enforcement capacities necessary to overcome international anarchy. Consequently, IOs and similar institutions are of little interest; they merely reflect national interests and power and do not constrain powerful states (Mearsheimer 1995; Strange 1983; for a more nuanced view, see Glaser 1995). We accept the realist point that states are jealous of their power and deeply concerned with the distributive consequences of their interactions. Yet, realists underestimate the utility of IOs, even to the powerful. The United States, at the peak of its hegemony, sponsored numerous IOs, including GATT, IMF, and NATO; these organizations have provided “continuing utility . . . as instruments . . . for regime and rule creation” (Karns and Mingst 1990, 29). Even the Soviet Union, the very model of a modern repressive hegemony, used the Council for Mutual Economic Assistance to organize economic relations within the eastern bloc. We argue that powerful states structure such organizations to further their own interests but must do so in a way that induces weaker states to participate. This interplay is embedded in IO structure and operations.

Finally, Kratochwil and Ruggie (1986) argue that only *constructivist* (interpretivist) *theory*—focusing on norms, beliefs, knowledge, and understandings—can satisfactorily explain formal organizations. We accept the insight that social constructions are fundamental elements of international politics (Wendt 1992, 1995; Barnett 1993) and agree that IOs are—in part—both reflections of and participants in ongoing social processes and prevailing ideas (Finnemore 1996; Kennedy 1987). But the role of IOs is best understood through a synthesis of rationalist (including realist) and constructivist approaches. States consciously use IOs both to reduce transaction costs in the narrow sense and, more broadly, to create information, ideas, norms, and expectations; to carry out and encourage specific activities; to legitimate or delegitimize particular ideas and practices; and to enhance their capacities and power. These functions constitute IOs as agents, which, in turn, influence the interests, intersubjective understandings, and environment of states (McNeely 1995). Potentially, these roles give IOs an influence well beyond their material power, which is trivial on conventional measures. Indeed, IO activities may lead to unintended consequences for member states, a fear often expressed by U.S. politicians. Yet, IO autonomy remains highly constrained by state interests, especially those of the powerful—a fact often demonstrated by U.S. politicians.

Although we adopt a predominantly rationalist theoretical approach, we are concerned with highlighting the importance of formal IOs as empirical phenomena rather than with maintaining a particular theoretical dogma. None of the individual approaches mentioned adequately explains why states use formal IOs; each holds key insights. In identifying formal IOs as an important category of institutionalization to be explained, therefore, we proceed in a more interpretive mode, drawing on different strands of argumentation to highlight ways in which formal IOs function to manage interstate cooperation and conflict.⁴

4. On the use of rational choice as an interpretive device, see Ferejohn (1991), Johnson (1991), and Snidal (1985b).

THE FUNCTIONS OF IOs: CENTRALIZATION AND INDEPENDENCE

Two characteristics distinguish IOs from other international institutions: centralization (a concrete and stable organizational structure and an administrative apparatus managing collective activities) and independence (the authority to act with a degree of autonomy, and often with neutrality, in defined spheres).⁵ The very existence of a centralized secretariat implies some operational autonomy, but this is often limited to administrative and technical matters and subject to close supervision by governments. In other situations—sometimes involving the same organizations—substantive autonomy and neutrality are essential. The range and potential importance of these activities lead us to treat independence as a separate category.

Centralization and independence enhance efficiency. An analogy to private business firms is instructive. The firm replaces contractual relations among suppliers, workers, and managers; it substitutes a centralized, hierarchical organization for the horizontal, negotiated relations of contract. In Coase's (1937) theory, firms are formed when the transaction costs of direct contracting are too high for efficient operation. Similarly, the move from decentralized cooperation to IOs occurs when the costs of direct state interaction outweigh the costs of international organization, including consequent constraints on unilateral action (Trachtman 1996).

Centralization and independence represent different forms of transaction cost economizing. Small businesses draw mainly on the centralization benefits of formal organization, interposing a legal entity with the ability to manage employees hierarchically and the capacity to contract, sue, and be sued. The owners still manage the business directly, though their interactions are more highly structured. Investors in larger firms additionally benefit by granting autonomy and supervisory authority to professional managers; in Berle and Means's (1968, 5) famous phrase, there is a "separation of ownership and control." The situation is similar in complex IOs, in which member states grant some authority to IO organs and personnel but supervise them through structures resembling the corporate shareholders meeting, board of directors, and executive committee. Introducing these new actors changes the relations among states and allows them to achieve goals unattainable in a decentralized setting.

Centralization and independence produce political effects beyond mere efficiency. In these respects, IOs resemble governments and private associations more than business firms. Independence, in particular, enables IOs to shape understandings, influence the terms of state interactions, elaborate norms, and mediate or resolve member states' disputes. The acts of independent IOs may be accorded special legitimacy, and they affect the legitimacy of members' actions. Even centralization, seemingly more mechanical, can alter states' perceptions and the context of their interactions.

5. Centralization and independence are matters of degree, not only among IOs but even between IOs and related institutions. For example, the Group of Seven is not a formal IO but merely a negotiating forum. Its organizational practices (e.g., a rotating chair) nevertheless provide some centralization benefits, and it partakes of some autonomy, as in legitimating members' actions.

CENTRALIZATION

It is no great theoretical insight that an established organizational structure and centralized administrative support can render collective activities more efficient: even students of international governance are not content to communicate by e-mail; they form the International Studies Association and the International Law Association. This simple insight goes far to explain the proliferation of IOs in this century in a period of increasing issue complexity and a growing number of states. The (inter)subjective effects of centralization are less apparent, though equally important. We consider the benefits of centralization under two headings—support for direct state interaction (the principal focus of regime theory) and operational activities (the traditional focus of IO studies). Here, we emphasize concrete activities in which governments remain closely involved; the following section introduces broader functions also requiring IO autonomy.

SUPPORT FOR STATE INTERACTIONS

The organizational structure of IOs enhances even the passive virtues recognized by regime theory. An established organization provides a stable negotiating forum, enhancing iteration and reputational effects. Such a stable forum also allows for a fast response to sudden developments. The Security Council, for example, is organized so that it can function on short notice, with each member required to maintain continuous representation at UN headquarters. A permanent organization also reinforces accepted norms: the most favored nation (MFN) principle instantiated in the WTO provides a sounder basis for state expectations than any informal arrangement.

In other ways too, centralization shapes the political context of state interactions. IOs provide neutral, depoliticized, or specialized forums more effectively than almost any informal or decentralized arrangement. This enables a broader range of behavior: the superpowers could discuss technical nuclear issues within the IAEA without the intrusion of high politics, even at the height of the cold war. IOs also serve as partisan forums for political coalitions: the United Nations Conference on Trade and Development (UNCTAD) for developing countries, the Organization for Economic Cooperation and Development (OECD) for industrialized states. Finally, IOs strengthen issue linkages by situating them within common organizational structures, as the WTO has done for goods, services, and intellectual property rights.

Formal organizations further embody the precise terms of state interaction. Representation and voting rules “constitutionalize” balances among states having different levels of power, interest, or knowledge. States with advanced nuclear technology and large supplies of nuclear raw material are guaranteed seats on the IAEA Board of Governors; states with major shipping and carrier interests have equal representation on the International Maritime Organization (IMO) Council. Such decision structures frequently guarantee disproportionate influence for powerful states. Yet, they may also constitutionalize protection for weaker states and hold the powerful accountable to fixed rules and procedures. For example, both the Security Council and the EU Council

are structured so that the most powerful members can block affirmative actions but, even if united, cannot approve actions without support from smaller powers.

Such considerations often lead to elaborate organizational structures. The substantive work of many IOs takes place in specialized committees staffed by their secretariats. The OECD uses more than 200 committees and working groups; the IMO prepares treaties in substantive groupings like the maritime safety and marine environmental protection committees. Such committees are often formally open to all members, but specialization occurs naturally because of differences in interest, expertise, and resources. Delegation can also be encouraged institutionally: in the third UN law of the sea conference (UNCLOS III), the chairs of open-ended committees sometimes scheduled meetings in rooms capable of holding only 30 people!⁶

Organizational structure influences the evolution of interstate cooperation as conditions change. For example, several environmental agreements were facilitated by appointing UNEP as secretariat and the World Bank as financial administrator, obviating the need for new institutions. These institutional links are often contested because of their distributional implications. The advanced countries fought to locate new intellectual property rules in the WTO (rather than in the World Intellectual Property Organization [WIPO]) so they could enforce their rights more effectively. In other cases, organizational structures create vested interests that impede change or politicize issues, as in the United Nations Education, Scientific, and Cultural Organization (UNESCO) during the 1970s. More generally, because IOs are designed for stability, they may not adapt smoothly to changing power conditions, as the continuing makeup of the Security Council attests. Yet, the gradual reduction of U.S. voting power in the IMF, mandated by its declining share of capital contributions, illustrates how organizational structure can facilitate such adaptation.

Most IOs include a secretariat or similar administrative apparatus. In simple *consultative* organizations, the secretariat need only assist with the mechanics of decentralized interaction. The 1985 Vienna Ozone Convention assigned the following functions to its secretariat: "(a) To arrange for and service meetings . . . ; (b) To prepare and transmit reports based upon information received . . . ; (d) To prepare reports on its activities . . . ; (e) To ensure the necessary coordination with other relevant international bodies . . . ; (f) To perform such other functions as may be determined" ("Vienna Convention" 1985, 1532). The secretariat for the Convention on Long-Range Transboundary Air Pollution (LRTAP) performed similar functions with only five professionals. Levy (1993, 84) notes that the staff had "little time to do anything else but keep the meetings running smoothly."

Even such modest activities can strengthen international cooperation. Here, we draw on the analogy to the medieval law merchant and the corresponding theoretical literature (Milgrom, North, and Weingast 1990; Calvert 1995; Morrow 1994). Informal consultations produced sufficient information on the identity of untrustworthy traders to support a substantial volume of trade. Yet, modest efforts by central administrators at commercial fairs to collect and relay additional information created a new equilibrium at a higher level of exchange.

6. Personal communication from Bernard Oxman, member of the U.S. delegation, 21 May 1997.

Most IOs perform more extensive *supportive* functions. Law-making conferences like UNCLOS III or the Rio conference on the environment and development rely heavily on their secretariats. IO personnel coordinate and structure agendas, provide background research, and promote successful negotiations. They keep track of agreements on particular issues, trade-offs, and areas of disagreement, periodically producing texts that consolidate the current state of play. They also transmit private offers or assurances, improving the flow of information.

IO staffs support decentralized cooperation between major conferences. The large, expert OECD secretariat collects, produces, and publishes information relevant to national economic policy coordination. The WTO secretariat assists in numerous negotiations, from the settlement of disputes to sectoral talks under the services agreement. IO staffs also support the decentralized implementation of norms. UNEP, secretariat for the Basel convention on the transboundary movement of hazardous wastes, provides information states need to manage activities under the treaty; the ILO receives, summarizes, and circulates national reports on treaty implementation.

Experience under the international trade regime testifies to the importance of organizational structure and administrative support. The original GATT was a normative and consultative arrangement; almost all organizational features were removed at the instance of the United States. Yet, member states soon needed more extensive organizational structure and support. As membership expanded and complex new issues appeared on the agenda, GATT began its metamorphosis into the WTO, a true IO.

MANAGING SUBSTANTIVE OPERATIONS

IOs do more than support intergovernmental negotiations; they manage a variety of operational activities. A prototypical operational organization is the World Bank, which finances massive development projects, borrows on world capital markets, reviews state investment proposals, provides technical assistance and training in many disciplines, generates extensive research and publications, and performs other substantive activities. Operational organizations normally have sizable budgets and bureaucracies, complex organizational structures, and substantial operational autonomy.⁷

Member states of an IO like the World Bank use the institution as an agent, taking advantage of its centralized organization and staff to carry out collective activities. The analogy of the large business corporation, with its dispersed owner-investors and professional managers, is apt. Compared with a decentralized approach based on ad hoc contracting, a formal organization provides efficiency gains that outweigh the accompanying costs in terms of money, human resources, and constraints on unilateral action. Especially when participating states differ in power, centralized operations will have significant distributional consequences.

7. We reserve for the following section discussion of those functions that turn directly on independence and neutrality.

IO operations also significantly influence the capabilities, understandings, and interests of states. This is most apparent with outputs such as information and rules. But it is also true of more material activities like technical assistance and joint production. Indeed, virtually all of the activities discussed below promote certain norms and practices among states, often in unanticipated ways.

Pooling

Many IOs are vehicles for pooling activities, assets, or risks. Some pooling can be accomplished on a decentralized basis, as in a business partnership, but a separate entity with a stable organizational structure and specialized staff can greatly reduce transaction costs while providing additional advantages.

Consider the World Bank again. As in other international financial institutions (IFIs), members pool financial resources through capital contributions and commitments. Pooling provides a solid cushion of capital that enables the World Bank to make credible financial commitments to borrowers, who rely on them for costly planning and investment decisions, and to world capital markets, in which the bank borrows at advantageous rates. In addition, this common effort promotes burden sharing in providing a collective good and may limit the competition for influence that characterizes some bilateral assistance. Similarly, by combining development loans in a common portfolio, bank members pool, and thereby reduce, their individual risk.

Pooling enables the World Bank to achieve economies of scale by carrying out a large volume of activities, establishing uniform procedures and building up a common body of data. These economies allow it to develop greater technical expertise on various aspects of country and project assessment than could most states and to innovate in emerging areas like "basic needs." Finally, the bank's broad jurisdiction creates a horizontal advantage akin to economies of scope: by dealing with virtually all needy countries, the bank can target global priorities while avoiding duplication and gaps in coverage.⁸

The largest states, especially the United States, could mobilize sufficient capital to accomplish their international financial objectives unilaterally.⁹ They are unwilling to do so, however, for international and domestic political reasons and because of competing priorities. Indeed, the United States is actively working to strengthen the IFIs, in part because their broad membership and assessment structures encourage wide cost sharing.¹⁰ In the meantime, although the G-7 countries bear most of the costs of the IFIs, they also retain the greatest share of voting power and influence on management. During the cold war, they successfully excluded the Soviet bloc and the People's Republic of China. Yet, the United States has been unable consistently to dictate IFI decisions on specific transactions.

8. Of course, as Kratochwil (1996) notes, large-scale centralized operations may not be necessary or desirable in all cases. The Maastricht Treaty's subsidiarity principle adopts this view, while authorizing supranational activity when the scale of the problem makes that appropriate.

9. The desire to benefit from pooling is nevertheless reflected in U.S. Treasury Secretary Rubin's lament that the "United States cannot be the lender of last resort to the world" (quoted in Sanger 1995).

10. The G-7 countries also benefit from IFI independence, as discussed below.

Nonfinancial IOs provide similar advantages. The public health activities of WHO, like other UN-specialized agencies, are based on the pooling of national contributions and cost sharing (though the industrialized countries bear the bulk of the costs); economies of scale provide operational efficiencies. The WHO smallpox campaign illustrates the horizontal benefits of centralization: a single global campaign against a contagious disease is more effective than decentralized efforts because global scope avoids gaps in coverage. (The IAEA nuclear safeguards system offers a similar advantage.) In addition, the stable organizational structure of WHO and the reputation-staking effect of membership encourage participation. Free-rider problems remain, but the organization can alleviate them by using its own resources. WHO also provides effective technical assistance by pooling financial and technical resources and accumulating expertise; its global scope diffuses new technologies and allows rational prioritization of needs. By enhancing the development and transmission of ideas, technical activities of specialized organizations have significantly shaped the interests and identities of states. At the same time, they have helped less developed states acquire capacities essential to both national policy making and international activity.

An example of the limits of pooling illustrates these effects and the importance of realist and constructivist considerations. UNESCO's scientific arm was intended to promote the public goods aspects of scientific research by pooling international scientific facilities and creating a central clearinghouse. The organization was initially oriented toward the needs of scientists: executive board members did not represent governments. With the cold war, however, state interests asserted themselves. The board was reorganized to represent states, and UNESCO's orientation shifted to national science. Finnemore (1996) documents how UNESCO technical assistance subsequently promoted national science programs even in states where there was little need for them. Thus, UNESCO helped shape states' identities, interests, and capabilities in the area of science policy even though its initial global objectives were frustrated by interstate rivalries.

Joint Production

Alchian and Demsetz's (1972) theory of the firm suggests that a centralized organization is particularly important when workers, managers, and other "inputs" must work in teams, producing a joint output. In these situations, the hierarchical organization of the firm makes it easier for managers, themselves beholden to the owners ("residual claimants"), to monitor, reward, and discipline employees. IO personnel engage in similar teamwork and thus are typically organized hierarchically, with supervision by and on behalf of member states.

Beyond this, states themselves sometimes form multinational "teams" to engage in production activities. Experts from several European states cooperate in subatomic research through the European Organization for Nuclear Research (CERN), an IO that operates a nuclear laboratory; the Airbus project is a similar example. In addition to holding participants responsible, these organizations pool resources and risks, achieve economies of scale, avoid duplication and unproductive competition, and ensure that

the outputs, including technological externalities, are shared. Projects like CERN and Airbus resemble business firms even more than the typical IO. Indeed, Airbus, originally created as a partnership under French law, is being transformed into a private corporation to better coordinate the participants.

Perhaps the best example of interstate joint production is the NATO military alliance. Common war plans, specialization of military tasks, joint exercises, common equipment and interchangeable parts, and, of course, the conduct of battle are examples of teamwork par excellence. NATO's integrated command—operating hierarchically on behalf of member states as residual claimants—organizes, monitors, and disciplines participants in the joint activities of the alliance, probably the most successful in history.¹¹

Norm Elaboration and Coordination

States arrange cooperative relationships through agreements. As Williamson (1985, 1994) and others have pointed out, bounded rationality and high transaction and information costs make it difficult for states—like the parties to any contract—to anticipate and provide for all possible contingencies. The longer and more complex the relationship, the more significant the contingencies; the greater the investment in specific assets, the greater the uncertainty and risk of opportunism. The domestic legal system helps alleviate these problems by supplying missing terms and decision rules, but the international institutional context is comparatively thin. “First, in international law, there is not a very complete body of law that can be applied to supply missing terms. . . . Second, . . . there is generally no dispute resolution tribunal with mandatory jurisdiction. . . . The alternative, of course, is to write comprehensive contracts” (Trachtman 1996, 51-54).

There is another alternative: to create procedures for the elaboration of norms within an IO. Decentralized procedures do not address the problems of transaction costs and opportunism. Even with coordination issues—in which equilibria can sometimes be reached without communication—these problems can stymie cooperation when there are many actors, complex problems, and distributive conflicts. The stable organizational structure of IOs addresses both issues. Established procedures for elaborating rules, standards, and specifications enhance cooperation even when member states retain the power to reject or opt out—as they do even in IOs with relatively advanced legislative procedures, like the ILO. Nonbinding recommendations can become de facto coordination equilibria, relied on by states and other international actors. This gives IOs some power to affect international norms and state behavior and potentially much greater power with the backing of key states.

As always, powerful states exert disproportionate influence over norm elaboration and structure legislative processes to ensure their influence. Here, too, however, protection for weaker states may be the price of their participation, and the effective-

11. The analogy is imperfect. NATO's organization differs from that of a firm. Nevertheless, team analysis suggests why a formal IO is valuable, whereas the standard public goods analogy reduces the problem simply to one of individual (under)provision. See Olson and Zeckhauser (1966).

ness of an established rule-making procedure requires that powerful states respect those arrangements. For example, powerful states often limit IO jurisdiction to technical areas with limited distributional impact; as a result, IO legislative procedures may go forward—up to a point, at least—less influenced by narrow national interests and differential power than direct intergovernmental bargaining.

Many IOs engage in norm elaboration, especially of a technical kind. The EU, most notably, has issued a huge number of directives, regulations, and other legislative acts—affecting everything from franchise agreements to telecommunication interconnectivity standards to tax policy—though many important issues have been addressed through interstate agreements and mutual recognition. The preparation of proposed legislation is housed exclusively in the commission to facilitate a depoliticized and expert approach.

Many other IOs carry out extensive legislative programs, frequently focusing on coordination rules. The ICAO promulgates international “rules of the air”; the International Telecommunications Union (ITU) coordinates national broadcasting standards; the Customs Cooperation Council implements common customs rules; and the Codex Alimentarius Commission harmonizes food standards. Although technical, these standards have important effects on (and within) states, as the concern over privileging Codex standards under the North American Free Trade Agreement (NAFTA) demonstrated. Although the associated IOs are quite weak, their influence is strengthened by the self-enforcing nature of coordination equilibria.

INDEPENDENCE

Although centralization often requires some operational autonomy, many valuable IO functions require more substantive independence. The participation of an IO as an independent, neutral actor can transform relations among states, enhancing the efficiency and legitimacy of collective and individual actions. These functions require a delicate balance among short- and long-term collective and distributional interests. Powerful states will not enter an organization they cannot influence, yet undermining the independence of an organization performing the functions discussed here will simultaneously reduce its effectiveness and their own ability to achieve valued ends.

Analogies from the business firm and the law merchant illustrate the point. Shareholders in a large corporation must monitor managers to limit agency costs. Yet, if major shareholders cause managers to favor their interests unduly, others may refuse to invest. If shareholders generally assert excessive control, moreover, they lose the advantages of professional management. The law merchant analogy is even sharper. Powerful princes granted monopoly privileges to independent guilds of foreign merchants, enabling them to embargo the princes themselves if they took advantage of the merchants (Grief, Milgrom, and Weingast 1994). By eliminating princes’ incentives to cheat, these arrangements enabled them to make the binding commitments necessary to induce mutually beneficial trade. The princes could withdraw the guilds’ privileges, of course, but were constrained from doing so by the resulting loss of trade.

SUPPORT FOR DIRECT STATE INTERACTION

Independent IOs promote intergovernmental cooperation in more proactive ways than those discussed earlier; they are *initiating* as well as supportive organizations. The governing body is often authorized to call together member states to consider current problems. IO personnel also influence negotiation agendas. On a high political plane, UNEP kept ozone protection alive when interstate negotiations deadlocked and built support for the Montreal Protocol. The UN secretary-general may put before the Security Council any matter that, in his opinion, threatens international peace and security. At the administrative level, the ILO governing body sets the General Conference agenda with assistance from the International Labor Office. At the technical level, IO and conference officials advance specific proposals and suggest linkages or trade-offs: the president of UNCLOS III was authorized to defer contentious votes to forge a consensus during deferment; the negotiating text advanced by GATT Director-General Dunkel during the Uruguay Round catalyzed the faltering negotiations and helped bridge substantive differences.

IO officials are also prominent members of the epistemic communities that develop and transmit new ideas for international governance (Haas 1992). Drake and Nicolaïdis (1992, 76) document the role of IOs in developing the concepts behind the liberalization of trade in services: a “comparatively small number of experts in the GNS [Group on Negotiation in Services] and on the GATT, UNCTAD and OECD staffs [were] the main source of the specific kinds of new ideas needed to carry the policy project to a conclusion.” The UN Economic Commission on Latin America is well known as the source of many ideas regarding economic development that rallied the Group of 77. Such autonomous efforts can modify the political, normative, and intellectual context of interstate interactions. These factors are not purely exogenous, as in structural theories or constructivist approaches that locate them in general societal trends, but are tied to the agency and interests of IOs (Ness and Brechin 1988; Scott 1992).

Independence is equally important in implementation. The ILO committee of experts—a group of private individuals—comments on national reports. Some ILO organs use these comments to highlight noncompliance with ILO conventions and recommendations and to invite governments to submit additional information. Other IOs report on state compliance in addition to, or in lieu of, national reports. IO officials further monitor state conduct, in more or less intrusive ways, although enforcement remains decentralized. For example, the WTO regularly reviews the general effects of national trade policies.

MANAGING SUBSTANTIVE OPERATIONS

In the above examples, IOs facilitate interstate collaboration by pushing negotiations forward. This role could be played by, say, a dominant state, but suspicions of bias might impede cooperation; an independent IO may be more acceptable because it is neutral. For many substantive IO operations, however, it is the existence of a truly independent third party, not the absence of bias per se, that enables states to achieve their ends.

Laundering

Laundering has a negative connotation from its association with running ill-gotten gains through seemingly independent financial institutions until they come out clean, having lost their original character and taint. Without necessarily adopting that connotation, we use the term advisedly because the process at work in IOs is similar: activities that might be unacceptable in their original state-to-state form become acceptable when run through an independent, or seemingly independent, IO. The concept should be familiar to IR scholars who are reluctant to accept Central Intelligence Agency funds but eagerly accept National Science Foundation grants overseen by independent academic panels.

Appropriately enough, the World Bank, IMF, and other IFIs provide clear examples. States may prefer development assistance from an independent financial institution over direct aid from another state, especially a former colonial power or one seeking political influence. IFI restrictions on national autonomy (e.g., on project design or broader economic policies) may not carry the same domestic political implications of dependence and inferiority as would conditions imposed directly by, say, the United States or France. These considerations may make IFI conditions a superior means of promoting domestic reforms.

IFIs equally serve a laundering function for donor states seeking to avoid domestic and international controversies. The World Bank's charter requires, for example, that development loans be made without regard for the "political character" of the recipient; disregard of this factor is difficult within the United States, where financial assistance budgets require congressional approval. The United States called on the IMF to manage the 1980s debt crisis, keeping the issue less politicized and more technical. Similarly, the Soviet Union laundered subsidies to subordinate states in Eastern Europe through Council for Mutual Economic Assistance (CMEA) trading practices, muting domestic opposition to these political and economic arrangements both at home and in recipient states (Marreese 1986). IFIs also inhibit domestic special interests from distorting policy for other purposes, as in the case of tied aid.

Although the obligation to participate in IFIs may be strong, doing so helps donor states curtail aid recipients' expectations, thus preserving flexibility. Although international intermediaries diminish a donor state's leverage over recipient states, this factor is offset by decreases in other states' leverage and in competition for leverage among donors. Donor states as a group, of course, retain control over the IFIs. But it is the fund, not the United States or Germany, that imposes austerity on borrowers.

The autonomy needed for successful laundering gives IOs influence over the substance of their activities. For example, IFI staff have significant input into lending criteria and adjustment policies and, increasingly, into social, environmental, and other related policies. Robert McNamara was able to broaden development discourse beyond economic growth to include social factors and to reorient World Bank policy (Finnemore 1996; Sanford 1988). The point should not be overstated. McNamara's reforms were hardly radical, and Western countries were largely receptive. Subsequently, the Reagan administration pushed the World Bank partially back toward

market policies. Thus, IO autonomy remains bounded by state interests and power, as reflected in institutional arrangements.

Such interventions can cause IOs to be perceived as politicized, responding to the interests of certain states or to issues beyond their regular purview. This occurred in the 1960s and 1970s, when the World Bank withheld loans from states that expropriated foreign property without compensation (Lipson 1985, 138-39); recently, the United States linked support for World Bank lending to human rights in cases, including China and Malawi (Kirgis 1993, 572-75). Whatever their justification, such measures reflect a partial failure we label *dirty laundering*. Powerful states face a tension between the immediate advantages of dirty laundering versus the long-run costs of jeopardizing IO independence.

Laundering is not limited to financial organizations. UN peacekeeping allows powerful states to support conflict reduction without being drawn into regional conflicts and discourages other powers from taking advantage of their inaction. This simultaneously reassures small countries that the conflict will not be enlarged. The IAEA performs two different laundering functions. First, recipients may prefer technical assistance from an independent agency rather than a particular nuclear state, even though nuclear states as a group dominate the agency. Direct assistance may create dependence, reduce policy flexibility, and be domestically controversial. IAEA technical assistance programs also distance provider states from recipient nuclear programs and inhibit the commercial rivalry among suppliers that otherwise facilitates proliferation. Second, states subject to nuclear safeguards may be more willing to admit independent international monitors into sensitive nuclear facilities than to permit entry by representatives of another state. Interestingly, when the United States transferred bilateral safeguard responsibilities to the IAEA in 1962, some recipients resisted the new arrangement, fearing that nationals of various states on the IAEA staff would conduct covert intelligence missions. This suggests, however, not that the logic of laundering is false but that it turns on the perceived independence of the organization.

Laundering thus has significant implications for the constitutive rules of IOs. Although member states retain ultimate control, organizations must be structured—from their organs of governance down to their personnel policies—to create sufficient independence for laundering to succeed. A failing of the UN secretariat is that its personnel are viewed as retaining their national identities; by contrast, the “Eurocrat” is seen as having loyalties beyond his or her individual state.

Neutrality

Neutrality adds impartiality to independence. It enables IOs to mediate among states in contested interactions, including disputes and allocation decisions. UN neutrality underlies most of the functions discussed in the secretary-general’s Agenda for Peace, from fact-finding and other forms of preventive diplomacy through dispute resolution and peacekeeping to postconflict consolidation of peace. Even more than laundering, neutrality demands that institutions be buffered from direct pressures of states.

IO as neutral information provider. Regime theory recognizes the importance of information but does not emphasize differences in its quality. Information created or verified by an independent, neutral IO is more reliable than that provided by states because it is free of national biases. Consider the air pollution monitoring stations established in Europe under LRTAP. Data supplied by Sweden or Russia could be perceived as biased, but a neutral source of information was more credible and could support greater cooperation. The convention protecting Antarctic seals incorporated an existing institution, the Scientific Commission on Antarctic Research, as a neutral source and verifier of information on the status of seals and state activities. Based on this information, the parties attained a rather high degree of cooperation. Similar conventions without neutral sources of information, such as that concerning Antarctic marine living resources, have been less successful. Finally, the 1991 General Assembly declaration on fact finding strengthens the UN secretary-general's role as a neutral information source in politically charged situations; the General Assembly has similarly encouraged the secretary-general to develop early-warning systems for international disputes and humanitarian crises.

International monitoring organizations, notably those operating under multilateral arms control treaties, provide outstanding examples of neutral information production. From the perspective of many participants, the neutrality of these organizations is their most important feature. Impartial information not only deters cheating by others but also helps states assure others of their own compliance (Abbott 1993). Although the literature on informal cooperation and the U.S.-Soviet arms control experience suggest that states can perform these functions on their own (Glaser 1995), the widespread use of IOs testifies to the advantages of third-party neutrals.

IO as trustee. In private commercial dealings, neutral parties often hold assets belonging to persons who cannot be trusted with possession until a transaction is completed. The escrow agent, for example, protects assets until all elements of the transaction are ready for closing, while the trustee holds assets on behalf of owners who cannot take title immediately.

Such arrangements are not common in IR, but notable examples exist. The Security Council held Iraq responsible for losses caused by its invasion of Kuwait. It required Iraq to contribute a percentage of its oil export revenues to a UN compensation fund from which payments would be made. A compensation commission (whose governing council includes representatives of Security Council members) administers the fund as trustee for claimants. Subsequently, concerned about humanitarian needs in Iraq, the council authorized states to import limited amounts of Iraqi oil with payments to be made directly into a special escrow account for purchases of food and medicine. Similarly, an international oil pollution compensation fund is part of the IMO regime governing oil spills in territorial waters.

Building on the League of Nations mandate system, the UN charter established an international trusteeship system. Individual states were typically designated as trustees for various territories, with mixed results. But the charter did establish standards for trustees and a trusteeship council to monitor them. It even contemplated that the UN

itself would perform the trustee function directly, an extraordinary example of the IO as a neutral party.

Traditional UN peacekeeping also illustrates the trustee function: UN forces patrol or even control territory to separate combatants, prevent conflict, and supervise negotiated cease-fires. UN neutrality also allows major powers to support peacekeeping without choosing sides among friendly states, as in Cyprus. Blue-helmet neutrality is crucial and guaranteed in multiple ways: operations are voluntary and require continuing consent of all parties, peacekeepers are from countries with no stake in the conflict and under UN command, operations are financed through general assessments, and troops are unarmed (observers) or lightly armed for self-defense to prevent uses of force inconsistent with neutrality. But these restrictions can limit the effectiveness of peacekeeping operations in some conflictual environments—as has been evident in Bosnia. To deal with these limitations, the secretary-general's Agenda for Peace proposes a preventive trustee function: UN-administered demilitarized zones, established in advance of actual conflict to separate contending parties and remove any pretext for attack.

Neutral activities must be keenly attuned to the realities of international power. U Thant's quick withdrawal of the United Nations Emergency Force (UNEF) at Egypt's request in 1967 was based on the legal principle requiring consent for UN operations but equally reflected the reality that two contributing countries had threatened to withdraw troops if Egyptian wishes were not respected. Nevertheless, like an escrow agent, peacekeeping is effective when it furthers state interests in limiting conflict.

The Acheson-Lilienthal (Baruch) Plan would have created an international agency to manage fissile material, contributed by the United States and the United Kingdom, the existing nuclear powers. This institutional arrangement (which was not, of course, adopted) resembled a trusteeship with the world community as beneficiary. It reflected the vital interests of donor states in preventing destabilizing proliferation, but the plan required a neutral trustee. The sponsors would not have been trusted to hold the material themselves.

Similarly, under the "common heritage" principle of UNCLOS III, the convention declares that rights to seabed resources are "vested in mankind as a whole, on whose behalf the Authority shall act." The powers of the Seabed Authority were limited to accord better with market principles and U.S. interests, but it retains its basic institutional structure, including important trustee characteristics that may evolve over time.

IO as allocator. A neutral party often allocates scarce resources among claimants to avoid paralyzing negotiating standoffs and lingering resentment: the parent, not the children, slices the birthday cake. IOs also serve this function.

The IAEA, for example, assists peaceful national nuclear programs. It necessarily evaluates proposed projects and allocates financial and personnel resources. Only a neutral body could be entrusted with such responsibility in a sensitive area. IFIs also allocate scarce resources according to project worthiness. The World Bank's charter tries to guarantee its neutrality by requiring that it ignore the political character of

potential borrowers. The perception that the World Bank promotes pro-market policies on behalf of the Western powers and punishes governments that pursue other goals such as equity reduces its effectiveness. The World Bank defends its neutrality by presenting its policies as driven by technical analyses rather than value judgments. It has retained a sufficient aura of neutrality to be entrusted with allocating funds under the Global Environment Facility, the Ozone Trust Fund, and the climate change convention.

IO as arbiter. According to Morgenthau (1967, 272), “despite . . . deficiencies [in] . . . the legislative function [in international politics], a legal system might still be capable of holding in check the power aspirations of its subjects if there existed judicial agencies that could speak with authority whenever a dissension occurred with regard to the existence or the import of a legal rule.” Few international institutions are truly designed to restrain state power, yet many help states resolve legal (and political) disputes. Neutrality is essential for such institutions, just as for a judge in the law merchant system (Milgrom, North, and Weingast 1990), the European Court, or a domestic court.

In *facilitative intervention*, an IO operates as “honest broker” to reduce transaction costs, improve information about preferences, transmit private offers, and overcome bargaining deadlocks. Chapter VI of the UN charter requires states to use traditional measures—including good offices, mediation, conciliation and fact finding—to resolve disputes that threaten international peace and security. The secretary-general frequently provides these services. The Human Rights Committee provides its good offices in interstate disputes and may appoint ad hoc conciliation commissions to propose possible settlements. Numerous international conventions, from the Antarctic to the NATO treaties, provide for similar measures if direct negotiations fail. Even the highly legalized WTO understanding on dispute settlement allows members to request mediation or conciliation by the director-general.

In *binding intervention*, international institutions issue legally binding decisions with the consent of all parties. The mere possibility of binding external intervention may bring recalcitrant states to the bargaining table and make negotiating positions more reasonable. The most common dispute resolution mechanism of this kind is arbitration. Participating states agree on arbitrators, procedures, and jurisdiction and agree to be bound by the arbitrators’ decision. When agreement on these matters cannot be reached, other neutral IOs sometimes fill the gap—as when the Permanent Court of Arbitration selected the president of the U.S.-Iran claims tribunal.

Arbitral tribunals resolve disputes on an ad hoc basis, as in the 1941 U.S.-Canada *Trail Smelter* arbitration, a leading precedent in international environmental law, or in the secretary-general’s “Rainbow Warrior” arbitration between France and New Zealand. They also handle classes of disputes such as the famous *Alabama Claims* arbitration following the Civil War, the special claims commission for allied property claims following World War II, and the Iran-U.S. claims tribunal. The following comment on the Rainbow Warrior dispute applies to most of these cases: “This solution is not without critics in both countries. . . . However, . . . the settlement proved much

more acceptable—precisely because of its unimpeachable source—than would have been the same, or any other, solution arrived at solely by the parties themselves. Neither government . . . could be accused by its internal critics of having yielded to the other” (Franck and Nolte 1993, 166).

Many international agreements, from bilateral commercial treaties to the law of the sea convention, rely on arbitration through ad hoc panels or more permanent institutions. The GATT-WTO dispute resolution process is similar to arbitration. In the interest of neutrality, the director-general maintains a roster of qualified panelists, suggests panelists to disputants, and names the panel if the parties cannot agree. NAFTA incorporates several arbitration procedures, including an innovative one whereby arbitrators review national antidumping and countervailing duty decisions to ensure that national law was followed. The International Centre for the Settlement of Investment Disputes (ICSID), affiliated with the World Bank, provides neutral facilities for arbitrations between private investors and host governments.

The principal international judicial authority is the International Court of Justice (ICJ). Unlike domestic courts, it must be granted jurisdiction by parties to a dispute. Most cases have arisen under treaties that include submission to ICJ jurisdiction. The ICJ also issues advisory opinions to UN organs and specialized agencies. The court has issued a number of decisions of significance but has not been heavily used by states; GATT panels, for instance, have issued many more decisions than the ICJ. A relatively small number of states have accepted compulsory jurisdiction, and efforts to use the court during high-profile disputes led France and the United States to terminate their acceptance, although not without cost. The European Court of Justice and the European Court of Human Rights (which also requires acceptance of jurisdiction) have been more successful. Indeed, the former—whose judges are chosen “from persons whose independence is beyond doubt”—approaches the authority of the judicial institutions Morgenthau had in mind. Its judges have played a leading (independent) role in promoting European legal integration (Burley and Mattli 1993). Other international institutions, including the WTO appellate body, may also develop into successful judicial agencies.

IO AS COMMUNITY REPRESENTATIVE AND ENFORCER

In this section, we consider broader and more controversial functions of formal IOs, some of which go beyond a simple state-centric approach. We examine how states structure and use formal organizations to create and implement community values and norms and to assist in the enforcement of international commitments. This discussion demonstrates further how the study of IOs forces different theoretical schools to engage one another. We discuss these two functions separately, then together in a brief examination of the role of the UN in the Gulf War—an example that also illustrates the significance of IOs in situations of violent conflict.

THE IO AS COMMUNITY REPRESENTATIVE

States establish IOs to act as a representative or embodiment of a community of states. This was a central aspiration in the postwar organizational boom and remains an important, if only partially fulfilled, aspect of IO operations today.

Community institutions take several forms. They may be inclusive bodies such as the General Assembly, the town square of international politics, created as a forum in which common issues can be addressed. Within such institutions, states work out and express their common interests and values. The process may be largely consensual, as when states consider some problem of common concern such as environmental change or the behavior of a rogue state, or it may entail one set of states pressuring another to accept new principles such as human rights, the oceans as a commons, or democracy. Other community institutions, such as the Security Council, are representative bodies. These incorporate the major actors (as realism would predict) as well as states representing other interests. These smaller bodies instantiate political bargains in their representation rules while providing a more efficient forum in which to deal with issues, especially those requiring operational responses. Finally, community institutions such as the ICJ are structured to promote independence and neutrality, their actions constrained by a charge to act in the common interest. All three types can advance community interests with special legitimacy.

The UN, established by the Allies when they had unchecked dominance, was undoubtedly intended to serve their own purposes. It was also based on a conception of shared interests and values that went well beyond laundering or even neutrality. The charter's broad goals presupposed a direct relation between national welfare, conditions around the globe, and the peaceful working of the international community as a whole. The principal goal was to maintain international peace and security, and UN organs were authorized to intervene—not just mediate—in interstate disputes that threatened peace. Other goals were to develop friendly relations among states based on the principles of equal rights and self-determination, to promote fundamental freedoms, and to promote cooperation on a wide range of global problems. Shared interests in many of these areas—human rights, democracy, and liberal economic relations—are still developing.

Perhaps the most important function of community organizations is to develop and express community norms and aspirations. Although the General Assembly lacks the Security Council's power of action, it can have substantial impact on international politics by expressing shared values on issues like human rights, apartheid, decolonization, and environmental protection in ways that legitimate or delegitimize state conduct. The Universal Declaration of Human Rights is a striking example. Although the declaration cannot be enforced, its explicit and sweeping formulation of standards has significantly affected state behavior. Its norms have been included in binding treaties, and the declaration itself has been incorporated into some national constitutions, thereby influencing the character and preferences of states and, thus, of the international system itself. Although smaller states have been disproportionately held to account on this issue, even large states like the former Soviet Union and reputed nuclear states like South Africa have been affected.

Similarly, although GATT (unlike the WTO) was intentionally created with as few attributes of an independent IO as possible, its contracting parties and council have formulated important policies for the trading community, including “differential and more favorable treatment” for developing countries. Although contested, this principle has been reflected in subsequent trade negotiations and the generalized system of preferences.

Courts as independent institutions also formulate and express community policy. By enunciating, elaborating, and applying rules publicly, they educate the community and strengthen underlying norms (Abbott 1992). A highly unusual IO, the UN tribunal dealing with war crimes in the former Yugoslavia, combines these public judicial roles with the closely related public role of prosecutor. But states have not fully embraced the community functions of courts. Even the ICJ is structured to minimize its community role: its jurisdiction rests on party consent, and its decisions have no formal status as precedents. Yet, ICJ decisions are regularly relied on, and the court has on important occasions acted as expositor of fundamental community values, as in the Iranian hostages case and, many would say, Nicaragua’s suit against the United States. These decisions have important moral authority even when they cannot be enforced in the traditional sense. Similar functions are performed by the European and Inter-American Commissions and Courts of Human Rights, and even by quasi-judicial bodies like the ILO governing body.

The most controversial example of community representation is the Security Council’s “primary responsibility for the maintenance of international peace and security.” The council is empowered to investigate any situation that might lead to international friction and recommend means of resolving the conflict, including terms of settlement. It is further empowered under Chapter VII to “take action” against any threat to peace. When using armed force, however, the council has proceeded much as with economic sanctions, calling on members to give effect to measures it has approved.

An IO with these powers could overcome free-rider problems hampering decentralized efforts to maintain peace. But the Security Council has the deeper rationale of representing the community. Because local disputes might spill over and disrupt the larger community, they affect the general welfare. Such disputes should not be dealt with exclusively by the parties themselves, or by third states intervening for their own private interests, but by collective bodies that consider the effects of the dispute and of external intervention on the general welfare. Chapter VIII of the charter even authorizes regional organizations like the Organization of American States (OAS) to deal with local disputes, although they only take “enforcement action” with council approval, lest such action itself threaten the peace of the larger community. Finally, situating private disputes in terms of community interests and institutions brings a heightened level of political and moral pressure to bear on disputants and potential intervenors.

The creation and development of IOs often represent deliberate decisions by states to change their mutually constituted environment and, thus, themselves. IOs can affect the interests and values of states in ways that cannot be fully anticipated. Yet, it is important to stress that these processes are initiated and shaped by states. Furthermore, IOs are constrained by institutional procedures—including financial contributions and

leadership appointments—that are controlled by states and, ultimately, by the ability of (some) states to withdraw, albeit at some cost. These possibilities and limitations make IOs an important window into the relation between rationalist and constructivist analysis.

IOs AS MANAGERS OF ENFORCEMENT

The role of IOs in ensuring compliance with international commitments can best be understood by integrating managerial and enforcement views of the process. Observing high levels of compliance with international agreements, even though strong enforcement provisions are rarely included or used, the managerial school concludes that IR has focused too heavily on coercive enforcement. In this view, noncompliance typically results not from deliberate cheating but from ambiguity in agreements, insufficient state capacity, or changing international and domestic circumstances (Chayes and Chayes 1995; see also Mitchell 1994; Young 1994). Resolution of such problems lies not in stronger enforcement but in better management of compliance. Downs, Rocke, and Barsoom (1996) counter that, without enforcement, states will cheat on agreements and that observed compliance levels largely reflect shallow agreements that require little change in state behavior.

An overly sharp distinction between managerial and enforcement functions is misleading. For many significant day-to-day activities—especially ones involving coordination—incentsives to defect are relatively small compared with the benefits of cooperation; here, the managerial approach is sufficient. In other cases, some enforcement may be necessary, at least potentially. IOs support both kinds of activities. More important, the strictly decentralized models that underpin the enforcement view do not apply strictly to the richer environment of international politics, especially when states are numerous and face significant informational problems. In these more complex settings, IOs can manage enforcement activities to make them more effective and to limit their adverse side effects.

Many IO functions identified earlier are valuable in implementing the managerial approach. Ambiguity can be resolved through dispute resolution and other third-party procedures, including fact finding, good offices, interpretation of international agreements, and mediation. State incapacity is addressed directly by financial and technical assistance. Emerging compliance problems due to changing circumstances can be managed by IO political and judicial organs with authority to interpret and adapt agreements and elaborate norms.

When enforcement is needed, IOs can facilitate decentralized action. They increase the prospect of continued interaction, often across issues, and generalize reputational effects of renegeing across members of the organization. Some IOs directly monitor state behavior, producing credible neutral information necessary for effective enforcement. IOs further provide forums in which suspicious actions can be explained, lowering the risk that misperceptions will upset cooperation, and in which pressure can be brought on transgressor states. In these ways, international legal discussions about “mobilization of shame” can be understood not in the moral sense of creating

guilt among states but in an instrumental sense of enhancing reputational and other incentives to abide by commitments.

IOs also have some direct avenues of enforcement. These include requirements of national reporting—wherein failure to report itself indicates improper behavior—and the issuance of findings by the IO itself. The ILO has issued such reports with respect to labor practices, even in the case of powerful states such as the Soviet Union and Britain. A less frequent sanction occurs through resolutions criticizing state behavior. Such practices pressure states to change their behavior both by impairing their international standing and by empowering private groups to pressure national governments, thus increasing “audience costs” (Fearon 1994). Currently, the G-7 states are working to empower the IMF to make findings on national economic policies and to issue public criticism with precisely these goals in mind.

A second means of direct enforcement is withholding IO benefits, as the IAEA suspended technical assistance after Israel bombed an Iraqi nuclear reactor. The IMF’s “conditionality” requirements and the World Bank’s requirements on development loans have expanded over the postwar period, and these agencies have frequently had strong effects on the policies of member states.

Finally, IOs play an important role as managers of enforcement, authorizing and giving meaning to retaliation, thus ensuring that enforcement activities are not excessively disruptive to the larger international community. This possibility is differentially developed. The GATT only once authorized retaliation, whereas WTO practice is still emerging; the Security Council, by contrast, has authorized economic sanctions on numerous occasions. Martin (1992, 245) finds IOs important in managing economic sanctions because they provide a framework for side payments among retaliating states and increase incentives to cooperate in sanctions so as not to jeopardize the “broad functional benefits these organizations provided.”¹² Furthermore, such validation is akin to laundering: when an IO legitimates retaliation, states are not vigilantes but upholders of community norms, values, and institutions. The IO imprimatur clarifies retaliatory behavior so that it will be seen by the target state for what it is, not as noncooperation by the retaliating state, while reassuring third parties that the retaliating state is acting appropriately. (Again, influential states might seek IO approval to disguise their noncooperative acts as retaliation, a form of dirty laundering, but this practice is limited by its self-defeating character and IO independence.) IO approval frequently limits the severity and duration of state retaliation, as the WTO does by limiting the amount of retaliation and the economic sectors targeted. Indeed, the IO may negotiate a response with the retaliating state to maximize third-party support for the action. Such managerial activities counteract “echo effects” and are improvements over strictly decentralized enforcement.

CHAPTER VII: THE USES AND LIMITS OF DIRECT ENFORCEMENT

The Security Council’s experience with Chapter VII illuminates the role of the community representative in constructing interests, the possibility of more forcible

12. Martin (1992, 245) also finds it important that the leading “sender” be willing to bear extra costs, suggesting a possible limitation to IO enforcement capacity in the absence of “leadership.”

methods of direct enforcement, and, equally important, their limitations. As noted above, the original conception of Chapter VII involved independent action by the Security Council on behalf of the community of states, using military units provided “on its call” by member states and guided by a military staff committee. This was direct enforcement except that the units to be deployed, even the members of the committee, were to be provided by states. This distinguishes Chapter VII from, say, the independent ability of the IMF to cut off funds to a country that violates its financial commitments. Moreover, Chapter VII has never operated as originally intended. In the two principal episodes in which military force has been used—Korea and the Gulf War—the council instead authorized national military actions, led in both cases by the United States. How are these episodes to be understood?

In the more cynical view, both are examples of dirty laundering. By obtaining Security Council approval, the United States cast essentially unilateral action as more legitimate collective action. The same interpretation can be applied to various OAS enforcement actions against Castro’s Cuba. Arguably, the organizations were not sufficiently independent of U.S. influence to convert the measures taken into genuine community action. In the Gulf War, these measures were transparently national: the council simply called on other states to cooperate with the United States, which was already operating in the Gulf theater, and coalition forces were visibly dominated by the United States, whose troops even retained their own uniforms and commanders.

Yet, these episodes can also be seen in a more affirmative light. The institutional underpinnings essential to the original vision of Chapter VII had never been put in place: there were no agreements for the provision of national forces, no emergency units standing by, no military staff committee. Lacking appropriate institutional arrangements, the council carried out its community responsibilities in the only practicable way, by shifting from direct to indirect enforcement, lending its institutional authority to legitimate action by willing nations. Its membership structure and voting rules made the council sufficiently independent and representative to perform a genuine laundering function.¹³ The United States, after all, assiduously courted council approval (partly by moving more cautiously) for reasons of both domestic and international politics. The imprimatur of the council was essential to other participants: Middle Eastern states, for example, needed it to justify cooperation with the coalition. In this episode, just as Claude (1966, 74) put it more than 30 years ago, “proclamations of approval or disapproval by organs of the United Nations, deficient as they typically are in . . . effective supportive power, are really important. . . . [S]tatesmen, by so obviously attaching importance to them, have made them important.”¹⁴

The affirmative view sees the council, especially during the Gulf War, as representing the community of states. This representative status, not simply the formal procedures of Chapter VII, led the United States and other states to seek council action:

13. The current debate over the composition of the council reflects the idea that such an institution should be more representative of the community on behalf of which it acts.

14. See also Haas (1958) and, for a more skeptical view, see Slater (1969).

Security Council resolutions on Iraq carried unique political weight because they came from the established community institution with primary responsibility for international peace and security. Resolutions condemning the Iraqi invasion of Kuwait as unlawful, declaring void the incorporation of Kuwaiti territory into Iraq, denouncing human rights and environmental abuses by Iraqi forces, authorizing member states to cooperate with U.S. forces, forcing the destruction of Iraqi weapons, and holding Iraq financially responsible for its actions are clear expressions of the shared moral and legal sense of organized international society. The IO was the locus for giving meaning to state action. The United States, even as the clearly dominant power in coercive activity, had good reasons to act not simply from might but from persuasion.

Thus, realist, constructivist, and rational-regime arguments come together in consideration of the role of IOs in the Gulf crisis. Although some might prefer to find a singular “winner” among the three explanations, we believe each explains a significant part of the episode and that any unidimensional explanation would be incomplete. In any event, IOs provide an important laboratory in which to observe the operation of these different aspects of international politics.

CONCLUSION

For several decades, states have taken IOs more seriously than have scholars. Whereas formal IOs have been seriously neglected in the theoretical study of international regimes, they have played a major role in many, if not most, instances of interstate collaboration. By taking advantage of the centralization and independence of IOs, states are able to achieve goals that they cannot accomplish on a decentralized basis. In some circumstances, the role of IOs extends even further to include the development of common norms and practices that help define, or refine, states themselves. At the same time, because issues of power and distribution are pervasive, states are wary of allowing IOs too much autonomy. Thus, we do not claim that IOs are supplanting the states system. We do claim that IOs provide an important supplement to decentralized cooperation that affects the nature and performance of the international system. Scholars must take IOs more seriously if they are to understand interstate relations.

Although we have presented the case for the importance of formal institutions in international cooperation, the shortcomings of many actual organizations go without saying. In addition, in emphasizing the possibilities for formal organizations, we should not ignore the difficulty and even impossibility of some of the tasks that are presented to them. Despite these severe limitations, the fact that IOs have not been abandoned by states is testimony to both their actual value and their perhaps greater potential. A better theoretical and empirical understanding of formal organizations should help improve their performance.

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