Another Twist to "Coherence": Zoellick to Lead the World Bank (June 2007)

Last Monday the Board of the World Bank decided that Mr. Robert Zoellick will succeed Mr. Wolfowitz in leading the institution. The decision put a sad end to speculations, unleashed by the corruption scandal that ended with Mr. Wolfowitz's resignation, that the incident was going to cost the US its traditional "right" to appoint the president of the institution, and finally open up the selection to a merit-based, competitive and transparent process.

In that context, that the US would use its traditional prerogative to name the leader of the organization by proposing somebody as closely associated to the US trade agenda abroad as Mr. Zoellick, who was head of USTR between 2001 and 2005, establishes a renewed connection between the World Bank and trade. To those familiar with Mr. Zoellick's deeds, it came as no surprise that, a few days ago, asked about his vision for the Bank he responded the Bank "should increase its aid-for-trade work helping developing countries negotiate, implement and take advantage of trade agreements." Although it is hard to tell from the very positive language in which Mr. Zoellick coached it, the growing involvement by the World Bank in trade matters has been controversial and problematic, to say the least. So, the connection embodied by his nomination is very unfortunate and compromises efforts to revitalize both the fledgling credibility of the World Bank and of the multilateral trade agenda.

In the last few years, in implementation of mandates for "coherence" between the World Bank, the IMF and the World Trade Organization that date back to the establishment of the WTO, the World Bank has consistently expanded its work in support of a trade liberalization agenda. This is not to say that the Bank's role on trade was minimal before. One figure has it that two thirds of the dramatic trade liberalization in developing countries between 1983 and 2003 were neither due to bilateral nor to multilateral agreements, that is, not due to liberalization in which there was opportunity for negotiation and exchange of concessions to enable developing countries to get something in return for their lowering of barriers. Two thirds of liberalization in developing countries was unilateral, that is, at the time when most countries were subject to structural adjustment conditions prescribed by the Bank and IMF. The evidence of intervention on trade matters by an organization where developed countries –with their own stakes in the trade system—command at times effectively more than 75 percent of the vote, has certainly clouded pro-development claims in both, the Bank, and the multilateral trade system.

In addition to this, World Bank evaluations from its own quasi-independent evaluation unit give reason to strongly reject that there is any good in having the World Bank continue to address trade issues. Last year, an evaluation found that the World Bank trade advice had, inter alia, underestimated complementary policies, neglected the importance of the external environment, paid little attention to the impact of trade on growth and distributional outcomes and been too optimistic about the benefits of trade liberalization for growth in the short run.

The same unit has evaluated, in two separate opportunities, a trade-related technical assistance program implemented by several agencies, led by the World Bank. The evaluations, carried with 3 years in between, yield negative results of a remarkable similarity, raising not only doubts about the competence of the Bank in this area, but also about its capacity to improve over time and learn from its own mistakes.

Not least damaging than its policy reform and technical assistance interventions has been the weight of World Bank research on trade issues. The Bank's large research machinery, running on public money contributed by all member countries, has proven, once and again, to be largely at the service of the ideological goals of the Bank's masters.

On the eve of an important WTO Ministerial meeting in Cancun, the World Bank issued a report billed as a resource for developing country governments, claiming that liberalization under the Doha round would yield benefits of 300 bn dollars for the developing world. Two years later, a paper included in a new report reviewed those figures downward, stating that actual gains were of about 84 billion dollars, of which actually only a 30 percent would go to developing countries. Most of these gains would be concentrated in only five countries, and most developing countries would, therefore, in balance, experience a loss. Still, in the lead up to the WTO Ministerial in Hong Kong, 2005, a press release accompanying the full report that included this paper referred to the misleading original claim of 2003, rather than to the downward-revised one.

Last year, an External Panel tasked with reviewing the World Bank's research work issued a dark indictement. It found that Bank research on areas such as globalization, aid effectiveness or growth and poverty had been "used to proselityze on behalf of Bank policy, often without taking a balanced view of the evidence, and without expressing appropriate skepticism " Referring to a widely cited World Bank report that pro-globalization advocates had widely used to make the case for globalization, it said "much of this line of research appears to have such deep flaws that . . . the results cannot be regarded as remotely reliable." Even as new results come in, the Bank has not "corrected itself to this day."

Against this backdrop of heavily politicized and ideologically-driven lending and research interventions, Mr. Zoellick's selection can only be expected to make matters worse. This is the same person who, in 2001, shamelessly used the 9/11 tragedy to foist the start of a new trade round upon all WTO members, those who wanted one, and those that did not. The same who, after Cancun, when seventy developing countries walked out of negotiations to protest for the evident disregard to their concerns in the negotiations, dismissed their attitude as that of "cannot do" countries, and vowed to work only with "can do" ones—presumably those that would acritically accept US trade negotiating objectives.

The same who established an inextricable link between US security and trade policy by stating the policy that free trade treaties were a privilege the US would only vest onto countries that would cooperate with the US on security matters (at the time this clearly meant "get involved in the Iraq war").

A taste of what Mr. Zoellick will bring to the Bank could be seen in his recent comments about Venezuela's threat to leave the Bank. He said "I've found no shortage of countries interested in trying to work with the World Bank." He could have as well announced the Bank will work with the “can do” countries. And this when his nomination had not been even decided.

After the scandal that preceded Mr. Wolfowitz’s resignation, voices from all sides of the political spectrum cautioned about the prospects of long term, irreparable damage to the Bank’s image. Seeing the undemocratic and almost feudal nature of the process that had led to Mr. Wolfowitz’s appointment at the root of the problem, there were widespread calls for an open, transparent and competitive process to select his successor. The Board seemed to move a step forward in improving the selection process this time by disclosing a series of criteria that would be used to select the new President of the Bank, and calling for nominations from countries other than the US. However, the guidelines failed to call for a competitive process, by omitting requirement that more than one candidate should be considered. In such context, the best guidelines make no much sense. For instance, the guidelines called for the next Bank president to have “a firm commitment to development”, “a commitment to and appreciation for multilateral cooperation” and “political objectivity and independence.” In the absence of any other candidate, we will never truly know how Mr. Zoellick fared, as no matter how he fared the outcome would have been the same.

Moreover, while all of these criteria are very subjective to evaluate, there is another one that, because of its objectivity, admits no discussion. The Board had said the candidate should have “experience managing large, international organizations”, of which Mr. Zoellick can claim none.

As an institution going through the lowest point of credibility since its foundation, the Bank would have benefited from some dramatically refreshing move on leadership that would have lifted the institution. With Mr. Zoellick’s selection, it got exactly the opposite.