Robert H. Wade, "Protecting Power: Western States in Global Organizations," For *Global Governance in Crisis: New Powers and the Restructuring of World Order*, David Held and Charles Roger (eds.), Cambridge: Polity Press, 2013.

> Senior UN official: "Should international organizations all speak with a single voice about how to handle the global financial crisis?"
> European ambassador: "I think yes" (personal communication, 2012)

The world economy has entered a new, fast-evolving and multipolar phase, it is commonly said (Zoellick 2010). The middle-income countries (including India as well as China) grew at 6 per cent a year or more between 2005 and 2010, while the high income countries grew at 2 per cent or less. A growth gap of this size in favour of developing countries is unprecedented. Also, China, South Korea and India gained nine percentage points in their combined share of world (gross) exports between 1999 and 2009, while the share of the top five exporting countries in 1999 – the long-established industrial countries: United States (US), Germany, Japan, France and Britain – fell by nine percentage points, from 43 per cent of the exports reported by 40 large countries to 34 per cent.

Developing countries have been translating their increased economic weight into more influence in global governance organizations, it is also commonly said. For example, the Group of 7 (G7) finance ministers' forum was expanded in 1999 to the Group of 20 (G20), including 11 developing countries; and in 2008 the G20 finance group was elevated to the G20 leaders or heads of government group. Global coordination bodies like the Financial Stability Forum (FSF) were expanded to include all G20 states and given a stronger mandate, signalled in the case of the FSF by a name change to Financial Stability Board. G20 nationals have taken a rising share of senior positions in global organizations like the International Monetary Fund (IMF) and World Bank. Protracted "voice" negotiations in 2008–10 resulted in substantial shifts in voting shares in the World Bank towards developing and transitional countries, or so it is said. In short, it is not hard to find evidence that rising economic multipolarity is being translated into rising multilateralism.

From the US perspective, "the rise of the South" is a distinctly mixed blessing. It is much to be applauded as long as southern states fit within the frame of US foreign policy since the end of the Second World War, which has consistently sought a system of democratic capitalist states with Washington at its head, superseding the Westphalian notion of state sovereignty. This foreign policy sees it as American's job to change the world, and in its own image (Rice 2008).

But when leading "emerging market states" reject incorporation into the US-led western order, alarm bells ring. Here, thanks to Wikileaks, is the senior US official for the G20 process, in January 2010: "It is remarkable how closely coordinated the BASIC [Brazil, South Africa, India, China] group of countries have become in international fora, taking turns to impede US/European Union (EU) initiatives and playing the US and EU off against each other". Moreover, polls suggest that the American public has become seized with fear about America losing its pre-eminent status in the emerging world order. In 2011, only 36 per cent of respondents said economic globalization was a positive development, down from 60 per cent in 2001.

In this chapter, I argue that the common narrative about China and some other developing countries rising to challenge the US and other major western states is an exaggeration, at both ends. In terms of economic weight, developing countries remain lightweights, China apart. The United States remains by far the biggest economy, having lost little of its preponderant share of world GDP over the past three decades. With 4.5 per cent of world population (third biggest in population), it accounts for almost 23 per cent of world GDP at market exchange rates and over 19 per cent in purchasing power parity (PPP) exchange rates (Reisen and Turkisch 2012). Note that GDP share of world GDP at market exchange rates is the preferred measure of a country's relative "economic weight" in the world economy, rather than GDP in PPP terms, which is preferred for measuring relative welfare.[1] US economic weight is further magnified by its dominance of international capital markets, reflecting the fact that its national currency doubles as the international reserve currency.

China, with 19.4 per cent of world population and the second biggest economy, lags far behind the US in economic size. Its GDP at market exchange rates is 9.4 per cent of world GDP, or 40 per cent of the size of US GDP (13.5 per cent of world GDP in PPP terms). India, with 17.8 per cent of world population, is another long way behind China, at 2.7 of world GDP in market exchange rates (5.5 per cent in PPP exchange rates). Brazil, Russia and Indonesia are each 3 per cent or less of world GDP on both measures. By contrast, Japan is over 5 per cent on both measures, and Germany is over 5 per cent on the market exchange rate measure.

In terms of political influence in international organizations, the US and other western states continue to set the global economic and financial governance agenda for the most part, while the big developing countries have exercised negligible leadership so far. One body of evidence comes from a recent study of more than 50 transnational institutional innovations over the past one and a half decades, which found a pronounced North–South governance gap. The innovations include public, private and hybrid entities: transgovernmental networks (e.g., in finance and accounting), arbitration bodies (e.g., the World Bank's Inspection Panel), multistakeholder bodies (e.g., Global Polio Foundation), and voluntary regulation (e.g., Marine Stewardship Council). Hale and Held summarize the conclusions:

> [M]any of the programs rely on Southern participation and serve the interests of Southern stakeholders, [but] almost none of the innovations in transnational governance gathered here can be described as a Southern-led initiative. Instead, Northern actors have driven institutional innovation: states, NGOs, corporations, and international organizations. While some of the innovative institutions (e.g., the World Commission on Dams …) have been careful to try to ensure Southern participation, and many of the programs target policies in the global South, Southern leadership remains limited. (Hale and Held 2011, p. 25).

Extending the Hale and Held argument, this essay describes four case studies at the "village level" of global politics, to show how western states have managed to retain global leadership even after the onset of the Great Slump in 2008, and even as southern criticism of their rule rises. The first case shows how, in 2009, western states led by the United Kingdom (UK) and the US marginalized the United Nations (UN) General Assembly from a role in debating the global financial crisis and its impacts, so as to leave the subject to inter-state organizations controlled by the West.

The second shows how, in 2012, the remarkably well-coordinated bloc of western states almost succeeded in stopping the United Nations Conference on Trade and Development (UNCTAD) from further analysing the global financial crisis and Great Slump, for the same reason.

The third case shows how western states managed, over 2008–10, to craft a "voice reform" in the World Bank that appeared to give developing countries a significant increase in their share of votes but in reality failed to do so.

The fourth shows how, in 2012, the US retained the presidency of the World Bank, despite years of member state chorusing that the heads of international organizations like the Bank and the International Monetary Fund should be open to all nationalities, and despite the candidacy of two very well-qualified people from developing countries.[2]

The case studies suggest several reasons why western states have been impressively successful in their efforts to keep control of the commanding heights, so far; some are related to the sources of western cooperation, others to the sources of developing country disunity.

The larger conclusion is that the emerging world order can be described as a combination of "hegemonic incorporation", as in the past, and a new "multipolarity without multilateralism". The result is often stalemate; a long way from enhanced inter-state cooperation around increasingly urgent global problems.[3] It is almost as though, at the global level, we have returned to the situation in the US before the 1870s, when private logging companies in California chopped down giant sequoia trees without limit. It took John Muir and a public campaign to persuade federal political authorities to use state power to protect the trees and limit private profit-seeking in the public interest. What global coalition might now be powerful enough to act similarly for the global commons that sustain human civilization and the rest of the planetary ecology; in particular, to change institutional rules so as to enable this to happen? The chapter provides no answer; but it does at least suggest that the standard narrative about an emerging new global political order shaped by "the rise of the South" is misleading, and it suggests that the primary responsibility for mobilizing cooperation around those global commons problems remains with the western states, which continue to hold the commanding heights.

The West Marginalizes the UN in the Financial Crisis

Among those who care about the fate of the United Nations, it is widely regretted that the UN stood on the sidelines at the start of the global financial crisis, and let the G20, IMF and the World Bank take the lead in mounting an international response. Jean-Pierre Bugada, chief of communication for France and Monaco at the UN Regional Information Centre, said the UN "missed the boat with the financial crisis" (Robert 2012).

The accusation is only partly true. More accurately, western states, led by the UK and the US, went all out to ensure that the UN did not become a forum for discussion on the crisis, and the UN Secretary-General supported them. The result was something close to multilateral stalemate, as the West wanted.

Soon after the crash in late 2008 Miguel d'Escoto Brockman, a (suspended) Nicaraguan priest and former foreign minister, who was president of the 63rd session of the UN General Assembly, initiated a UN-sponsored study of immediate and longer-term measures to mitigate the impact of the crisis, and of the necessary reforms to the international financial architecture. The report would be discussed at a specially convened summit of world leaders.

This was an unusual, probably unprecedented, move; eminent person groups are formed by the Secretariat, and normally by the Secretary-General himself. Brockman's initiative flowed from his larger agenda of revitalizing the General Assembly where developing countries have a natural majority, an agenda he announced at the start of his presidency and which he pursued until the end of his one-year term. When asked at a press conference whether he thought the G7, G8 or G20 would do most to help address the crisis, he responded, "I prefer the G192". So in forming the expert group on the financial crisis, his larger aim was to increase the power of the General Assembly by establishing the precedent of expert commissions, based on the model of the Intergovernmental Panel on Climate Change.

Western states, led by the UK and the US (most responsible for the crash), strongly opposed the UN initiative. They wanted the G20 and the IMF, where they have much more influence, to take charge of crafting a global response. The UN should have, at most, an observer role, and the Secretary-General's office agreed. Indeed, UN Secretary-General Ban Ki-Moon's responsiveness to western wishes had been one of his strongest recruitment assets, after the less-than-compliant Kofi Annan.

Nevertheless, Brockman managed to recruit a high-powered commission chaired by the Nobel Prize-winning economist Joseph Stiglitz. Its full name was the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System, commonly known as the Stiglitz Commission. The commission then set about writing a report.

Brockman understood that the project had to be kept at arm's length from both the Secretary-General's office and the UN's Department of Economic and Social Affairs (DESA). They would say that the report had to be "balanced" between neoliberal orthodoxy and the more heterodox views of the commission's members; they would try to remove sensitive topics, such as financial system regulation and reform; and they would try to prevent the commission's report from giving General Assembly members clear principles and prescriptions for debate.

But even Brockman did not anticipate how aggressively the Secretary-General's office – spurred on by US advisors – would try to obstruct the work of the commission. Without funding from the UN general budget, the president's own discretionary budget was not enough for even one meeting of the commission (air fares, hotels and expenses). Raising the money was a constant headache. Most of it came directly from member states, whose names have not been made public.

The US ambassador to the UN, Susan Rice, made clear that the US government thought the G20, not the General Assembly, should be the central forum for debate, and insisted that the UN process should not interfere. Behind the scenes, the US government also wished to boost the global leadership role of Prime Minister Gordon Brown before the April 2009 G20 summit in London.

The UK did most to restrict the commission's work. The UK ambassador to the UN, Sir John Sawers, agitated against the project with other ambassadors, and orchestrated telephone calls from the British diplomatic service to nearly all members of the commission telling them they should quit to avoid personal and professional embarrassment. None quit; some were amused.

The report was duly presented, and a major UN conference was held in June 2009 to discuss it, including a small number of heads of government. On the eve of the summit, US President Obama and his advisors debated whether the US should agree to the document drafted as the conference output. Treasury Secretary Geithner said the US should not agree. Ambassador Rice was tactically ambivalent, saying that the US should not kill the first major UN conference on the new administration's rule. So they reached a compromise. At the conference the US voted to approve the document; but then the number two in the US delegation, John Sammis, read out a statement of "clarification" that listed several substantive US disagreements. He concluded by saying that the UN was the wrong venue for discussion of most of the issues:

> Finally, paragraph 54 refers to the creation of a working group to follow-up issues contained in the outcome. In order to be useful and productive, the

> working group process must be based on the strengths of the United Nations, which lie in its broad development mandate and large field presence. *Our strong view is that the United Nations does not have the expertise or the mandate to serve as a suitable forum or provide direction* for meaningful dialogue on a number of issues addressed in the document, such as reserve systems, international financial institutions, and the international financial architecture. (Sammis 2009, emphasis added)[4]

The UK and US worked hard to ensure that mainstream press coverage would be dismissive of the UN "farce", "circus", "embarrassment" – the terms Sawers used in his campaign to discredit the effort, which were repeated across the media as the reporters' own observations. The attacks were mostly *ad hominem*, seldom referring to the substance of the issues raised or to the quality of the commission report.

The western states, coordinated by the UK and the US, fought to ensure the UN could not do follow-up work, and rejected a proposal that the commission report back to the General Assembly the following year. The one agreed follow-up was a vaguely worded commitment to establish an "open-ended working group". The commission's organizers got a promise from the incoming president of the General Assembly, Dr Ali Abdussalam Treki, that he would continue to support the project; but as soon as he took office he dropped the idea, and his successors did not pick it up.

The whole project for the UN General Assembly to take a lead in the international debate about the global financial crisis stalled. As the West wanted, the G20 did the foreplay and the IMF reassumed the role of sole legitimate forum for hard discussions and negotiations.

UK Ambassador Sawers left the UN at the end of the 63rd Session to head up the British Secret Service, MI6. Treki was from Libya, and it became clear that his reason for not keeping his promise to support the follow-up came from making a personal case to US and UK intelligence to be spared the fate of the rest of the Gaddafi government. A small number of developing countries, and an EU delegation unwilling to take overt responsibility for killing the conference follow-up, kept the General Assembly process on life support. Debate continued in the Economic and Social Council (ECOSOC), to which some topics had been referred for it to bring recommendations to the General Assembly. Some non-UN organizations also helped; for example, the Friedrich Ebert Stiftung (a German social democratic foundation) sponsored a series of expert dialogues on relevant subjects. A few intrepid developing countries also slowly rebuilt the case for a modest General Assembly role in examining specific issues (such as commodity price volatility and enhanced mechanisms for sovereign debt resolution).

Since there is a strong rule requiring formal follow-up to any major UN conference, the project could not be abandoned entirely. But there was another fight over the reporting back to the General Assembly. The US and the UK wanted to make sure it was a one-off event, organized to guarantee that its conclusions would support western arguments.

The General Assembly's European co-facilitator from San Marino, who was appointed by the uninterested 2012 President to consult with member states on the issue, concocted a scheme with the Secretary-General's office to conduct a one-off two-day "High Level Thematic Debate on the State of the World Economy" that would showcase the heads of the western-dominated IMF, World Bank, World Trade Organization and the OECD, along with other mainstream eminences. The co-facilitators would then issue a report, and the whole project would thankfully be over.

It did not quite turn out that way. The high-level thematic debate was held in May 2012, almost three years after the initial conference in June 2009. It was, by design, a low-profile event that attracted scant media coverage. The co-sponsors (Ban Ki-Moon and the current president of the General Assembly) failed to attract the head of a single major non-UN organization. With few exceptions, the participating heads of state and government were from small developing countries. Some, like the president of Albania, even had the "bad taste" to commend by name the president of the 63rd session, who made it all possible. But however downgraded, the conference did affirm that its conclusions should provide inputs for further UN follow-up to the report, ensuring that the high-level thematic debate was not quite the end of the affair.

The events related here constitute a conflict over the institutional rules established by the founding fathers of the Bretton Woods organizations (including the Bank and the Fund) in 1945. The founders ensured that the relationship agreements between the UN and the Bretton Woods organizations differed in one important respect from the relationship agreements between the UN and other UN agencies (like the Food and Agriculture Organization and UNESCO). Whereas the General Assembly may "make recommendations" to the others, it may not make recommendations to the Bretton Woods organizations – because the founders knew that the Bretton Woods organizations would be far more important to western states than the others.

The West almost Succeeds in Marginalizing UNCTAD in 2012

When the UN Conference on Trade and Development (UNCTAD) was established in 1964 in Geneva as a kind of think tank for developing countries, developing countries argued that it must have a mandate for financial issues because of the close link between finance and trade. Western states said, effectively, "over our dead bodies; finance is for us and our organizations". The deadlock was broken at the last minute when Ted Heath, then President of the British Board of Trade (later Prime Minister), came to Geneva for the final round of negotiations and met up with one of the leaders of the developing country side, an Algerian who had been his Oxford college mate years before. They went into a small private room and emerged with a suitable compromise: that UNCTAD could appropriately concern itself with the "invisible account" in the balance of payments as it related to trade; the invisible account included finance. The western side reluctantly agreed.

Over the 2000s, through its annual *Trade and Development Reports*, and other publications, UNCTAD produced sustained empirical analyses of global macroeconomic issues and often offered "second opinions" to those of the IMF and the World Bank and the leading western states. Before, and more forcefully than, the IMF, its publications warned of the dangers of the prevailing "Great Moderation" narrative. They emphasized rising financial fragility due to the interaction between private debt and current account deficits in several major western economies, and the absence of incentives on countries running external surpluses to reduce them (Wade 2009a, 2009b, 2011a, 2011b). The *Trade and Development Reports* have not hesitated to identify destabilizing government policies, including those of western governments.

For most of its history, western states and western-dominated international organizations have ignored UNCTAD or treated it with the annoyance one might direct towards a fly. They have less leverage over it than over most international organizations, because its budget comes mostly out of the overall UN budget. This means that western states are less able to use conditional financial payments to make

UNCTAD say and do what they want, as they can with UNDP and the Bretton Woods organizations, among others.

However, UNCTAD's governance requires that ministers from its member countries approve a mandate and work programme for the following four years. In the run-up to the 13th ministerial quadrennial conference in Doha in April 2012, western states made a concerted effort to stop UNCTAD from working on global macroeconomic and financial issues. As a senior US delegate declared in one of the last negotiating sessions in Doha, "We don't want UNCTAD providing intellectual competition with the IMF and the World Bank". Another western delegate said that while UNCTAD had been ahead of the curve on important issues in the past, the IMF had now "caught up" with UNCTAD, so further UNCTAD work on global macroeconomics and financial crisis was no longer needed.

The western states together constituted Group B, divided into the European Union (EU) group and the JZ group, where JZ refers to the non-EU OECD countries, including Japan, US, Canada, Australia, Norway, New Zealand, Switzerland and a few others (the group is known by the acronym-based word pronounced like "juice-cans"). For the UNCTAD negotiations, the JZ group led the western states, and within it the US delegation led from behind while the Swiss delegation led from in front (the Swiss being the group's official coordinator). The EU team agreed with JZ on most issues.

The developing countries, on the other hand, were grouped into what is called the G77 + China (G77/C). As the negotiations over the mandate went on in Geneva from January 2012 onwards, the G77/C, led by their coordinator (Thailand), played an accommodative and moderate game so as not to appear to be the difficult party. The Thai delegation was supported by other "moderates", including Indonesia, Ethiopia, Tunisia, Morocco and others. Their critics described them, disparagingly, as “the G77 friends of JZ”. But few developing countries devoted time to the negotiations in the run-up to Doha. As the negotiations went on and the western states dug in their heels, a hard core of G77 countries emerged which resisted most of the concessions being made by the Thai coordinator. They were described by some of the moderates as “the hard-liners”, and included Bolivia, Peru, Egypt, Algeria, Iran (the Asian Group Coordinator) and Zimbabwe (the African Group Coordinator). They helped to block the accommodating Thai negotiator from making many more concessions to Group B.

China was quietly influential behind the scenes; it leaned towards the “hard-liners” more than towards the “moderates”, but was more concerned than others to maintain consensus within the G77/C. People paid careful attention to what its delegation said, even when they had to read between lines. Brazil and South Africa were little involved until the BRICS (Brazil, Russia, India, China, South Africa) summit in March 2012, when senior officials and politicians finally resolved to pay attention to the way the West was marginalizing UNCTAD.

The procedure was that the President of the Negotiating Committee (the ambassador from Lesotho) tabled a negotiating text, based on the different groups’ position papers and on drafts provided by the UNCTAD secretariat. Delegates from the two western groups treated it in the manner of gleeful children poking sticks into the spokes of a moving bicycle. No phrase, word or comma escaped their attention. As they submitted deletions and revisions, and the G77 made counter-submissions, the draft ballooned by the day. Eventually it was jettisoned only three weeks before the Doha conference and replaced with a President’s “distilled text”. This, as amended over the subsequent days, formed the basis of the document discussed in Doha.

The G20 is an important reason why the G77/C showed itself to be so unsure of what it wanted. Since the G20 was upgraded to the heads of government level in late 2008, the big developing countries in the G20 tended to give priority to their G20 membership, and were less inclined to engage in forging a common G77 position. Thus, only a few of the major developing countries sent their trade ministers to the UNCTAD meeting – for the ostensible reason that the G20 had at the last minute called a meeting of trade ministers in Mexico on a date which, by unfortunate accident, clashed with the long-scheduled UNCTAD ministerial in Doha.

However, a few weeks before the Doha ministerial, an open letter by a group of 65 former staff of the UNCTAD secretariat plus some civil society organizations brought the issue out of the closed negotiation chamber and into the public domain – alerting countries in the G77/C to what was happening and in the process strengthening the hand of the so-called "hard-liners" who were worried about the increasingly absurd tone of negotiations. By the time of the ministerial conference in Doha, some major developing countries were prepared to fight back under the G77/C banner, though Indonesia, which took over from Thailand as the group coordinator, was as anxious to be moderate as Thailand had been.

The negotiations in Doha fractured repeatedly on North–South lines, and until the last moment it looked as though, for the first time since UNCTAD VI in 1983 (the sixth quadrennial ministerial conference), there would be no consensus on UNCTAD XIII's mandate. Just a few days before the start of the Doha negotiations, the Summit of the Americas ended for the first time ever without a consensus declaration because of unbridgeable North–South differences. Doha looked set to repeat the outcome.

One of the key issues was a paragraph in the draft text giving UNCTAD a role to "contribute to the work of the United Nations in addressing the root causes and the impacts of the global economic and financial crisis". The West objected to UNCTAD working on "root causes" (which might point to the West); it wanted UNCTAD's remit to be limited to "impacts on developing countries". The final agreed text came up with the compromise, that UNCTAD should "continue … research and analysis on the prospects of, and impact on, developing countries in matters of trade and development, in light of the global economic and financial crisis". The western groups hoped that by stipulating "developing countries" they would be able to keep UNCTAD silent about their role in the crisis.

Another North–South fracture came over the phrases "enabling state" and "effective state". UNCTAD's mandate from the ministerial conference of four years before, in Accra, had ratified the idea of the "enabling state", as in the prescription for UNCTAD to help:

> developing countries … pursue development strategies that are compatible with their specific conditions within the framework of an enabling state, which is a state that deploys its administrative and political resources for the task of economic development, efficiently focusing human and financial resources. Such a state should also provide for the positive interaction between the public and private sectors. [NB: these words are coded scepticism about the universal validity of the Washington Consensus.]

The West tried to replace this in the new mandate with the sentence that UNCTAD should promote: "an effective state, working with private, non-profit and other stakeholders" to "help forge a coherent development strategy and provide the right enabling environment for productive economic activity". The final text was a compromise. It mentions neither "effective state" nor "enabling state". It talks only of an "enabling environment", and the western groups considered this another victory.

The western states also objected to any inclusion in the Doha Mandate of several issues that UNCTAD had sanction to work on in the previous Accra Mandate of 2008: issues such as “policy space”, “macroeconomic and development policy”, “systemic coherence” and “regional financial and monetary coherence”. In effect, the West said, “We do not want UNCTAD to discuss any of these issues, because UNCTAD is not competent to do so. They are for the G20 and IMF.”

So one of the sticking points in Doha became the extent to which the existing work programme (Accra Mandate) would be continued, if not intensified, through the new Doha Mandate. The western groups said that the Doha Mandate should “build on” the Accra Mandate. The G77/C said that “build on” could be taken to imply that the Accra Mandate itself could be superseded – and those controversial subjects dropped. Instead, the G77/C wanted the text to say, “reaffirm and build on” Accra.

In the final hours of the negotiations, the Swiss ambassador, leading the negotiations for Group B, said he would accept “reaffirm and build on” if the G77/C substantially watered down the wording in paragraphs on the US embargo of Cuba and the Israel/Palestine issue. He did not expect the G77/C to agree. But, five minutes later, in walked the Cuban delegate to say that he and the American delegate had agreed to language on the Cuban paragraph; and shortly after, in walked the Palestinian delegate to say he and the Israeli representative had just agreed language on the Israel/Palestine paragraph. So the Swiss ambassador felt he had to allow “reaffirm and build on” Accra.

By this time, China, Brazil and South Africa were in the driving seat on the G77 side and made the deals with JZ and EU. At 5a.m. on the final morning – with a press conference scheduled for 10a.m. – a mandate and work programme for the next four years were finally agreed by consensus. The outcome represents *a draw* between

North and South; but at least it gave the secretariat enough wiggle room to continue to work on global macroeconomic issues and to present “second opinions” to those of the IMF and World Bank, if the secretariat wished to do so.

However, the mandate and work programme are actually of secondary importance, for all the protracted agony of the negotiations. The main issue is personnel. Who will be appointed as director of the key Division of Globalization and Development Strategies, under whose protection the *Trade and Development Report* is prepared, when the present incumbent retires at the end of 2012? Who will be appointed as secretary-general when the present incumbent (from Asia) finishes his term in 2013; and who will be the new deputy-secretary-general (currently from an EU member state). By the traditional rule of regional rotation, the search is already on for a new secretary-general from Africa.

If the western states succeed in getting the “right” people into these key positions, not even the Doha compromise mandate will give the organization much protection from being railroaded into safe issues sanctioned by the West, like FDI-friendly investment climate, strong intellectual property protection, good governance, youth, and gender; and away from articulating heterodox arguments on global macroeconomics and national development strategies not to the liking of the western states. In the months following the Doha conference (to late 2012, the time of writing) UNCTAD lost momentum as the G77 became re-lethargized; the EU and JZ groupings again gave it the cold shoulder; and the Secretary-General, his termination in sight, disengaged. This is a victory of sorts for the West.

Western States Retain a Large Majority of Votes in the World Bank, While Appearing Not To

In a speech in April 2010, World Bank president Robert Zoellick (2010) argued that the advent of "a new, fast-evolving multipolar world economy" required fundamental reforms of the World Bank itself, including in the balance of power between developed countries and emerging countries. Soon after, the World Bank presented a set of ostensibly far-reaching proposals on "voice reform", to be endorsed by its Board of Governors, the culmination of negotiations begun years before. Voice reform had several components, of which the central and most contentious one was voting reform to give developing and transition countries (DTCs) more voting power in the Bank's governing body (Vestergaard and Wade 2013).

The Governors approved the proposals at the 2010 Spring Meetings of the World Bank and International Monetary Fund (IMF), and the Bank launched them under the banner, "New World, New World Bank":

> A modernized [World Bank Group] must represent the international economic realities of the early 21st Century … [W]e are significantly increasing developing and transition country voice across the Group … This realignment strengthens our ability to continue to support the smallest poor members, and demonstrates that a greater say for emerging and developing countries brings with it greater responsibility for the financial soundness of the Bank Group. (World Bank 2010)

The truth, however, is that the new distribution of voting rights brings the distribution of votes only slightly more into line with the distribution of economic weight than in the past; and is much less of a change than the Bank claims to be the case.

The voice reform was guided by several ostensible objectives. One was "parity" between developing and transitional countries (DTCs) and developed countries. A second was alignment of countries' voting shares with their relative economic weight.

A third was to protect low-income countries from loss of shares. The actual outcome was as follows.

First, the voice reform increased the share of DTCs from 42.60 to 47.19 per cent and reduced the share of developed countries from 57.40 to 52.81 per cent. So at first glance, the voice reform brought the World Bank closer to voting power parity (50 per cent) between developed and non-developed countries, in line with one of its stated objectives. In fact, the shift was much more modest, because the DTC category includes several high-income countries which should not be in the developing country category and do not borrow from the Bank. Including only low-income and middle-income countries – the Bank's borrower members – the voting share of developing countries increased from 34.67 to only 38.38 per cent while the developed (high-income) countries retained more than 60 per cent.

Second, relative to the objective of realigning country voting power with country economic weight, the realignment fell well short. So small were the changes in voting power for the vast majority of countries that one exasperated observer described the negotiations as "a search for compromises at the third decimal point". The upshot is that ratios of "share of votes to share of world GDP" continue to vary widely from country to country, from 0.5 (China) to 4 (Saudi Arabia), despite the often-declared principle that voting power should "largely reflect economic weight" (so that each country's ratio should be fairly close to 1). A number of small European countries and a few large DTCs continue to have disproportionately large amounts of voting power, while several dynamic emerging market economies, including China, continue to be significantly under-represented. The eight-fold difference in the extent to which GDP translates into voting power weakens the legitimacy of the World Bank's governance.

Third, despite repeated assurances to the contrary, low-income countries as a group (as distinct from middle-income countries) gained hardly any voting power. This reflects a long-term pattern of marginalizing the interests of the low-income countries in the voice reform.

Fourth, the voice reform made no headway in reaching agreement on criteria for reallocating votes in the future (except that shareholding reviews be conducted every five years). For example, it is unclear whether the next shareholding review in 2015 will take "voting power parity" between developed countries as a group and DTCs as a group as the central objective, and whether and how a country's financial contributions to IDA (the soft-loan arm of the World Bank) should be recognized in its share of IBRD votes (IBRD being the main lending arm).

Fifth, the voting shares announced in the voice reform of 2010 are "rights" to subscribe to a given number of shares. But a government may not exercise its right to subscribe, especially because shares must be matched by capital contributions. Governments have until 2015/16 to finalize their subscriptions. So until that time the actual distribution of votes will change as governments decide how much of their entitlement to subscribe to. So far (2012), most low-income countries have not subscribed to their full entitlement and many have not subscribed to an increase at all; their share of votes has, therefore, actually fallen.

Moreover, a number of high-income countries have chosen to reverse their 2010 *promise* to exercise "voluntary forbearance" (not to subscribe to the full amount of the shares they are entitled to so as to leave more for others). By going back on their promise and subscribing to unallocated shares, Japan, Germany, United Kingdom, France and Canada have increased their share of total votes by a combined total of 4.1

percentage points after 2010. These countries were among the main losers of the voice reform, but as of 2012 they have, in fact, more voting power than prior to the reforms.

The upshot is that just two years after completion of the voice reforms, the modest voting power increases achieved for developing countries have vanished. High-income countries now have 64.87 per cent of votes, compared to 65.33 before 2008. Low-income countries now have 3.31 per cent votes, as compared to 3.45 per cent in 2008; and middle-income countries now have 31.81 per cent, as compared to 31.22 in 2008. The total shift of voting power from high-income countries to low- and middle-income countries is no longer 3.71 percentage points, but 0.46 percentage points. By 2015, of course, more low-income countries may take up their entitlement (if their governments agree to pay more money), so they might end up not experiencing a net loss of voting shares. But there is no reason to think that the rich countries that backtracked on "voluntary forbearance" will suddenly again become virtuous.

The US Keeps Control of the World Bank Presidency

In April 2012 the World Bank elected Dr Jim Yong Kim, a US citizen, as the next president to replace departing president Robert Zoellick. His appointment fits a long established pattern: the Bank's governing body always elects whoever the US government nominates. Similarly, the IMF always elects as Managing Director whoever the Europeans nominate. The US and the Europeans support each other.

What makes Kim's appointment remarkable is that it flies in the face of a crescendo of support for opening up the top positions of the Bank and the Fund to international recruitment. The G20 finance ministers and heads of government have several times reaffirmed their commitment to transparent, merit-based recruitment for the top positions. And in 2012, for the first time, well-qualified candidates from developing countries presented themselves, while Kim's qualifications were questionable. How did the US again prevail?

The Bank's president is elected by a vote on its board of executive directors, which is the day-to-day governing body of the Bank, with 25 seats. The bigger financial contributor states have their own seats, representing only themselves; the other seats represent constituencies of countries. The executive directors are civil servants from their respective countries. Each casts a vote weighted by the sum of the voting shares of the countries they represent. When Zoellick announced his resignation, in February 2012, the executive board immediately "reaffirmed the importance of a merit-based and transparent process with all executive directors able to nominate and then consider all candidates". The G24 secretariat in Washington, a small organization which concerts views among developing country members of the Bank and the Fund, had been preparing for the opening, had approached a number of developing country candidates and discussed the organization of a campaign. In the end two developing country candidates came forward. One was Ngozi Okonjo-Iweala, a Nigerian generally known as Ngozi, the current finance minister and a former Managing Director at the World Bank. The other was Colombia's José Antonio Ocampo, a former finance minister, former deputy secretary-general of the UN, and current professor of development practice at Columbia University, New York.

After dragging its feet, the Obama administration nominated the relatively unknown Jim Yong Kim, president of Dartmouth College. He was a medical doctor, former director of the World Health Organization's HIV/AIDs department, and former chair of the department of Global Health and Social Medicine at Harvard Medical School. His special field was mitigating the health consequences of poverty in the poorest parts of the world. It is not clear why the Obama administration nominated him rather than another qualified candidate. But he is said to be a friend of US Secretary of State Hillary Clinton (and her husband Bill, former US President and now head of the Clinton Foundation, whose interests mirror Kim's); and also of Treasury Secretary Timothy Geithner (former Dartmouth student, and influential in Dartmouth's governing body). Clinton and Geithner between them had the main voice in selecting the US candidate. Clinton had earlier sought White House permission to announce Kim's co-author and close colleague at the Harvard Medical School, Paul Farmer, as the candidate to head USAID; unsuccessfully.

Kim's nomination reflected a consensus in US political circles, including the Democratic Party, that the development challenge is to mitigate extreme poverty and particularly its health consequences, and that the World Bank should work less as a bank and more as an aid agency working alongside charities like the Gates Foundation and the Clinton Foundation. This same notion of the development challenge was reflected in the recent appointment of a young physician as Administrator of USAID, whose main work experience had been with the Gates Foundation and who champions the social sectors and opposes USAID working in sectors like infrastructure, which should be left to private companies.

In contrast, both Ngozi and Ocampo had long experience in development as a large-scale national transformation project, including governance, economic management, education, health, infrastructure and environmental management (Briscoe 2012). They had been responsible for setting economic and financial policy in their countries, conducted inter-governmental negotiations and managed large organizations. Dr Kim had not.

One of the strongest critiques of Kim came from a former World Bank economist and current professor of development practice at Harvard's Kennedy School, Lant Pritchett. Drawing the distinction between national development and humane development (mitigation of famines, pandemics, violence, in very poor parts of the world where national development has failed), Pritchett said that "[Kim's] appointment appears to be an intrusion of the world of humane development into one of the core institutions of national development. By contrast, the nominee backed by many African countries, Ngozi Okonjo-Iweala, has been finance minister of Nigeria and a Managing Director of the World Bank ... [S]he is from the world of national development, rather than the world of humane development. What has shocked the development world is that President Obama did not seem to know the difference" (Pritchett 2012).

The candidates travelled the world seeking support. Kim had ample resources and strong backing from the White House and Treasury, and secured key nominations before those governments had even met the other candidates (notably from the Japanese government, which has the second biggest share of votes on the board). But apart from signing a few newspaper articles on his vision for the World Bank (which had all the hallmarks of having been written by the US Treasury), Kim kept out of sight and took no part in debates arranged with the others. Evidently he was worried that his lack of experience in finance and national development would be exposed.

All three were interviewed by World Bank governors in Europe (ministers of European governments). At the main gathering, Ngozi and Ocampo received standing ovations. Kim did not. A source close to the process reported:

> I've seen some of the EU governments' confidential reports of the interviews EU governors had with the three Presidential candidates last week. Of course,

> they all had differing views, but a fair summary would be: "Okonjo-Iweala: passionate performer, good knowledge of how the World Bank operates, but her pitch wasn't so well set out or structured. Ocampo: best prepared, clearest ideas about where he would take the Bank, most knowledgeable on economic issues. Quite academic in style. Kim: Very committed, but limited knowledge outside health, and particularly not on finance and economics". (Worldbankpresident.org, April 2012)

Another source close to the process said that the general reaction to Kim was that he would be a good executive board member – which is telling, given the lowly status of board members.

The African Union summit of African heads of government unanimously endorsed Ngozi. Two networks of economists sprang up in support of Ocampo, one led by a prominent Chinese economist and two heterodox Anglo economists, the other linking many Latin American economists. The candidates were interviewed separately by the executive directors, sometimes one on one, sometimes with executive directors in groups.

The "G11" group of executive directors representing developing countries met several times in the run-up to the board vote. They committed themselves, several times over, to vote according to their judgement of the best candidate, irrespective of US wishes. [RUN STRAIGHT ON, NO PARA BREAK]wo days before the vote the G11 met for several hours. Near the end, they conducted an unofficial ballot. All except one voted for Ngozi. The exception was the Brazilian executive director (also representing Colombia), who voted for Ocampo. After the vote, he explained that he would telephone Ocampo and invite him to withdraw his candidacy; at which point he too would vote for Ngozi, making a unanimous vote. Ocampo did withdraw in order to give Ngozi a better shot, resulting in 100 per cent support for Ngozi from executive directors representing developing countries.

The result galvanized the Obama administration. It evidently thought that the opportunity for Obama to enter the history books by nominating a woman from an African country who was widely regarded as the best candidate did not warrant the cost of ceding the American monopoly, which could easily be construed as a symbol of Obama unwilling to stand up for America – in an election year with prominent critics declaring, "I wish this president would learn how to be an American", and "I think it can now be said without equivocation – without equivocation – that this man hates this country. He is trying – Barrack Obama is trying – to dismantle, brick by brick, the American dream".[5] And though the Bank is no longer a copious source of finance for most developing countries, it is a rich source of information, especially informal political and economic information. Appointing a personal friend as president gives the Secretary of State and the Treasury Secretary an invitation to contact him at any time of day or night for a chat about what is going on in some part of the world they want to know about, and to suggest deals they would like the Bank to make or not make.

The first to break ranks were the Russians. The next day the Russian foreign minister announced from Moscow that Russia would support Kim. Soon other developing country governments began to peel away. Little is known about how they were induced to do so, but it is likely that several were promised a position like chief economist, treasurer, or head of the International Finance Corporation (the private-sector lending arm of the World Bank) in return for a vote for Kim.

When the board met to vote (in a closed meeting, with only executive directors present, no advisors, no Bank staff), it first conducted an unofficial vote to see whether consensus was likely, and then the official vote. By this time, the big European countries had swung behind Kim as well. The Latin Americans decided after the unofficial vote that there was no point in annoying the Americans, so they swung behind Kim. The official vote was over 80 per cent for Dr Kim, with only the African executive directors supporting Ngozi. They held out because the African Union's heads of government had supported Ngozi unanimously. The subsequent World Bank communiqué about Kim's appointment made no mention of the word "unanimous" – the first time ever that the president had not been appointed unanimously (even the very controversial appointment of Paul Wolfowitz in 2005 had officially been unanimous).

Within the World Bank, many non-economists, especially in health and education, welcomed Kim's appointment. They appreciated not only his expertise in health, but also his scepticism about western agencies working with *national* governments of developing countries. He prefers to work closer to the intended beneficiaries – with the NGO sector and at lower levels of government. For these staff, Kim's appointment carried the promise of exciting innovations in Bank operations. Moreover, his appointment resonated with a recent backlash among non-economists against economists' long dominance of Bank thinking. They have been empowered by the ever growing significance of western country "trust funds" for financing Bank operations, which tend to promote a "social first, economics second" view. Finally, Ngozi had established a mixed reputation in people management during her time as a Bank managing director, while Kim gave the impression of being a big improvement on Zoellick, who was known as reluctant to delegate and prone to denigrate his senior officials in public and private.

However, most of this “contest” was theatre. It was foreordained that almost whoever the US government proposed would be appointed, for two reasons. First, the Americans expected that the quid pro quo for their support for the European nominee to replace the disgraced Dominique Strauss Kahn at the IMF in 2011 would be European support for the American nominee at the World Bank. The Europeans were not about to jeopardize their countries’ chances of retaining the managing directorship of the Fund by voting against the American nominee at the Bank. Second, the Obama administration’s electoral strategy in an exceptionally evenly balanced presidential race meant it could not afford to give up a symbol of American pre-eminence. It would do “whatever it takes” to keep the presidency of the World Bank.

In the months after Kim assumed office, several nationals of big developing countries were appointed to senior positions. Jin-Yong Cai, a Chinese national, was appointed as CEO of the International Finance Corporation (the private-sector lending arm) in August 2012, the first time the position has been held by a non-European. Kaushik Basu, an Indian national based at Cornell University, was appointed chief economist in September 2012, only the second time the position has been held by a non-westerner (his predecessor was Chinese).

The story of Kim’s ascent shows that, short of a huge change in the distribution of votes, the share of the US and the Europeans at the Bank and the Fund will always be sufficient for them to protect their monopolies, provided they continue to support each other. The story equally shows how the developing countries’ distrust of each other makes it easy for the Americans to split them with bilateral deals. Still, the good news is that well-qualified non-American candidates presented themselves in 2012 for the first time, and went through a semblance of a merit-based selection process. The contest worked to the extent that the official selection was –

unprecedentedly – not “unanimous” (in the end more than 50 mostly small states voted for the non-American candidate, in Africa and Latin America). The US government may have to cut even more deals to retain the presidency next time around; but next time may not be until 2022 if Kim is re-appointed to a second five-year term.

Conclusions

Today, global governance is more fractured and turbulent than it has been for many decades. The causes are partly near-term ones relating to the global financial crisis and the slump, and the tensions generated in inter-state economic relations as countries try to export their unemployment elsewhere. But the causes are also more structural, relating to the increasing dissociation among the major economies between countries' economic weight (measured by GDP) and their GDP per capita. Up to, say, 2000 the G7 economies had the biggest GDPs, the highest GDPs per capita, and they constituted the top table of global governance. Increasingly, this correlation is breaking down as developing countries, led by China, take more positions in the world's top 10 economies by GDP even as their average incomes remain a fraction of those of western economies and as their economic structures remain very different from those of the G7 and from each other's. Their ascent to the top forums of global governance – such as the G20 – greatly increases the diversity of interests within these forums, as compared to earlier decades.

However, there is not much sign, in this more fractured and turbulent environment, that western states have been displaced from the leadership position they have long occupied in global governance, even if their leadership is at times more contested than before. This chapter has suggested several reasons why they have been able to protect their power. First, the economic rise of the South is not nearly as pronounced as the popular image has it (as a result of focusing on what has changed to the neglect of what has not changed). The G7 economies continue to have heavier economic weight (measured in terms of share of world GDP) than just a few developing countries. When capital market size and centrality are added as a further component of economic weight, the G7, and the US in particular, gain even more primacy, because the realm of finance has come to dominate the realm of GDP (the "real economy"). The US's central role gives the US Federal Reserve and the US Treasury leverage over other governments, especially in crisis conditions like the ones since 2007–8; for example, in setting the terms of dollar swap arrangements of the kind the Federal Reserve entered into with Korea in 2008 and then, in May 2010, with the Bank of Canada, the European Central Bank, the Bank of England, the Bank of Japan and the Swiss National Bank.

A second reason is that western states coordinate relatively well with each other to block southern influence when it might run against common western interests. Think of the molasses-like process of shifting voting power in the World Bank; the election of the White House nominee to be the next president of the World Bank – yet again, despite wide agreement around the world that he was the least qualified of the three candidates; and the marginalization of the UN General Assembly from the debate about the causes and solutions to the western financial crisis and long slump, so that the G20 and IMF and other organizations controlled by the West could have the field to themselves.

All great powers resist giving up privileges (and China is following this tradition, as seen in its resistance to change in the UN Security Council). So it is hardly surprising that leading western states, long accustomed to cooperate in directing global governance, resist ceding power, and flock around the US as their leader in the financial and economic sphere. All are affected by the centripetal force of the US's preternatural fear of China, which now serves as the useful unifying threat in place of the Soviet Union.

A third reason for continued western dominance is the difficulty developing countries have in concerting their actions. We saw this in the case of the negotiations over the mandate of UNCTAD, the most developing country-friendly organization of the UN. We also saw it in the case of the new president of the World Bank. Recall that two days before the Executive Board voted on the next president, the 11 executive directors from developing countries unofficially voted unanimously for the developing country candidate, Ngozi, but in the official vote all but three voted for the American candidate.

The elevation of the G20 to heads of government status in late 2008 is a helpful development for the West, because it weakens a developing country bloc. The governments of major developing countries tend to give priority to their participation at the top table, where they rub shoulders with representatives of the Americans, the British, the Germans and other established western ruling powers. There, they tend either to go along with the G7 view or block specific discussions that might impinge on national interests (China on exchange rates, for example). Western states can easily split them.[6]

However, there are small signs that the BRICS (Brazil, Russia, India, China, South Africa) are beginning to act concertedly on some issues. The talk about a BRICS development bank is one. The BRICS executive directors at the World Bank now meet once a month or so in a rather informal way to discuss common interests. They support each other in Board discussions more than in the past. At a recent meeting of a Board sub-committee, the representatives of the Anglo countries were complaining, yet again, about the over-generous payment of Bank staff and insisting that staff compensation be cut to ensure the Bank's financial health. The Chinese representative responded with a passionate and voluble defence of staff compensation levels, to general amazement, saying that China is a borrower from the Bank and wants to sit at the table with *top quality* staff. He pointed out that since the Anglo countries did not borrow from the Bank, they were unconcerned that staff quality was deteriorating even at the existing levels of compensation. If anything, staff compensation should be increased, he said. The Indian and Russian representatives agreed with the Chinese.

Looking ahead and considering global governance more generally, the worry is that as more states – at different average income levels, different economic structures, different modes of integration into the world economy, and with very different cultures – assert divergent national interests and fundamental beliefs in the top forums (for example, on the economic role of the state, on exchange rate management), and as western states resist ceding long-established dominance, the possibility of creating strong, integrated regulatory systems will be blocked. Global mandates will be restricted to narrow and loosely coupled agreements of a kind which can be reached by overcoming coordination problems of the prisoner's dilemma kind, where the parties agree on the nature of the problem.[7] Yet it is doubtful that narrow and loosely coupled agreements on finance will suffice to avoid more multi-country financial crises of the sort that have roiled the world once every five to seven years. It is also doubtful that such narrow agreements on curbing carbon emissions and adapting to climate change can prevent intolerable temperature rise by 2050 and the erosion of the planet's biotic capacity – or at least this is the fear of many, but not all, climate scientists.

It is surely in western states' longer-term interest to soften their attempts – as expressed in the chapter's epigraph – to smother the articulation of views on global macroeconomic, financial and trade issues that are different from established western neoliberal ones. Their aim should be to help build global and regional regulatory regimes that can accommodate the growing divergence of national preferences, by permitting a wider range of trade-offs at the national level than those prescribed in the Washington Consensus and its democratic governance counterpart (Vestergaard and Wade 2012b). The fact that they continue to hold the dominant positions in global governance means that they have the main responsibility to steer the inter-state system in this more plural direction. They should not expect to change the world in their own image.

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Notes

[1] On the distinction between market exchange rates and purchasing power parity exchange rates, see Wade (2011c).

[2] Except where otherwise indicated, the following case studies are based on interviews with people who requested anonymity, and some soaking and poking.

[3] See further Wade (2011a). On the G20, see Vestergaard and Wade (2012a, 2012b).

[4] The statement includes the following: On the governance of international financial organizations:

> The outcome offers views in several paragraphs, including paragraphs 2, 17, 43, 47, and 49, on the governance and operational aspects of the international financial institutions, and the Bretton Woods institutions in particular. The international financial institutions have governance structures, as set out in their respective Articles of Agreement that are independent of the United Nations. Any decisions on reform of the international financial institutions or the manner in which they conduct their business are the prerogative of the shareholders and their respective Boards of Governors. Consequently, my government does not interpret the language in this document as endorsing a formal United Nations role in decisions affecting the international financial institutions or international financial architecture.

On capital controls:

> Paragraph 15 also mentions temporary capital restrictions and debt standstills as mechanisms for addressing shortages of foreign reserves. The United States does not condone the use of capital controls. If used, capital controls and debt standstills should only be taken as a last resort, on a temporary, exceptional basis, as possible breathing space for more comprehensive economic reform, and in accordance with existing multilateral and bilateral frameworks and agreements. Countries experiencing balance of payments problems need to maintain investor confidence and continued inflows of capital to promote development. However, experience shows capital controls and similar measures undermine investor confidence, reduce capital inflows, and are ineffective at redressing payments crises. Although possibly palliative, they tend to delay necessary policy and economic reforms while raising the cost of capital to domestic small and medium size firms critical to employment generation. They also impose high administrative costs to enforce. (Sammis 2009)

[5] The first quote is from John Sunnunu, former New Hampshire governor; the second from Rush Limbaugh, a popular talk show host. Quoted in Maureen Dowd (2012).

[6] In the General Assembly, where nothing much is at stake, developing countries are more prepared to take a different stand from the West. One measure of western influence is the voting coincidence score, which measures the amount of support a state receives from other states in the General Assembly. In the late 1990s, the EU and the US received around 70 per cent support for their positions on human rights. By 2009–10, the score had fallen to only 40–42 per cent. China and Russia increased their score from around 40 per cent and 60 per cent in the late 1990s, respectively, to around 70 per cent today. See Gowan and Brantner (2010).

[7] On fragmented and comprehensive regimes, see Keohane and Victor (2011). On the belief-action relationship at different "levels" of learning or enmeshment, see Spiro (1966).