THE UNITED STATES AND THE WORLD

The Art of Power Maintenance

How Western States Keep the Lead in Global Organizations

Robert Wade

Is the United States really losing power to developing countries, even China? This political scientist says the West's power, led by the United States, is still preeminent. He presents five case studies to make his point.

> Without enhanced cooperation [in response to shared threats like climate change and the tensions that arise between rising and declining powers], the 21st-century world may come to look like the late 19th-century Europe of rivalrous great powers, writ large.
>
> —Timothy Garton Ash, 2012

> 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

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> We don't want UNCTAD providing intellectual competition with the IMF and the World Bank.
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> —Senior U.S. delegate negotiating UNCTAD's next four-year work mandate, Doha, April 2012

It is commonly said that the world economy has entered a new, fast-evolving, and multipolar phase (Zoellick 2010). Certainly, over the past decade many developing and transitional countries have grown faster than developed countries. The middle-income countries (including India as well as China) grew at 6 percent a year or more between 2005 and 2010, while the high-income countries grew at 2 percent or less. A growth-rate gap of this size in favor of developing countries is unprecedented.

It is also commonly said that developing countries have been translating increased economic weight into more influence in global governance organizations. For example, the G7 finance ministers' forum was expanded in 1999 to the G20, including eleven 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, signaled 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 toward developing and transitional countries, so it is said.

A leading economist at Goldman Sachs in London coined an acronym—BRICs (lower-case *s*)—to span four of the biggest developing countries (Brazil, Russia, India, China). Thus "acronymed up," these countries started to talk to each other, adding South Africa to make BRICS (upper-case *s*) and holding occasional meetings at official and ministerial levels, even a summit of political leaders in March 2012 in New Delhi. At the summit they talked of forming a BRICS investment bank, similar to the World Bank. Another acronym—BASIC—has also caught on to cover the same rising countries minus Russia, which is seen as not rising.

The alarm in G7 capitals is captured in a cable released by Wikileaks. It came from the senior U.S. official for the G20 process, in January 2010. He said, "It is remarkable how closely coordinated the BASIC group of countries have become in international forums, taking turns to impede U.S./EU initiatives and playing the U.S. and EU off against each other." Meanwhile, fearfulness about America losing its preeminent position in the emerging world order has seized the American public. In 2011 only 36 percent of respondents said economic globalization was a positive development, down from 60 percent in 2001.

In other words, the "unipolar" global governance order (beyond the communist bloc)—described by Philip Stephens of the *Financial Times* as "Membership of the west once meant doing whatever Washington said" (2010)—is history, or so it is widely believed.

However, the common narrative about China and some other developing countries rising to challenge the United States and other major Western states turns out to be an exaggeration, at both ends. With the exception of China, developing countries remain lightweights in terms of their share of world gross domestic product (GDP). The United States remains by far the biggest economy, losing little of its preponderant share of world GDP over the past three decades. With 4.5 percent of the world population, it accounts for almost 23 percent of world GDP at market exchange rates and over 19 percent in purchasing power parity (PPP) exchange rates.[1] China, with 19.4 percent of world population and the second-biggest economy, is a long way behind, at 9.4 percent and 13.5 percent of world GDP at market exchange and PPP exchange rates, respectively. Russia and Indonesia are under 3 percent on both measures; Brazil is under 3 percent on the PPP measure but slightly over 3 percent on the market exchange rate measure. By contrast, Japan is over 5 percent on both, and Germany is over 5 percent on the market exchange rate measure (Reissen and Turkisch 2012).

At the other end of the argument, the United States and other Western states continue to set the agenda of global economic and financial governance for the most part, while the big developing countries have exercised negligible leadership so far. For example, a study of more than fifty transnational institutional innovations over the past one and a half decades found a pronounced North-South governance gap. The innovations include public, private, and hybrid, such as 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).

> [M]any of the programs rely on Southern participation and serve the interests of Southern stakeholders, [but] *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; emphasis added)

The emerging world order could be described as a combination of "hegemonic incorporation," as in the past, protected by institutional rules established when global organizations were created during the period of Western hegemony, and a new "multipolarity without multilateralism." The result is often stalemate—a long way from enhanced interstate cooperation around increasingly urgent global problems.[2] It is almost as though, at the global level, we have returned to the situation in the United States 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?

This essay describes five case studies at the "village level" of global politics to show how Western states have managed to retain their position of global leadership even after 2008 and the onset of the long slump in Western economies, even as Southern criticism of their rule rises. The first one shows how, in 2009, Western states led by the UK and the United States marginalized the United Nations General Assembly from a role in debating the global financial crisis and its impacts, so as to leave the subject to interstate organizations dominated by the West. The second shows how, in 2012, the West almost succeeded in stopping the United Nations Conference on Trade and Development (UNCTAD) from further analyzing the global financial crisis and long slump, for the same reason.

The third case study shows how Western states managed, over 2008 to 2010, to craft a "voice reform" in the World Bank, which 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 United States 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 (IMF) should be open to all nationalities. The last case study shows how East Asian states *invited* the Western-dominated IMF to function as their imposer of mutual economic discipline in 2009–12, despite the motivation of the arrangement being to escape the clutches of the IMF.[3]

The West Marginalizes the United Nations in the Financial Crisis

Among those who care about the fate of the United Nations, it is widely assumed—and regretted—that the United Nations stood on the sidelines at the start of the global financial crisis and let the G20, the IMF, and the World Bank take the lead in an international response. Jean-Pierre Bugada, chief of communications 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 United States, 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. Here is what happened.

Soon after the crash in late 2008 Miguel d'Escoto Brockman, a (suspended) Nicaraguan priest and former foreign minister, who was president of the sixty-third 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 UN Secretariat, and normally by the secretary-general himself. Brockman's initiative flowed from his larger agenda of revitalizing the General Assembly to where developing countries have a natural majority, an agenda he announced at the start of his presidency and which he pursued till 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 creating the precedent of expert commissions on the model of the Intergovernmental Panel on Climate Change.

The Western states, led by the UK and the United States (most responsible for the crash), 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. 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 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 U.S. advisers—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 (airfares, 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.

U.S. ambassador to the UN Susan Rice made clear that the U.S. government thought that the G20, not the General Assembly, should be the central forum for debate, and she insisted that the UN process not interfere. Behind the scenes, the U.S. 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, U.S. president Obama and his advisers debated whether the United States should agree to the document drafted as the conference output. Treasury Secretary Timothy Geithner said the United States should not agree. Ambassador Rice was tactically ambivalent, saying that the United States should not kill the first major UN conference on the new administration's rule. So they reached a compromise. At the conference the United States voted to approve the document, but then the number two in the U.S. delegation, John Sammis, read out a statement of "clarification" that listed several substantive U.S. 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 the United States 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 reporter's 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 United States, fought to ensure the UN could not do follow-up work, and they 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 sixty-third 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 U.S. and UK intelligence to be spared the fate of the rest of the government of Muammar Gaddafi. 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, 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 have 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 United States and the UK wanted to make sure it was a one-time event, organized to guarantee that its conclusions would support Western arguments.

The General Assembly's European cofacilitator 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-time two-day "High Level Thematic Debate on the State of the World Economy" that would showcase the heads of the Western-dominated IMF, the World Bank, the World Trade Organization, and the Organization for Economic Cooperation and Development (OECD), along with other mainstream eminences. The cofacilitators 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 cosponsors (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 sixty-third 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 around the institutional rules established by the founding fathers of the Bretton Woods organizations (including the Bank and the IMF) 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 UNCTAD was established in 1964 in Geneva as a kind of think tank for developing countries, those countries argued that it must have a mandate for financial issues because of the close link between finance and trade. Western states said, "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 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 high private debt to GDP ratios and high current account deficits to GDP in several major Western economies, and the absence of incentives on countries running external surpluses to reduce them (Wade 2009a, 2009b, 2011a, 2011b). It has not hesitated to point to 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 toward a fly. Western states 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 quadrennial mandate and work program for the following four years. In the run-up to the thirteenth 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 U.S. 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, the United States, Canada, Australia, Norway, New Zealand, Switzerland, and a few others (the group is known by the acronym JUSCANZ, pronounced "juice-cans"). For the UNCTAD negotiations, the JZ group led the Western states, and within it the U.S. 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 were grouped into what is called the G77 + China (G77/C). As the negotiations over the mandate went on in Geneva beginning in January 2012, 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 more. 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 and 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 (Asian Group coordinator), and Zimbabwe (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 toward the "hard-liners" more than toward 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 UNCTAD was being marginalized.

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 countersubmissions, 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 + China showed itself to be so unsure of what it wanted. Since the G20 was upgraded to heads-of-government level in late 2008, the big developing countries in the G20 tend to give priority to their G20 membership and are less inclined to engage in forging a common G77 position. So 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 that happened to clash with the long-scheduled UNCTAD ministerial in Doha.

However, a few weeks before the Doha ministerial, an open letter by a group of sixty-five 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 "hard-liners" 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 the mandate from UNCTAD XIII. 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 of the Summit of the Americas.

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's working on "root causes" (which might point to the West); it wanted UNCTAD limited to "impacts on developing countries." The final agreed-to 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. [NB: These words are coded skepticism about the universal validity of the Washington Consensus.] Such a state should also provide for the positive interaction between the public and private sectors.

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 mention 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 program (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 U.S. 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 U.S. delegate had agreed to language on the Cuban paragraph; and shortly afterward in walked the Palestinian delegate to say he and the Israeli representative had just agreed to language on the Israel/Palestine paragraph. So the Swiss ambassador believed that he had to allow "reaffirm and build on" Accra.

By this time, China, Brazil, and South Africa were in the driver's seat on the G77 side and made the deals with JZ and EU. At 5 A.M. on the final day—with a press conference scheduled for 10 A.M.—a mandate and a work program for the next four years were finally agreed by consensus. The outcome represents *a draw* between North and South, but at least it gives the secretariat enough wiggle room to continue to work on global macro issues and to present "second opinions" to those of the IMF and World Bank, if the secretariat wishes to take it.

However, the mandate and work program 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 ditto for the deputy secretary-general (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 2012c).

The governors approved the proposals at the 2010 spring meetings of the World Bank and 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.

The truth is that the new distribution of votes brings it 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 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 percent to 47.19 percent and reduced the share of developed countries from 57.40 percent to 52.81 percent. So at first glance, the voice reform brought the World Bank close to voting power parity (50 percent) between developed and developing countries, in line with one of its stated objectives. In reality, the shift was much more modest, because the DTC category includes several high-income countries that 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 percent to only 38.38 percent, while the developed (high-income) countries retained more than 60 percent.

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 underrepresented. The eightfold 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 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 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 the International Development Association (IDA, the soft-loan arm of the World Bank) should be recognized in its share of International Bank of Reconstruction and Development (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 2015/2016 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 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, the 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 more voting power than they had before the voting 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 percent of votes, compared to 65.33 percent before 2008. Low-income countries now have 3.31 percent of votes, compared to 3.45 percent in 2008; and middle-income countries now have 31.81 percent, compared to 31.22 percent 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 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 United States Keeps Control of the World Bank

In April 2012 the World Bank elected Dr. Jim Yong Kim, a U.S. citizen, to succeed departing president Zoellick. His appointment fits a long-established pattern: The Bank's governing body always elects whomever the U.S. government nominates. Similarly, the IMF always elects as managing director whomever the Europeans nominate.

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 IMF 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 United States again prevail?

The Bank's president is elected through a vote by its board of executive directors, which is the day-to-day governing body of the Bank, with twenty-five 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 that 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 that coordinates views among developing country members of the Bank and the IMF, 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 former managing director at the World Bank. The other was Colombia's José Antonio Ocampo, a former finance minister and current professor of economics at Columbia University, New York.

After dragging its feet, the administration of Barack Obama nominated the relatively unknown Kim, president of Dartmouth College, 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 is mitigating the health consequences of poverty in the poorest parts of the world. He is said to be a close friend of both U.S. secretary of state Hillary Clinton and Treasury secretary Timothy Geithner, who between them had the main voice in selecting the U.S. candidate. Clinton had earlier sought, unsuccessfully, the administration's permission to announce Kim's coauthor and close colleague at the Harvard Medical School, Dr. Paul Farmer, as the candidate to head the U.S. Agency for International Development (USAID).

Kim's nomination reflected a consensus in U.S. 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 having USAID work in sectors like infrastructure. 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 intergovernmental negotiations, and managed large organizations, as 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 University's Kennedy School of Government, 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, "[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" (2012).

The candidates traveled the world seeking support. Kim had ample resources and strong backing from the administration and Treasury, and he 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 U.S. 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, but 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. (personal communication, 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 Western 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 judgment of the best candidate, regardless of U.S. wishes.

Two 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 (April 13), resulting in 100 percent 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—Barack 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. Almost certainly they were offered bilateral deals. Several involved a promise to appoint a national to positions like chief economist, or treasurer, or head of the International Finance Corporation (IFC—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 advisers, 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. The Latin Americans decided after the unofficial vote that there was no point in annoying the Americans, so they, too, swung behind Kim. The official vote was over 80 percent for Dr. Kim, with only the African executive directors supporting Ngozi. The Africans held out because Ngozi had been supported unanimously by the African Union's heads of government. The World Bank communique 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 noneconomists, especially in health and education, welcomed Kim's appointment. They appreciated not only his expertise in health, but also his skepticism about Western agencies working with *national* governments of developing countries. He prefers to work closer to the intended beneficiaries—with nongovernmental organizations 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 noneconomists 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, economic 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 over Zoellick, who was known as unwilling to delegate and prone to denigrate his senior officials.

However, most of this "contest" was theater. It was foreordained that almost whoever the U.S. government proposed would be appointed, for two reasons. The Americans expected that the quid pro quo for their support of 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. The second reason was that 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 preeminence. It would do "whatever it takes" to ensure that the United States kept the presidency of the World Bank.

In the months after Kim took 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 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 United States and the Europeans at the Bank and the IMF 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 one another 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 some seventy states voted for the non-American candidate, in Africa and Latin America). The U.S. government may have to cut even more deals to retain the presidency the next time around; but the next time may not be until 2022 if Kim is reappointed to a second five-year term.

ASEAN + 3 Invites the IMF to Act as Enforcer of Regional Cooperation

The final case shows a different interstate dynamic than "the West strikes back," one in which rivalry between China and Japan for regional leadership and mistrust of each other's commitments led them to *invite* the Western-dominated IMF to be the enforcer of a regional cooperative agreement (Grimes 2011; author interviews, 2010).

The agreement is known as the Chiang Mai Initiative (CMI). It was established in 2000 as an arrangement for bilateral currency swaps between the countries of the Association of Southeast Asian Nations (ASEAN) plus China, Japan, and South Korea. It was intended to provide a supply of emergency liquidity to member countries facing currency crises—and avoid the need to depend on the IMF, which was seen throughout the region as having abused its power in its emergency loans during the Asian financial crisis of 1997–98, at the behest of the U.S. Treasury. The 1997–98 crisis is often referred to in the region as "the IMF crisis."

However, from the beginning the CMI created an "IMF link," such that a country could only access no more than a small proportion of its line of emergency credit after it entered into negotiations with the IMF for a standby agreement. In this sense the CMI was nested within the IMF and its Western-dominated field of power.

In 2007 the member states agreed to expand the CMI beyond bilateral currency swaps and establish a foreign exchange fund, a weighted voting system for disbursement of funds, and stronger surveillance of members' economies. They also agreed to establish a headquarters. By 2009 China and Japan had each agreed to contribute 32 percent of the fund, and South Korea another 28 percent, leaving 20 percent to be provided by the ASEAN countries. The beefed-up CMI was renamed the Chiang Mai Initiative Multilateralization (CMIM).

The government of Singapore provided headquarters. But which country would provide the first president, and thereby impart directional thrust? China, Japan, and ASEAN each put up a candidate, and ASEAN hoped that the mistrust between China and Japan would pave the way for its candidate. Equally contentious was the full spelling of the acronym for the headquarters' name, AMRO. "ASEAN + 3 Macroeconomic Research Office," insisted the Chinese. Others insisted on "ASEAN + 3 Macroeconomics *and* Research Office." The former title implies it is only a research organization, while the latter, with "and" between "Macroeconomics" and "Research," implies a more expansive role. The champions of the second spelling conceived "macroeconomics" as code for *surveillance* of member economies—including surveillance of, for example, the Chinese economy and its exchange rate, something the Chinese side was none too keen on. To cut a long story short, in 2010 when the scheme officially started, the Chinese provided the first president and the official name was ASEAN + 3 Macroeconomic Research Office, as the Chinese wanted.

For present purposes the important point is that the IMF link continues. China and Japan saw it as the only workable solution to the problem of moral hazard inherent in emergency lending—the problem that if a government knows it will get emergency loans without conditions, it may behave profligately and bring crises upon its own economy. Avoiding moral hazard requires that member countries agree to some combination of (a) withholding emergency lending from a government that—they agree—has brought crisis upon itself (as distinct from suffering contagion), which is ex ante conditionality, or (b) imposing tough conditions on emergency loans, which is ex post conditionality, or (c) delegating the determination of whether and with what conditions to lend to an independent body. The trouble is that imposing ex ante or ex post conditionality has political costs for those who impose it. It raises the prospect that China or Japan, with their overflowing foreign exchange reserves, would seize the opportunity to curry favor with a crisis country by secretly lending to it with soft conditions, undercutting the collective agreement and making the others look "unhelpful" in the eyes of the crisis country.

Hence the CMIM continued to cast itself into the arms of the IMF, even though the motivation for the scheme had been to provide East and Southeast Asia with more governance autonomy. Many officials involved with the scheme hang their heads in shame that their governments cannot agree to give mutual financial support independently of the West, but they see no alternative.

Moreover, when South Korea needed emergency liquidity in late 2008, it went straight to the U.S. central bank (the Federal Reserve, the Fed), avoiding the CMIM—and so avoiding the humiliation of again (as in 1997) having to go to the IMF. Indonesia, too, bypassed the CMIM and went to Japan. The two governments may have feared that resort to the CMIM might signal a loss of market confidence.

Korea was not the only crisis-hit country that sought temporary swap lines with the Fed at this time; so did several large upper-middle-income countries. Their choice is powerful testimony to the continuing structural power of the U.S. central bank and its dollar system, all the more so because the U.S. economy at this time was in deep crisis of its own making.

Conclusions

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 long slump, and the tensions generated in interstate economic relations as countries try to export their unemployment elsewhere. The causes are also more structural, relating to the increasing disassociation among the major economies between countries' economic weight (measured by GDP) and their average income, as developing countries led by China take more positions in the world's top ten economies by GDP even as their average incomes remain a fraction of those of Western economies. This greatly increases the diversity of interests among the top ten economies as compared to earlier decades.

However, a second structural variable, after GDP, tends partly to counterbalance the rise of the South in terms of GDP: capital markets. With the U.S. dollar as the international reserve currency, the United States completely dominates the global capital market, with the UK, Europe, and Japan following behind. This gives the U.S. central bank, and the U.S. government more generally, great leverage over other governments, especially in crisis conditions like the ones since 2007–8; for example, in setting the terms of U.S. dollar swap arrangements of the kind the Fed 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.

All great powers, including poor ones, resist giving up privileges, as seen currently in China's resistance to change in the UN Security Council. So it is hardly surprising that leading Western states, long accustomed to cooperating in directing global governance, resist ceding power and flock around the United States as their leader in the financial and economic sphere. All are affected by the centripetal force of the U.S. preternatural fear of China, which now serves as the unifying threat in place of the erstwhile Soviet Union.

This essay has illustrated how the tension between the United States and other members of the G7, on the one hand, and the newcomers, on the other, is playing out at the village level of world politics. If, like anthropologists, we define the plural of "anecdote" as "evidence," we can conclude that Western states have been strikingly successful in their efforts to keep control of the commanding heights. Their success owes much to institutional rules they put in place decades ago, long before talk of the rise of the South.

The story of the UN General Assembly's commission on the global financial crisis, and the story of the negotiation of UNCTAD's mandate for the next four years, illustrates the ability of leading Western states to marginalize global organizations they do not clearly control and to hold debate on matters of direct interest in forums they better control, like the Bank and the IMF. They can—almost—keep the UN out of global economic and financial issues covered by the Bank and the IMF by appealing to the relationship agreements established at the founding of the two organizations in 1945, which are the same as those for other UN organizations except in saying that the UN General Assembly may not make recommendations to them—which the Western states use as justification for keeping the UN out of subjects where developing countries might use their greater influence to make stronger criticisms of Western countries' policies and institutions than do their more marginalized representatives in the IMF and the Bank.

The story of the U.S. government's success in retaining the presidency of the World Bank illustrates the institutional mechanisms that allow it to protect its monopoly even in the face of a normative consensus that such positions should not be restricted to particular nationalities. It also shows the distrust between developing country states, which makes it easy for the Americans to split them with bilateral deals.

Indeed, the leading developing country representatives were most likely *pretending* to rally around a non-American in order to extract bilateral concessions from the Americans—including access to more senior but not topmost positions. In China's eyes, the head of the IFC (previously always a European) is quite enough reward for the moment, in its longer-term strategy to build its influence brick by brick, especially because the IFC deals directly with foreign direct investment (FDI), and the Chinese government is keenly interested in boosting FDI in China and helping its firms invest abroad.

The World Bank story also shows signs of the incremental shift in power toward not developing countries in general but the BRICS. The fact that the United States had to cut bilateral deals with BRICS countries to ensure Dr. Kim's election reflects its calculation that it had to recognize their support by offering them the second-level prizes. This is especially because it wants the bigger and more prosperous developing country states to contribute more finance to the International Development Authority, so that the U.S. Treasury is able to reduce its contributions without ceding its dominant position; its aim is "same power for less money."

Cooperation-eroding distrust between developing countries is also a theme of the fifth case study. Even the most economically successful region of the developing world, East and Southeast Asia, has only slowly and painfully been able to construct regional organization. East and Southeast Asian states still reflexively look to the United States and other G7 states or to organizations dominated by those states. In the case of the CMIM, the distrust between China and Japan meant that the members built in an "IMF link," which restricted the organization's ability to make resource decisions independently of the Western-dominated IMF, even though one of the primary motivations for the foreign exchange pooling agreement was to reduce vulnerability to IMF and Western influence.

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 United States, the UK, Germany, and other established Western ruling powers. There they tend either to go along with the G7 view or to block specific discussions that might impinge on national interests (China on exchange rates, for example). Western states can easily split them.[6]

But there are small signs that the BRICS are seeing eye to eye on some issues. The talk about a BRICS bank is one. Another sign at the village level comes from a recent meeting of a subcommittee of the board of executive directors at the World Bank. Representatives of the UK and the United States were complaining, yet again, about the overgenerous 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 defense 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 United States and the UK 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.

The evidence presented here suggests that even the modest increase in assertiveness of some developing countries is restricting the scope of global mandates to narrow and loosely coupled agreements of a kind that can be reached by overcoming coordination problems of the prisoner's-dilemma kind, where the parties agree on the nature of the problem. Bigger advances in the form of strong, integrated regulatory systems will be blocked as more states, at different average-income levels and with non-Western 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 Western states resist ceding long-established dominance. Finding areas of interstate agreement where fundamental beliefs diverge is more intractable than solving coordination problems.[7] Yet it is doubtful that narrow and loosely coupled agreements on finance will suffice to avoid more multicountry financial crises at the past frequency of one every five to seven years. It is also doubtful that such narrow agreements can prevent an intolerable temperature rise by 2050 and the erosion of the planet's biotic capacity. The question is how much further into economic and ecological crises we have to go before the major states, whether the G20 or a replacement, act concertedly to forge stronger and more integrated regulatory systems, regionally and globally (Vestergaard and Wade 2012b).

Meanwhile, the story of the Stiglitz Commission underlines the responsibility of Western media to undertake independent investigation rather than parrot the views of representatives of Western states as their own. And it is surely in Western states' longer-term interest to soften their attempts—as expressed in the second and third epigraphs—to smother the articulation of views on global macroeconomic, financial, and trade issues different from established Western ones. Since they continue to hold the dominant position in global governance, they have the main responsibility for steering the interstate system away from the fate described in the first epigraph.

Notes

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

2. See further Wade 2011a. On the G20 see Vestergaard and Wade 2012a, 2012b.

3. Except where otherwise indicated, the following case studies are based on interviews with people who requested anonymity, and some participant observation.

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 quotation is from John Sununu, a former governor of New Hampshire; the second from Rush Limbaugh, the radio talk show host (quoted in 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 United States received around 70 percent support for their positions on human rights. By 2009–10 the score had fallen to only 40–42 percent. China and Russia increased their score from around 40 percent and 60 percent in the late 1990s, respectively, to around 70 percent 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).

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