



How to Make Oversight by International Institutions More Effective in National Debates

Martin S. Edwards, Seton Hall University

International organizations have an important role to play in the era of globalization, yet two of the most prominent – the International Monetary Fund and the World Trade Organization – face mounting criticism for their apparent inability to influence policy in the countries they are meant to oversee. The International Monetary Fund, an organization of 189 countries that works to ensure the stability of the international monetary system, has received criticism for its inability to prevent the global economic crisis set off in 2007 and 2008. The World Trade Organization deals with the rules of trade between nations to “open trade for the benefit of all,” but is under fire for its lax treatment of China. Although much of the criticism these organizations face is fair, researchers who want to propose effective solutions for improving these organizations must better understand the unique role they play and how they practice policy monitoring, or surveillance, of their member countries.

My research examines surveillance by the World Trade Organization and International Monetary Fund in order to more fully understand how international organizations operate and wield influence. To become more effective, I find, these organizations must make outreach an essential part of their work. They should build stronger connections to natural constituencies that can amplify their messages and make the information they collect more useful to policymakers.

The Challenge of Studying International Oversight Bodies

Surveillance is a standard part of what international organizations do in areas ranging from human rights to global health to the environment. The International Monetary Fund annually reviews countries’ economic policies to make sure that they support growth and keep the global economy stable. The World Trade Organization holds these reviews less frequently, but also evaluates countries’ trade policies to determine if they stabilize the international trading order.

Yet both these organizations face criticisms that their surveillance has little impact.

Indeed, member nations face no penalties for failing to adopt the advice of either the Monetary Fund or the World Trade Organization – something that has happened recently. For example, both organizations warned the United Kingdom of the dangers of leaving the European Union, and yet the Brexit referendum was adopted. Some experts argue that surveillance needs to be made more explicit and more enforceable to address this problem. In this light, surveillance would look more like the contractual nature of International Monetary Fund loan agreements or the legal structure of the World Trade Organization’s trade dispute mechanism.

This view, however, misses the rationale for why surveillance was created in the first place. Surveillance is valuable because of the information that is collected and shared in the review process – a process that is supposed to lead to voluntary adjustments. My research traces the content and the value of this information and its effects on domestic political debates, on the media, and on financial markets and other countries.

Speaking Truth to Power

Some critics claim that international oversight cannot “speak truth to power,” because major powers distort the review processes of the International Monetary Fund and the World Trade Organization. But my research reveals little support for this argument.

- In the case of the International Monetary Fund, although larger countries do tend to have more influence, the impact on borrowing costs is small and does not outweigh traditional economic factors. In other words, financial markets are not “fooled” by International Monetary Fund surveillance.
- World Trade Organization surveillance is based on a review of two documents: one written by the country and one written by the Organization itself. If geopolitical influence is at work, then both reports would put an optimistic face on trade policy even if countries are actually imposing trade restrictions. But there is no evidence that larger countries get beneficial treatment from the World Trade Organization.

Effects of International Surveillance

Shaping domestic political debate is difficult for international organizations because their information competes with reports from national governments and other sources. In key cases when the International Monetary Fund’s advice should have made a difference – such as in the U.S. debate over the debt ceiling in 2011 – there is little evidence that the advice made it into debates on Capitol Hill, into public statements by the White House, or into the media’s coverage.

Even so, international surveillance is not meaningless. National governments care about the findings – as we know because they work to ensure that International Monetary Fund and World Trade Organization reports are not overly critical and push back when they disagree with findings.

International surveillance is particularly important when it produces unique information. Financial markets can – and do – readily respond to the release and contents of International Monetary Fund findings. Similarly, the prospect of future World Trade Organization scrutiny deters countries from breaching trade rules and makes them less likely to impose trade restrictions in the years prior to a review.

Making International Oversight Matter More

The World Trade Organization, International Monetary Fund, and other international organizations face limits. But researchers and policymakers who want to make these organizations more influential must appreciate rather than disparage the workings of these non-binding international rules. Rather than insisting on a wholesale overhaul of both organizations’ founding documents, researchers and organizational leaders should consider constructive avenues to make surveillance more effective – above all, by helping these organizations build stronger, ongoing connections to interest groups that can use and spread their findings.

By ensuring that international surveillance findings have a natural constituency in each national society, including media outlets and civic and business associations, their reports can more quickly move from each organization's respective websites into public debates.

Read more in Martin Edwards, *The IMF, the WTO & the Politics of Economic Surveillance* (Routledge Press, 2019).