

## BUCHBESPRECHUNGEN / BOOK REVIEWS

*Susan Park, Jonathan R. Strand (eds.), Global Economic Governance and the Development Practices of the Multilateral Development Banks*, Routledge, New York 2016, 223 pages, hardcover, \$ 129, ISBN 978-1-138-82712-7

The edited collection by Park and Strand entitled ‘Global Economic Governance and the Development Practices of the Multilateral Development Banks’ brings a much needed contribution to the study of international financial institutions. Whilst there has been some research to date examining the nuts and bolts of individual development banks, it is great to see a comprehensive study on the subject, dealing with a full range of these institutions. The research within this volume covers all the major regional multinational development banks (RDBs) such as the African, Inter-American, Asian and European systems. Some chapters also deal with the several less known and thus underexplored sub-regional development banks (SRDBs), such as the Development Bank of Latin America (CAF), or the Black Sea Trade and Development Bank (BSTDB).

The book aims to cover two major research questions: (a) it is asking to what extent the RDBs and SRDBs are different from the World Bank; and (b) what role these ‘regional’ financial institutions play in the shifting system of global economic governance (Park and Strand, 3-15). Arguably, the latter inquiry has proven to be a more interesting source of insight and produced some valuable observations about the nature of economic institutions and their future. With regards to the first question, many papers in this collection had a strong inclination to emphasise the differences (and thus underplay the similarities) between the specific RDBs and the World Bank. This at times appeared as an artificial exercise that took away from the persuasiveness of the overall argument.

In my view, the strongest contribution of this book comes from its descriptive elements. The empirical analysis in this volume contains a wealth of useful detail that can be readily employed by other researchers interested in international financial cooperation. For instance, Humprey (143) builds his analysis on the interviews with employees working at the World Bank and several (S)RDBs, giving us a useful insider’s perspective to the economic governance debate. Strand and Trevathan (121), amongst others, interpret the financial data that underpins the governance structure of RDBs, setting out a useful economic background that is necessary to understand the shifts in global economic power. Most other authors in this volume, such as Zappile (187), Komori (21) or Uhlin (60), give a fairly detailed comparison of various policy frameworks governing individual financial institutions, helping us to appreciate the different levels of safeguards that apply to regional development assistance worldwide. The book is full of interesting data that can be highly beneficial to other authors in this area of research.

Chapters in this volume are mostly written by the scholars from politics and international relations (IR), and the book appears to be targeted towards readership in governance

studies, as well as those interested in international political economy. Most chapters, especially in the first part of the book, rely on some form of constructivist analysis; focusing on the internal transformation within the specific RDBs. Admittedly, slightly more commitment to theoretical pluralism is present in the second part of the book, the one that examines the role of RDBs in the global system of economic governance. Nonetheless, on the whole, the volume has a distinct IR ‘flavour’. In practice this means that by and large most of the contributions share the state-centric view of global governance. RDBs are generally seen as the agents of sovereign economic actors, or as the intermediaries that must mediate between the economically weaker, and the more powerful states. Put otherwise, the book is about geopolitical power and its dynamic. It therefore has little insights about such issues as global justice, sustainability and/or good governance.

Accordingly, this volume contains no stringent human rights analysis<sup>1</sup>, or other bottom-up approaches to development debate. Whilst the editors promise in the introduction to explore the legitimacy of RDBs, individual chapters generally unpack the content of legitimacy with little theoretical rigour. Only one piece in the entire volume (Shields, 167) engages with the more critical debate about deeper structures and ideologies of global economic system. In approaching this book one should therefore not expect for the ground-breaking theoretical assessment of the subject. Similarly, certain caution should be exercised in order not to take for granted the underlying assumptions that inform some of the analysis in this volume.

In the remaining part of this review essay I will engage with two key themes that emerged in several chapters of this book that in my view are problematic. Firstly, I will focus on the inherent ambiguity behind the idea of ‘regional’ economic cooperation, and especially the argument that we can equate regional cooperation with a higher degree of (democratic) legitimacy and representation. Secondly, I will briefly mention the RDBs’ reluctance to recognise the rising economic powers such as BRICS – another phenomenon that was debated in this book. More specifically, I wish to question the approach to social and environmental safeguards employed by many authors in this book, and how they saw the role of these safeguards in the changing face of global economic governance.

‘Regionalism’ is becoming an increasingly salient topic in the global governance discourse, both within and beyond the realm of economic cooperation. From trade deals to human rights protection to the use of force by the regional institutions, we are observing the capacity of regional organisations to arrive at the level of cooperation that is currently impossible at the global level. Partially that is simply due to the fact that regional organisations tend to be smaller – and thus more efficient, i.e. less likely to be stalled due to com-

1 The contribution by Daniel Braaten (99-118) on this topic employs a loose and not overly convincing conception of international human rights, by merging together indigenous peoples entitlements, environmental provisions, and various other social and environmental safeguards. Whilst in principle these safeguards do tackle the issues relevant to human rights, the strategy of blending safeguard policy frameworks with human rights norms appear to be unhelpful and arguably analytically flawed.

peting interests and ideologies. On the other hand, the intensifying regional cooperation, at least to some extent, is probably a symptom of a wider dissatisfaction with the global governance structures and their perceived lack of legitimacy, representativeness, fairness, efficiency and consideration towards weaker members of our global community. Therefore, in some respects regionalism can be viewed as a form of defiance. It generates from the actors that wish to have more weight in the global political arena – but which find it impossible to assert their position under the existing umbrellas of international cooperation.

The volume edited by Parks and Strand makes some important empirical observations on the nature of regionalism. For instance, the difficulties of drawing the line between the ‘regional’ and ‘global’ cooperation and the futility of an exercise that attempts to delineate the two phenomena definitively are underlined again and again (214-9). In a number of chapters it is noted that whilst the RDBs are usually only lending to the territories within their region, their membership and decision-making power is usually shared with donor countries from around the world (e.g. Komori, 21; Mingst, 80; Humprey, 143). This presence of global economic actors can also be witnessed at the sub-regional level, although to a much lesser degree (Zappile, 212).

Nonetheless – be it one of the major RDB, or a fairly small-scale SRDB – every financial institution usually has amongst its members at least one regional hegemon. This ‘super state’ endows the given financial institution with its economic power (e.g. Brasil in Latin America, South Africa in Africa, China in Asia, etc.). At times this role of the economic power is played by the private banks, which are allowed to become members of certain SRDBs (e.g. Nordea or Barclays banks in East African Development Bank, or a range of private banks in CAF; Zappile, 196-7). Without this economic power, the (S)RDB would simply be unable to acquire the necessary resources to conduct its operations. It follows from these observations that regionalism is a mode of governance that is not immune from political and/or commercial influence. It is just as prone to being captured by the interests of a single powerful economic actor as global institutions are, if not more.

Following from the above, the suggestion that I found particularly troubling in some of the chapters in this volume (e.g. Humprey and Zappile) is that regional cooperation is somehow by default more representative and thus more legitimate. The logic of such assumption appears to be quite straightforward; the suggestion is being made that if an institution has only 10 members rather than 180, then its decision-making is more likely to be in line with the interests of each of its members. Thus, according to this line of argument, smaller regional institutions would have a greater ‘representation legitimacy’ (Zappile, 198). Presumably, this is because regional institutions are more likely to leave some room for the exercise of the democratic mandate by each participating government.

I find this line of reasoning problematic on a number of accounts. Firstly, it appears that assessing the representativeness of a given organisation based on its size of membership is arbitrary. Where does one draw the line between, say the representativeness of 10 members, and the un-representativeness of 180? Moreover, how do we know where the boundaries of each region should be drawn, who can join (or be kicked out of) the ‘club’, and who should

be excluded from such economic partnership altogether? In other words, who decides the limits of this 'club' and based on what criteria? These questions matter, because if the structure of regional cooperation is completely fluid and based on pragmatism alone, then the governance structure in such institutions is as prone to being captured by power politics as it is the case at the global level. In fact, based on the findings in this volume, it seems that larger and older development banks have in place more safeguards against economic blackmailing and/or unjustified social and political coercion than the smaller, more recent financial institutions. Smaller (S)RDBs on the other hand are often heavily reliant on the interests of regional hegemon, as discussed above. Thus, regionalism and representativeness are neither synonyms nor mutually reinforcing qualities of governance. It would appear both naive and false to claim that there is a necessary connection between the two.

In a similar vein, one should bear in mind that regionalism and universality are not the direct opposites either. Regionalism does not necessarily leave more space for social sensitivity and cultural diversity, as some authors seem to suggest in this volume (e.g. Humphrey, 143; Strand and Park, 212). Instead, as the only critical piece in this volume illustrates (Shields, 167), regional institutions too, tend to act in line with particular agendas and ideology. Accordingly, I would argue that we ought to be sceptical about some claims in this volume (especially by Humphrey and Zappile), which imply that certain SRDB's are 'free' from Western donor influences (by virtue of not having any members of the traditional donor states) and are therefore more likely to be neutral in terms of setting their development agenda. Indeed, it seems to me that such bodies as the BSTDB (mainly dominated by Russia), or Asian Infrastructure Investment Bank (dominated by China), or even the entities like CAF (that are to an extent controlled by private banks) give us many reasons to doubt their neutrality as well as their willingness to genuinely represent *all* the interests affected by their projects.

Overall, regional and global cooperation are not only difficult to distinguish, as Park and Strands suggest. They also should not be seen as opposing poles in terms of their aspirations and effects. Instead, they can readily be perceived as two different strategies in pursuing the politics of universality, for the sake of advancing the interests of the most powerful actors in the global politics (see for instance Pahuja, 40-1).

It would be unfair to say that all contributions to Park's and Strand's volume praise regionalism and advance normative claims about the representative nature of the RDBs. To the contrary, the editors themselves seem to be largely aware of the problems involved in this particular mode of global governance. The argument above is only addressed against several chapters with normative claims about the nature of regionalism and its link to legitimacy. On the positive side, the evident value of this volume is that it permits us to have a more informed debate about the role of regional actors. It therefore makes it possible for us to appreciate the negative and positive dimensions of their role in the global economic governance.

The second general theme that I wish to tackle briefly in this review essay is the question of rising global economic powers. More specifically, it was illustrated by Park and

Trevathan (121) in this volume that emerging global economies continue to hold a very limited decision-making power in the structures of traditional, US-dominated multilateral development banks. The situation is tricky from a governance perspective, because the ‘pie’ of decision-making power in global political economy was never divided according to the principles of equality, fairness and the like. In the same way as UN Security Council’s permanent membership is largely arbitrary and based on the specific historical moment in the world history; so does the governance of global economic institutions reflect the US-dominated world economy that emerged after the WWII. It is therefore not surprising that BRICS countries are eager to change the current economic order and to have a greater say in it. It is equally not surprising that the ‘old’ and potentially declining global powers are unwilling to give up their share of the pie, which benefited them for decades.

Differently than Strand and Trevathan (121-142), I do not think that the creation of parallel economic institutions by China (see for instance Paradise, 149) and other BRICS countries is triggered by the fact that traditional RDBs failed to accommodate these rising powers in their governance structures. It seems to me that ultimately, the institutional form through which global economic power is manifested makes only marginal difference in reality. The process of contestation, shifting weights of bargaining position, and resulting institutional adjustment is a long-term development that is bound to undergo multiple metamorphoses. Each powerful state can either try and adjust the existing institutions, or create some new institutions, or do both, depending on its own interests. The shifts in power are going to take place either way; notwithstanding the ‘will’ of individual states or governance institutions involved. It therefore seems to me that from the political but also governance perspective, the reluctance of traditional RDBs to accommodate BRICS countries is neither surprising, nor particularly important on its own account.

Nonetheless, this is not to suggest that the geopolitical shifts in global economic power are irrelevant. In my view, the key issue that was largely left out from this volume is the question of *what is at stake* in this shifting landscape. What do these new powers mean for the Sustainable Development Goals agenda, the financial autonomy of the smaller states, and the future of development cooperation more generally?

Needless to say, these are big and difficult questions that cannot be answered in the space of this short review essay. Park and Strand should also not be criticised for sidestepping most of these questions, since admittedly their edited collection never claimed to have such focus or normative ambition. Nonetheless, in reading the contributions in this volume, I was continuously persuaded that the question ‘what’s at stake?’ is the elephant in the room that we ought to consider if we wish to take the changing face of global economic governance seriously.

In the remaining couple of paragraphs I wish to touch upon one specific issue that appears to be extremely salient in this process, and which came up on a number of occasions in this volume. Most authors writing about the evolution of specific RDBs underlined the controversy surrounding social and environmental safeguards, and especially the issues on inclusion of civil society, transparency provisions and grievance mechanisms. Indeed, con-

tributors generally illustrate that the adoption of these measures in each specific RDB was advocated by the civil society, and ultimately ‘pushed through’ by the donor countries (Kohori, 21; Uhlin, 60). Some contributors also suggest that most of the social and environmental provisions are looked upon rather unfavourably by the borrowing governments (Mingst, 80). There is a reoccurring suggestion that if given the possibility, many borrowers would avoid such policy framework altogether. Rising economic powers too, are generally eager to have less ‘hassle’ (Humprey, 143) and more freedom for the states to implement the fast and commercially viable development projects. Thus, the underlying message in many of the contributions seems to be that if not the ‘old’ donor states and ‘their’ liberal civil society demands, then the entire structure of development safeguards could be dismantled, or at least sized down considerably.

In this review essay I do not intend to ‘defend’ the safeguard policies of the World Bank or the more traditional US-dominated RDBs. I believe that such defence would have to be the object of a larger and more in-depth academic debate. Instead, I wish to finish this review essay with a preoccupation about the structure of the specific style of academic argument, outlined in the paragraph above.

It seems to me that many issues (and their solutions) depend on the way that we frame them. Scholars can therefore choose how to frame the problem of controversy surrounding social and environmental policies. They can portray the policies as a product of donor countries, imposed upon the borrowing states. Alternatively, they can argue that development banks are pushing these policies themselves, as autonomous agents interested in asserting identity; whereas borrowing states are resisting them as ‘principals’ in the principal-agent model. Another analytical alternative would be to claim that safeguard policies are necessary from the perspective of local populations, due to a perceived democratic deficit in the global economic governance – and that governments are resisting these changes because more democracy is not in the interest of local elites. Or, in yet another mode, scholars can argue that the very idea of democratic governance and civil society representation is a neoliberal construct used to undermine the sovereignty of developing states, and therefore safeguard policies create yet another layer of power domination over societies in developing countries.

All these arguments depend on the strand of literature that a given author is engaging with, her methodology, but also the discipline that she wishes to communicate with. Each argument outlined above tells us a part of the story about development cooperation. Unsurprisingly, safeguard policies emerge in this story as either a positive, or a negative force – all depending on your stance in the debate.

In reviewing specific RDBs and in assessing the role of rising regional powers in global economic governance most authors in this volume also took a stance on the matter. Most of them portrayed social and environmental policies of development banks in a way explained earlier on, i.e. as a product of the ‘Western’ countries and ‘their’ civil society (Humprey, 143; Mingst, 80). In fact, most of these authors would probably disagree with me and say that they told us what is the *perception* within the (S)RDBs, rather than what they thought

of this matter as scholars and/or individuals. Nonetheless, it seems to me not an accident that an absolute majority of authors in this book did not question this perception *at all*, nor did they attempt to introduce other perspectives regarding the safeguard policies that I outlined above.

This observation brings me back to the distinctly ‘IR flavour’ of the volume under review, mentioned in the beginning of this review. The issue I wish to underline here is that many disciplines – and scholars in international law are as guilty of this as those in international relations – tend to see the world through a disciplinary lens that moulds people and their actions into the familiar analytical categories. Thus, we talk about ‘states’, ‘institutions’, ‘policies’, ‘environmental’, ‘power’ and the like, as a given structure of the world. However, in a nuanced and complex field such as development cooperation, the use of these traditional categories can readily suppress our analytical insight and draw us towards conclusions that are true if and only if we employ those particular analytical categories and not others to begin with. Talking about states as the main, or worse still, as the *sole* actors in the context of global economic governance is not a value-neutral stance of assessment. It is currently the most prevalent one; but it *is* a political stance nonetheless. It is therefore crucial to be aware of the theoretical, practical and methodological implications that this stance entails in terms of research findings and our broader understanding about global economic governance.

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