

Why Europe must tune-in to the multi-polar development agenda

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»» While wealth and knowledge are shifting away from the West, Europe remains frozen in its post-colonial, inward-looking stance towards the development agenda. Its short-sighted push for continued control over the International Monetary Fund constitutes yet another step away from innovative development policy-making. Meanwhile, developing countries from all regions are becoming increasingly self-confident providers of ideas and resources, but are reluctant to engage formally in the global development institutions. In this changing dynamic, Europe's future role in the international community will largely depend on a better understanding of the global governance of development, but also on building stronger peer-to-peer relations with the still hesitant emerging economies and other developing countries.

ANOTHER LOST DECADE?

In a rare demonstration of effective response, European leaders recovered quickly from the shock of seeing the former director of the International Monetary Fund (IMF), Dominique Strauss-Kahn, in the courts of New York. Former French Finance Minister Christine Lagarde was picked to succeed her fellow countryman. Possible alternatives to the 'historic' European rule of the IMF were not prominent in the discussion, with Southern leadership of multilateral arenas still beyond the imagination of most European leaders.

As the IMF seal of approval is required to access the European Financial Stability Facility, a European director will help manage the impact of IMF programmes in troubled member states, such as Greece, Ireland and Portugal. The macroeconomic recipes being applied in the current crisis

HIGHLIGHTS

- The recent change of IMF director shows that the Bretton Woods institutions still fail to integrate leadership and expertise from developing countries.
- Emerging players such as the BRICs and the CIVETS struggle to find their place in multilateral platforms, most of which are trapped in a North-South divide.
- Europe should adopt a more creative stance towards the opportunities of a multi-polar world and engage in strategic partnerships with the new poles of growth, resources and ideas.

»»»»» differ only in sequencing and intensity from those underlying the IMF's Structural Adjustment Programmes (SAP), due to which middle classes have evaporated around the globe. But it is highly improbable that any current European politician, and less one selected by European leaders, would force suffering EU members into the type of hard-nosed, sovereignty-diluting agreements that many developing countries have been pushed into.

Improving the IMF's performance in troubled countries might have proved easier under a Southern director. The global debate about a possible developing world leader emerged soon after Mr Strauss-Kahn's detention. Several of the candidates involved have first hand experience in negotiating with the IMF on behalf of their governments and have direct insight into the multilateral arena.

Finally, only one formal Southern nomination was brought forward, that of Agustin Carstens, the current governor of the Mexican Central Bank and previously Secretary of Finance and Executive Director of the IMF. There were other names under discussion, such as Kemal Dervis who as Minister for Economic Affairs oversaw Turkey's crisis recovery initiated in 2001 and then led the United National Development Programme. The South African Trevor Manuel has a long-standing and highly recognised career of 14 years as Minister of Finance, while the Brazilian Arminio Fraga, former president of the Central Bank, is one of today's key experts in financial markets in emerging economies.

Without being an exclusive list, all these experts could draw on valuable insights into handling financial crises in difficult political and institutional contexts, proving that specialised knowledge and solutions might today come from any part of the world, not only the West. This profile of candidate would have been better qualified for the dynamics of macroeconomic turmoil than most Western ex-ministers coming from a relatively stable and predictable policy and institutional environment.

Experience shows how successful leaders from developing countries can take on multilateral responsibilities. A good example is former Chilean

president Michelle Bachelet, who now heads the newly established UN Entity for Gender Equality and Empowerment of Women. Along with her former colleague from Brazil, Luiz Inácio Lula da Silva, Ms Bachelet belongs to a new generation of smart and committed leaders in Latin America and the Caribbean. Her appointment is also a strong recognition of the changes the region is living in political and institutional terms.

In Washington DC, Lula's name has circulated for some time as a possible successor to Robert Zoellick as president of the World Bank (WB), after June 2012. The WB is an institution traditionally led by an American. In late 2010 Lula rejected the opportunity to become Secretary General of the Union of South American States (UNASUR) and he is now focusing on bringing his allies, such as José Graziano, ex minister in charge of the prestigious Brazilian Zero Hunger Programme and recently appointed Director General of the Food and Agriculture Organisation, into position at the global level. Rumours abound that he will present a strong candidature for the WB leadership.

However, even if, in principle, the US administration of Barack Obama were willing to give way to a Southern leadership at the Bank, this would require a homologous move at the IMF, which many European countries have objected to. It is therefore likely that both the WB and the IMF will remain frozen in the 20th century for another five years, until 2017. This date will mark a decade lost since the start of the US- and Europe-generated turmoil. In the meantime, developing countries' capacities to influence the global economic and political system will become increasingly prominent, with insufficient reaction from the Bretton Woods institutions.

BRICS & CO. IN THE LEAD?

During the second half of 2011, the global governance of development will experience even deeper changes in terms of who decides what is being done, how, and with whose money. Resources, innovation and knowledge are shifting from the old Western centres to new poles around the world. According to

recent studies, aid from non-traditional sources already accounts for 20 per cent of global Official Development Assistance, a proportion due to increase in the face of aid budget cuts in the West. The group of big emerging economies dubbed the BRICs (Brazil, Russia, India, and China) is substantially increasing its financial contributions, especially to Africa. There, Indian Prime Minister Manmohan Singh launched a US\$ 5.7 billion regional programme in late May, while both China and Brazil signed major agreements with the African Development Bank in early June. Furthermore, a third wave of development players includes smaller, but fast-growing middle-income countries such as Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa (CIVETS). Their financial resources

are less substantial, but they are contributing successful and adapted development solutions through knowledge sharing, a form of cooperation recently endorsed by the G20 leaders.

Europe remains frozen in its post-colonial stance towards the development agenda

Meanwhile, developing countries are opting for a very low profile in the current decision-making processes. This was already evident in the recent BRICs Summit in Hanain, China, which focused mostly on cooperation among its members. No clear common political agenda towards global development institutions and other multilateral issues was evident. This reflected the long-standing differences in values and approaches of foreign policy. Besides, the BRICs still work through bilateral channels where political agendas are easier to pursue, as seen in India's 'tit for tat' convincing of the African Union, through a sizeable Africa budget, to support its candidacy for the UN Security Council. For their part, the post-BRIC generation of development players, such as the CIVETS, might share more priorities, for example in adjusting global institutions to the needs of the still neglected middle-income countries. But they often lack leverage and coordination to achieve visibility and generate larger impact on global debates.

The BRICs have strong political and technical arguments for engaging in the global governance of development. Politically, these countries hold a steadily increasing share in the global economy governed by the IMF, the WB, the World Trade Organisation and, as a decision-making channel, the G20. At the technical level, focusing on merely Western economic models which have proven very difficult to adapt, implement and sustain in the less formal contexts of developing countries, might simply be misleading. Feasible and credible approaches to the finance and economy of a multipolar world might also be found beyond the West, in particular in the practical experience of countries that have coped with deep economic crises and accelerated economic transformation. Especially in Asia, these models are not necessarily in line with Western understandings of democracy and development, although certain common denominators, such as state capacity, rule of law, accountability and sustainability are emerging and should be used to facilitate an open-minded political dialogue. At any rate, with tangible development successes in many countries not having followed the conventional path laid out by the WB and the IMF, the diversity of development models will continue to grow.

The G20 is certainly the platform which currently shows most progress in engaging developing countries. These are co-leading, together with industrialised countries and multilateral organisations, the nine working pillars of the G20 development agenda. The pillars provided in-depth reports and early policy recommendations for a meeting in Cape Town on 30 June 2011, which will be politically endorsed by the next G20 Summit in Cannes in November 2011. Importantly, visible European leadership in the G20 development agenda is restricted to four countries plus the Commission (in trade), and does not involve any members of the old Nordic+ group, which until recently had generated forward-looking policies and progressive partnership models. Resulting from the new priorities of their right-wing governments, former vanguard donors such as Denmark, the Netherlands or Sweden have virtually disappeared as agenda setters.



»»»»» The months leading up to the Cannes Summit will show if these gaps can be filled with new roles for emerging and developing countries. For now, among the more proactive pillars, Indonesia supports the work on growth with resilience (which includes social protection), Brazil is engaged in food security, South Africa has joined Spain in strengthening domestic resource mobilisation, while Mexico leads with Korea the bid for knowledge sharing as a cross-cutting G20 cooperation modality. It seems that the emerging development players feel comfortable with the flexible, somewhat informal set-up at the G20, which lacks a strong institutional direction, but enables a new generation of alliances among the developed, the emerging and the developing countries.

A similar effort can be found in the Working Party on Aid Effectiveness (WP-EFF), hosted at the OECD Development Assistance Committee (DAC). This parity-based platform shared by DAC members and developing countries intends to promote and supervise the criteria and guidelines for effective aid, outlined in the 2005 Paris Declaration and the 2008 Accra Agenda for Action. However, following the rather depressing results of the last monitoring round, the WP-EFF seems to be losing momentum. It is still bound to the traditional thinking of the rich-poor logic. This is perceived as outdated by emerging economies and middle-income countries which are both, providers and receivers of cooperation. At the same time, the main drivers of the aid effectiveness agenda, the Nordic+ group, have abandoned this space of building ambitious development partnerships, leaving the process without clear progressive political visions. The prospects for the Busan High-Level Forum, the summit concluding the process started in Paris in 2005, are therefore somewhat sober.

EMERGING, BUT STILL RELUCTANT

Overall, the emerging players from the South are still cautious about engaging as fully-fledged actors in the global governance of development. There are five main reasons for this:

- *Competition vs. collaboration.* Europe and the US perceive the BRICs and other emerging players primarily as a competitive element in international relations – that is, as a threat to the existing status. However, based on a decades-old South-South culture, developing countries around the world prefer collaboration and approaches leading to complementarities and mutual benefit.
- *Ad-hoc foreign agendas.* All emerging economies are still redesigning their foreign policy agendas, without necessarily following a long-term master plan. Due to their ad-hoc approach, the process of becoming a strong player in international relations often encounters limitations in the areas of institutional capacities, in particular the national diplomatic corps, but also in policy advice and strategic planning.
- *Multi-polar world meets Western multilateralism?* While new poles of growth and resources emerge around the globe, today's multilateralism is still anchored in the old order of Western dominance. Emerging economies often seem to doubt if they should play a stronger role in the old order, or rather bid for a renovated global institutional structure, such as that found at the G20 level. Given the reluctance of industrialised countries to reshuffle power and developing countries' rather incipient experiences with Southern-led multilateralism, it is difficult to see how common approaches of the South to global agendas might evolve in the future.
- *Reputation costs.* In most of the developing world, the international financial institutions are perceived as post-colonial entities with a rather negative record of behaviour and impact. Having suffered first-hand the Washington Consensus, the growing middle classes in Asia and Latin America are very sensitive to both the IMF and the World Bank. Engaging positively with these institutions might actually have a high price for national political leaders.
- *Prioritising poverty.* New power players such as Brazil, China or India tend to perceive their global role as an interesting, yet secondary opportunity. Their primary focus is on ending the still persistent poverty and social inequality in their societies, and

dealing with the tremendous economic, social and political challenges of directing an emerging economy.

These five elements should not be seen as static truths, but rather as the underlying dynamics of the role-searching process that many developing countries will continue to experience in this decade. Over the years to come, political and institutional foreign policy capacities will certainly increase in many countries. They will look not only for spaces to lead, but also partners to trust in.

OPTIONS FOR EUROPE

Immersed in a deep economic and identity crisis, the European Union has shown that it is rather regressive towards these changes in international relations. It is obvious that European policy-makers are still struggling to understand these new power constellations. However, the increasingly multi-directional flow of ideas and resources entails immense opportunities for Europe, as responsibilities can be shared and development models enriched.

In terms of concrete next steps, Europe might consider the following options:

- *Envisage opportunities.* More policy-relevant analysis on the changing development architecture and the roles of different actors could help Europe develop concepts and strategies to tune into the multi-polar world. In this context, the focus should be on the perspectives and priorities of partners in developing countries.
- *Share spaces and responsibilities.* In practice, Europe should help open pilot spaces for emerging economies and other developing countries to take the political lead in critical development areas. The G20 development agenda might be a good starting point, where European countries could work hand-in-hand with new global actors. Responsibility-sharing needs to go hand-in-hand with greater complementarity of North-South and South-South development financing, which needs to be built around a cautious dialogue with emerging develop-

ment players. In the medium term, there should also be an implicit recognition that global economic governance institutions, in particular the IMF, need to take into consideration Southern expertise and leadership.

- *Develop peer relations with BRICs and CIVETS.* Starting with a smaller group, the European Union should engage in smart and forward-looking peer relationships with key developing countries. Players such as Colombia and Indonesia might be good entry points, as they are active in all global platforms, but have less political pressure than China or India. In this context, Europe might also offer support to capacity development in the areas of foreign relations and development cooperation, in particular knowledge sharing.

- *Ensure that multilateral organisations are useful.* Europe's still decisive influence in global multilateral development organisations such as the OECD, the UN and the WB should be directed towards ensuring that multilateral action is driven by country demand and supporting countries to become fully-fledged development actors. Middle-income countries in particular, the ever-growing group among the family of nations, request that multilaterals are responsive and accountable to their needs, but still lack the leverage Europe could contribute.

Becoming a respected, trusted actor in the shifting development agenda is certainly not an easy task and might clash with Europe's long-standing difficulties in becoming a mature partner for the developing world. Above all, it requires overcoming the inward-looking dynamics of the bureaucratic process of institutionalising the Lisbon Treaty and taking a creative, open-minded approach to the evolving global governance of development. In other words, beyond benevolent or even patronising discourses, closer interaction with diverse partners around the world is needed in both the policy and the practice of a multi-polar world in construction.

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