CALIBRATING THE LIFE-CYCLE OF INTERNATIONAL DELEGATION

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Faceless, unelected bureaucrats overturn US environmental legislation from the WTO’s plushy offices in Geneva. Unworldly scientific experts at the obscure Codex Alimentarius Commission in Rome force Europeans to legalize hormone-treated beef. The World Health Organization torpedoes the Canadian tourism industry with a SARS travel warning. The UN Security Council freezes the assets of unsuspecting individuals accused of terrorism. IMF and World Bank staff, loan conditionalities in hand, run the finance departments of scores of developing countries. 80% of UK company regulations are imposed not by Westminster, but Brussels.

These are just some of the press headlines stoking the fears of what appears to be a take-over by international organizations of domestic sovereignty. Although delegation of powers away from the main political bodies is well-known domestically -- be it to the Federal Reserve, the EPA or the ITC -- delegation to international bodies makes most people nervous. For one thing, domestic controls of delegation do not easily transpose to the international arena.¹ There is, for example, no separation of powers at the international level, nor, in most cases, judicial review or an efficient process of legislative correction of international courts or tribunals.

Notwithstanding these fears and the lack of domestic-type control mechanisms, my claim is, however, that as compared to domestic delegation, international delegation is, in principle, subject to more, rather than less, controls. These controls, or checks-and-balances, are reflected in each of the main stages of the life-cycle of international

¹ See, for example, Ruth Grant & Robert Keohane, Accountability and Abuses in World Politics, 99 AMERICAN POLITICAL SCIENCE REVIEW 1 (2005) (calling on commentators to “think outside the democratic box” and laying out a series of accountability models based on participation and delegation).
delegation: from voluntary entry to a treaty, to the possibility of unilateral exit; from the enactment of international rules by consent, to the generally weak enforcement of treaties; from country and civil society participation at the international level, to what is often a complete lack of effect of international rules and rulings before domestic courts.

That said, this is, however, no time for complacency. It is crucial for countries to be aware of these controls and to use, maintain, or re-calibrate them, according to the specific circumstances of each case, and their own particular position in the world. Indeed, if a powerful player like the United States is worried about losing sovereignty to international bodies -- which the US, after all, largely controls -- what should most of the other 190 countries of this world think? What can they do to ensure their control over, and participation in, international delegation?

The case-specific calibration of controls thus permitted and available for delegation to international bodies -- in contrast to the more rigid and uniform checks-and-balances at play in domestic delegation -- does, however, require a holistic approach to the process of international delegation. Following such life-cycle approach a strong enforcement mechanism (such as that of the WTO) is, for example, best matched with rule-making procedures by consensus only, and a thick normative regime at the international level is, in turn, best balanced with strict controls for entry and effect domestically. Turning to the need for country-specific solutions, weaker countries, in particular, must consider raising their levels of control over international delegation, not only by more active participation internationally, but also by more scrupulously vetting international treaties in domestic parliaments and limiting the domestic effect of international treaties and rulings (along the lines of what, in powerful countries like the US and the EC, is fast becoming a firewall between international law and domestic legal systems).

Below, a preliminary attempt is made to sum up the dynamic and multifaceted controls and safety-valves of international delegation, both at the international level (Section A) and the domestic level (Section B). Again, the point of this contribution is that these controls ought to comfort those concerned about international delegation. At the same
time, all players involved must remain on guard to safeguard and maintain a sufficient overall level of control across the life-cycle of international delegation.

A. The interactive nature of checks-and-balances at the international level

1. The inverse relation between legislative and adjudicative delegation

Although useful for other purposes, the organizers’ distinction between types of international delegation, in particular between legislative and adjudicative delegation, masks the interactive nature of the checks-and-balances of international delegation.

In particular, strong adjudicative delegation (such as that under the WTO, NAFTA or BITs) is controlled most forcefully by weak legislative delegation (at the WTO, for example, through strict compliance with the consensus rule for any decision outside dispute settlement). Where rules are strictly enforced, states want to keep their veto over the creation of new rules. In contrast, where enforcement is weak, states might find a majority voting rule acceptable. UN General Assembly Resolutions are, for example, adopted by majority. Yet, this was largely made possible because such resolutions are not legally binding or enforced anyhow. Soft enforcement enables soft law-making rules.

Where the enforcement of rules is tightened, however, their very creation as well becomes more controversial. The reference, for example, in the WTO agreements to international standards adopted by the Codex Alimentarius Commission, has made the adoption of Codex standards in Rome much more controversial and difficult.

In sum, there is a crucial link between types of delegation. In particular, one can expect an inverse relationship between the depth and extent of legislative or regulatory delegation, on the one hand, and adjudicative, implementation or enforcement delegation,

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2 Curt Bradley and Judith Kelley, *The Concept of International Delegation*.
on the other hand. A combination of strong legislative and strong adjudicative delegation is likely to survive only in regimes that are politically more coherent or moving in the direction of a genuine polity or community (such as the European Union). Although this balancing act between legislative and adjudicative delegation is obvious, it should be kept in mind by those advocating, for example, majority voting rules in organizations (like the WTO) where enforcement is strong.

Somewhat paradoxically, however, this rather obvious insistence on consensus decision-making in a system with strong enforcement may weaken another form of legislative check over adjudicative delegation, namely the scope for legislative correction of rulings by the judicial branch. The insistence on consensus decision-making in the WTO, for example, has made it impossible so far for the WTO’s political branch to adapt, correct or overrule any of the 74 reports of the WTO Appellate Body (even though on the books such decision only requires a $\frac{3}{4}$ majority and is the only authoritative interpretation of the WTO treaty).\(^5\)

Such block on formal legislative correction naturally increases with the number of parties to the treaty regime. Under NAFTA Chapter 11, for example, Canada, Mexico and the US did agree on several occasions to overrule or “clarify” investor-state arbitral awards, notwithstanding the strong enforcement mechanism of NAFTA Chapter 11.\(^6\) As noted below (Section C), the delegation of what were traditionally state powers to private entities – in this case, the grant by NAFTA parties of standing to private investors under NAFTA Chapter 11 – reduces governmental control over international delegation (in this case, the adjudicative powers of Chapter 11 tribunals). Yet, in this instance, the reduction

\(^5\) Notwithstanding the lack of formal legislative correction at the WTO, the informal back-and-forth between the WTO Appellate Body, on the one hand, and statements made at the WTO’s political bodies, on the other, cannot be underestimated. Before the WTO’s General Council, for example, many members objected to the Appellate Body’s acceptance of amicus curiae briefs. Ever since, the Appellate Body has either rejected such briefs or accepted them but decided that these briefs were not useful for its decision.

\(^6\) Note, however, that these interpretative agreements are facilitated by the fact that Chapter 11 does not pit two countries against each other, but rather private investors versus one of the three governments. In many cases the government of the investor even sides with the other, defending government. Hence, for the three NAFTA parties to agree on an interpretation that tones down the rights of investors (which, so far, has consistently been the case) is easier than for 150 WTO members to agree on an interpretation of their own, state-centered rights and obligations under the WTO treaty.
in control at one level (initiation of cases) can, and has been, compensated by governmental intervention at another level (easier legislative correction through formally agreed NAFTA interpretations). If, in contrast, the WTO had included an investment agreement with 150 parties, such compensation or legislative correction would have been far more difficult.

2. *Interactive checks-and-balances within the adjudicative process itself*

Even when focusing only on the judiciary of an international regime, isolated stages within the judicial process must be considered in the broader lifecycle of adjudicative delegation. For example, the delegation of compulsory and automatic jurisdiction to the WTO Appellate Body to decide over the WTO-consistency of any trade-restrictive measure enacted by any WTO member – as revolutionary as it may be – must be evaluated in the light of crucial controls and safety-valves that remain elsewhere in the judicial process. Suffice it to give two examples here.

First, the remedies offered at the WTO remain weak, i.e., there is no reparation for past harm and even prospectively the system only provides for voluntary compensation and a right to suspend *equivalent* obligations. Along the same lines, only states, not private operators, have standing in WTO dispute settlement. In other words, weak remedies may have enabled a compulsory and automatic process. Conversely, to drastically strengthen WTO remedies may threaten the system’s automaticity and long term effectiveness.

One of the main checks on the Appellate Body is, indeed, the fact that if the Appellate Body really gets it wrong or truly goes too far (i.e., engages in far reaching judicial activism), given the WTO’s weak remedy system, defendants may simply refuse to implement the ruling. In the worst case scenario, an offended WTO member might exit the WTO altogether. Put differently, one crucial control mechanism over the WTO’s
judiciary is the risk of non-implementation which, if materialized, could undermine both the effectiveness and the long term legitimacy of the WTO as a whole.\(^7\)

Second, to offset the system’s automaticity, the Appellate Body was created (as an insurance policy against “bad” panels), and the country control over WTO adjudicators themselves was increased. In the past, nationals of the disputing parties could not sit on GATT panels without the agreement of both parties. This remains the rule for WTO panels. When a dispute reaches the WTO Appellate Body, in contrast, nationals of the parties can, and do regularly, sit on the three member division hearing the appeal (a division of three which is selected by lot from the seven standing Appellate Body members who, in turn, are appointed by consensus of all WTO members). Negotiators insisted on this nationality rule (or, rather, the absence thereof) and, for the same reason of control (real or imagined), the big players (in particular the US and the EC, who both have a de facto reserved seat on the Appellate Body) also pushed for the so-called principle of collegiality.\(^8\) This principle implies that every case before the Appellate Body, though decided by a division of three, is subject to an “exchange of view” by all seven Appellate Body members. The system, in other words, ensures that an EC or US judge always has the chance to provide input in any EC or US case before the Appellate Body.


**Table 1: US and EC Appellate Body Members Deciding US or EC Appeals**

<table>
<thead>
<tr>
<th>TOTAL CASES 74</th>
<th>US INVOLVED 50</th>
<th>EC INVOLVED 31</th>
</tr>
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<tr>
<td>Bacchus (US)</td>
<td>14</td>
<td>(14)</td>
</tr>
<tr>
<td>(Served: Dec. 1995 - Dec. 2003)</td>
<td>out of 27 total, including: Steel, Shrimp, FSC, Bananas</td>
<td></td>
</tr>
<tr>
<td>Janow (US)</td>
<td>5</td>
<td>(2)</td>
</tr>
<tr>
<td>(Serving: Dec. 2003 - …)</td>
<td>out of 6 total, including: Cotton, FSC</td>
<td></td>
</tr>
<tr>
<td>Ehlermann (EC)</td>
<td>(11)</td>
<td>9</td>
</tr>
<tr>
<td>Sacerdoti (EC)</td>
<td>(8)</td>
<td>6</td>
</tr>
<tr>
<td>(Serving: Dec. 2001 - …)</td>
<td>out of 12 total, including: GSP, Chicken</td>
<td></td>
</tr>
<tr>
<td>TOTAL CASES WITH OWN NATIONAL</td>
<td>19</td>
<td>15</td>
</tr>
</tbody>
</table>

B. **Domestic checks-and-balances over international delegation**

It goes without saying that, given the consent rule of international law, countries enter schemes of international delegation only on a voluntary basis. They must agree to entry and, in addition, can unilaterally decide to exit. Both of these stages in the life-cycle of international delegation offer crucial control mechanisms. Even where exit is extremely unlikely (such as, for example, withdrawal from the EU or the WTO), the mere option or possibility can provide an important safety-valve. For the first time ever the new (but unadopted) EC Constitution includes, for example, an explicit procedure on how to withdraw from the EU.\(^9\) Equally, the United States is obliged by law to re-examine its membership in the WTO every five years.

That said, in many domestic legal systems both the control mechanism of entry and that of exit have slowly eroded. Many countries feel compelled, for a variety of reasons, to enter international treaties and few national parliaments have genuine control over what

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their executive branch is agreeing to internationally. In addition, political and economic reality makes it hard for most countries to walk away from treaties. What can be done to beef up the domestic control over international delegation? First, at the front-end, nations could enhance their domestic control over entry into international delegation schemes. Second, at the back-end, nations might reduce the effect within their domestic legal systems of the rules and rulings passed through international delegation.

1. Front-end control: Enhancing the domestic control over entry

With international delegation entering the sphere of what used to be decided domestically through parliamentary debate (such as WTO rules affecting environmental and health policies), the need for domestic political control over entry into international delegation schemes has only increased. While it made sense to put the executive in charge of making peace treaties, even to negotiate tariff reduction agreements, in the 18th and 19th Century, many of today’s treaties go to the core of traditional, domestic regulation. As these modern treaties – such as the Kyoto Protocol, BITs, WTO agreements and, of course, the EU Constitution – affect the daily lives of everyone in the nation, their acceptance requires a broader societal debate.

We have witnessed this demand for stronger domestic controls over entry especially in the US and Europe. The US, when it comes to trade agreements, has traditionally avoided the constitutional requirement of a 2/3 assent in the Senate by means of so-called fast-track legislation (where the US Congress, by simply majority, can only vote up or down on a trade agreement). Yet, in the most recent 2002 fast-track legislation congressional control over the executive was tightened (through advisory committees, feed-back mechanisms and congressional guidelines and objectives).10 Equally, if the EU Constitution were to be adopted, for the first time ever, assent by the European Parliament would be required for many trade agreements.11 Until now, however, the EC

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10 Trade Promotion Authority Act, Public Law 107-210, 6 August 2002.
11 EU Constitution, Article III-315 on the common commercial policy, referring to the Article III-325 procedure for the adoption of international agreements.
can enter a WTO agreement without any official involvement by the European Parliament.

That said, however, in too many countries the adoption of the close to 27,000 pages of WTO treaty text was little scrutinized, often taking just a couple of hours of deliberation. Not only the US and the EC, but all countries engaged in international delegation must enhance the involvement of parliament and citizens in the debate and evaluation over entry and continuing membership in international regimes, especially those that reach deeply into domestic politics.

2. **Back-end control: Enhancing the domestic control over effect**

Another means to ensure domestic control over international delegation is to limit the back-end effect of such delegation in a country’s domestic legal system. At their origin both the US and the EC were very open to the reception of international law into their domestic legal systems, *inter alia*, to strengthen their fledgling status at the international level and to reinforce the power of the newly created federal level as against the constituent states.  

In recent decades, however, this open door has gradually been closed.

Over 90% of treaties concluded by the US (including all WTO agreements) are explicitly stated to be *not* self-executing. In addition, the status of customary international law as part of US law is seriously in doubt and, after the Supreme Court’s decision in *Sosa v. Alvarez-Machain*, the possibility to rely on breach of customary international law under the Alien Tort Statute has been severely limited. The European Court of Justice, in turn, has consistently refused to give direct effect to WTO agreements and rulings by WTO panels and the Appellate Body.  

Regarding UN Security Council Resolutions freezing the assets of suspected terrorists, the European Court of First Instance has not hesitated

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either to subject those Resolutions to scrutiny under fundamental rights of due process, property and proportionality.\textsuperscript{14}

In this debate over self-executing or direct effect, the balance of power between the executive and the judiciary is consistently referred to: if domestic courts were to enforce WTO rules, the argument goes, the hands of the executive to, for example, negotiate a settlement with the foreign country, would be tied. In addition, however, and perhaps as importantly, the growing firewall between international rules and rulings, on the one hand, and domestic legal systems, on the other, can also provide a welcome safety-valve or control mechanism over international delegation. It offers an exit option to countries which -- rightly or wrongly -- lost out at the international level. By not necessarily recognizing the effects of international delegation in their domestic legal systems, countries maintain a possible buffer of control.

The fact remains, however, that many weaker countries, especially those with a civil law background, do not have a similar buffer in place, and this even though they might need it the most (as they do not, for example, have a veto in the UN Security Council). In Mexico, for example, all WTO agreements are automatically incorporated into domestic Mexican law.\textsuperscript{15} As weaker players, these countries may perceive a need to make domestic reform credible through hand-tying at the international level. Moreover, like the US and the EC at their relatively weak points of origin, these players may also regard direct incorporation of international law as a means to enhance their international status and/or an instrument to aggrandize the power of the executive over other domestic players.

Yet, more domestic control over the effect of international rules and rulings could play an important role in controlling international delegation. Therefore, weaker countries as well ought to consider building a buffer zone between international and domestic law, at least

\textsuperscript{14} Kadi v. Council of the European Union, 21 September 2005, Case T-315/01.

\textsuperscript{15} See the Mexican position in the ongoing Mexico – Taxes on Soft Drinks dispute (complaint by the United States).
in those areas where international delegation is most advanced and effects core fields of domestic regulation.

There are examples, however, where international delegation leads to immediate effects within the domestic legal systems of even the most powerful countries. Investor-state arbitration awards under the World Bank’s ICSID Convention, for example, are directly enforceable in the domestic courts of ICSID parties, without any possibility for domestic courts to review the award.\(^\text{16}\) Illustrating once more the importance of taking a life-cycle approach to international delegation, this remarkable effect of ICSID awards is, however, balanced by the limited scope of remedies under ICSID. ICSID tribunals normally only award monetary damages. They do not call upon governments to change their laws or regulations. Even if a tribunal were, for example, to demand restitution (instead of simple compensation), the ICSID convention makes it clear that only the *pecuniary* aspect of an ICSID award is directly enforceable in domestic courts. A similar balance was struck in NAFTA Chapter 11 investor-state dispute settlement. Although Chapter 11 awards are, in principle, directly enforceable before domestic courts\(^\text{17}\), nothing in Chapter 11 can force a government to offer restitution or to change its laws or regulations.\(^\text{18}\) The NAFTA Chapter 11 remedy is, in this sense, purely compensatory and retrospective, and thereby the mirror-opposite of WTO remedies (which are purely prospective but whose awards are *not* normally directly enforceable before domestic courts and where private parties do *not* have standing).

Interestingly, a mechanism that may lack this type of balancing is NAFTA Chapter 19 where binational (NAFTA) panels review the conformity of US, Canadian and Mexican

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\(^\text{16}\) Article 54.1 of the ICSID Convention: “Each Contracting State shall recognize an award rendered pursuant to this Convention as binding and enforce the *pecuniary* obligations imposed by that award within its territories as if it were a final judgment of a court in that State”.

\(^\text{17}\) Note, however, that NAFTA Chapter 11 awards under ICSID additional facility rules or UNCITRAL rules (unlike those under the ICSID Convention itself) can be marginally reviewed by the domestic courts of the place of arbitration. See, for example, the review by a Canadian court of the NAFTA Chapter 11 award in *Metalclad v. Mexico*.

\(^\text{18}\) NAFTA Article 1134.1: “Where a Tribunal makes a final award against a Party, the Tribunal may award only: (a) monetary damages, and any applicable interest; or (b) restitution of property, in which case the award shall provide that the disputing Party may pay monetary damages, and any applicable interest, in lieu of restitution.”
dumping and subsidy determinations with the *domestic law of the country in question*. The awards of these NAFTA panels must be given direct effect in the domestic courts of the defending country (all the more so since these awards interpret domestic, not NAFTA, law). There is no possibility for domestic courts to even marginally review Chapter 19 awards, as marginal review is carried out by an international Extraordinary Challenge Procedure under NAFTA Article 1904.13. At the same time, however, the remedies awarded under NAFTA Chapter 19 have *included* injunctive relief, forcing national authorities not to find, for example, dumping or subsidization which, in turn, means that the anti-dumping or counterveiling duty must be withdrawn.

In other words, under NAFTA Chapter 19, we witness delegation to an international adjudicative body to decide on, and apply, the domestic laws of NAFTA parties *with* direct effect in domestic courts *and* remedies that can be both retrospective (compensation) and prospective (forcing a country to withdraw duties), but *without* any residual control by domestic courts. In response to successful challenges by Canada of US duties on softwood lumber, the US Coalition for Fair Lumber Imports has challenged NAFTA Chapter 19 as inconsistent with the Due Process and Appointments Clauses and Articles I, II and III of the US Constitution before the US Court of Appeals for the District of Columbia.  

In the end, although international delegation to Chapter 19 panels is somewhat lowered as they apply US law and not international law, at the same time, the domestic constitutional challenge of this delegation is heightened as these tribunals take up a role normally reserved to domestic courts.

C. A Cautionary Note on International Delegation to Private or Semi-Private Bodies

States increasingly delegate authority also to private bodies, including international NGOs, standard-setting organizations and multinational companies. For example, the

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UN’s Global Compact, a partnership between the UN and private companies, sets out principles for corporate conduct. Similarly, semi-private standardisation bodies such as the International Standardisation Organisation (ISO) or the International Accounting Standards Board enact standards which impact government policies, *inter alia*, through references to such standards in WTO Agreements. The same happens for inter-governmental standard setting organizations – run largely by scientific or technical experts – such as the WHO, the Codex Alimentarius Commission or the World Customs Organization. In addition, NGOs play an adjudicative role in, for example, the implementation of the Kimberley Scheme on conflict diamonds.\(^{20}\) Similarly, Social Accountability International, a private NGO, monitors compliance with the 8 core ILO labour codes under the 2002 Belgian Law to Promote Socially Responsible Production.\(^{21}\) As pointed out earlier, under NAFTA Chapter 11 and most BITs countries have delegated standing to private investors enabling them to sue foreign governments in investment disputes.

Although such delegation to private or semi-private entities may bolster the credibility and/or effectiveness of the international regime in question, as well as lighten the financial and human resource burden on states, it raises the question of how states and the public at large can keep control over such delegation.

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\(^{20}\) The Kimberley Scheme Working Group on Monitoring consists of eight countries and the European Community as well as two NGOs (the Global Witness and Partnership Africa Canada) and one industry organization (the World Diamond Council). The Working Group makes its recommendation to the Chair of the Kimberley scheme who, in the end, is left with the final decision regarding whether or not to expel a participant from the scheme. On 9 July 2004, the Republic of Congo (Congo-Brazzaville) was removed from the scheme following the Working Group procedures (including a site visit by an expert team). See [http://www.kimberleyprocess.com:8080/site/](http://www.kimberleyprocess.com:8080/site/).

\(^{21}\) Under the Belgian law, SAI is the organization that selects and accredits audit firms abroad which are entitled to certify compliance with SAI’s own SA8000 human workforce standard which, in turn, is regarded as equivalent to the criteria set out in the Belgian law.
**Conclusion**

This contribution does not advocate one or the other particular form of control over international delegation. Rather, its central point is that international delegation must be assessed over its entire life-cycle, from negotiation and enactment at the international level to approval and enforcement at home. A reduction of control at one level may, therefore, be neutralized by more control at another. The voluntary nature of international law can cater for this case-specific, flexible approach. Countries, in turn, must be aware of it and carefully calibrate international delegation so that it can both achieve its goals and remain accountable to the people that it affects.

*Table 2: An Overview of the Life-Cycle of International Delegation*

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