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## **The Politics of International Development: Towards a New Grand Compromise?**

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International development is at the core of any overall analysis of global governance. Already in the late 1960s the Pearson Commission acknowledged that, "The widening gap between the developed and developing countries has become a central issue of our time."<sup>1</sup> Three decades later, in September 2000, the Declaration adopted by 147 heads of State and Government at the UN Millennium Summit identified the fight against poverty as the international community's highest priority.<sup>2</sup> It is easy to understand why so much attention is focused on development: the countries of the North, with 15% of the world's population, control 80% of global wealth, while nearly three billion people live on less than two dollars a day.<sup>3</sup>

This study examines the many transformations in the global governance of development since the mid-1990s. I will show that it may be appropriate to characterize the recent evolution of international development policies as the expression of a 'new' compromise. Yet it seems altogether exaggerated to regard this evolution as coinciding with a 'grand' compromise. The chapter is divided into three parts. Section I presents a constructivist approach to the development debate. It argues that this debate can be read as a permanent dialogue—or confrontation—between the political Left and UN agencies on one side, and the political Right and the Bretton Woods institutions on the other. Building on this theoretical framework, Section II describes how the last few years have seen an unprecedented convergence between the UN agencies and the Bretton Woods institutions. Section III then explains the limitations of current changes in the global governance of development. Finally, the conclusion summarizes the results of this study and briefly outlines possible scenarios for the future of North-South politics.

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<sup>1</sup> Lester B. Pearson, Partners in Development. Report of the Commission on International Development, New York, Praeger, 1969, p. 3.

<sup>2</sup> John G. Ruggie, Globalization and Global Community : The Role of the United Nations, The J. Douglas Gibson Lecture, School of Policy Studies, Queen's University (Kingston), 20 November 2000, pp. 1-2.

<sup>3</sup> World Bank, "Poverty Reduction: The Future of Global Development and Peace," Keynote Address Delivered by the President of the World Bank, James D. Wolfensohn, at the University of Pennsylvania, Philadelphia, 27 March 2003, pp. 1-2.

## **I) The Development Debate: A Constructivist Approach**

This chapter is informed by two sets of theoretical and methodological assumptions. The first set refers to the role of ideas in politics, and the second to the role of multilateral institutions in the field of development and, more broadly, in international relations.

As a starting point, I use a constructivist approach that stresses the importance of ideas and ideologies in accounting for social processes. Ideas not only provide conceptual roadmaps and collective images to guide human behavior, they also frame issues. To a large extent, political interests themselves can be viewed as "ideational."<sup>4</sup> One can reasonably conclude that ideas therefore have a major impact on international affairs and North-South relations. Given that ideas are expressed primarily through language and that "naming" structures reality,<sup>5</sup> constructivism has always shown a strong interest in discourse and discourse analysis. Constructivists thus unanimously recognize the importance of political debates. Yet, they are far from agreement on the best method to interpret them. Clearly, the establishment of a general theory of political speech acts remains too ambitious a goal to be contemplated in the short run. It does seem useful, however, to ask what a 'generative grammar' of political discourse and ideologies might look like.

John Ruggie, in one of his many stimulating insights, borrowed the notion of 'generative grammar' from linguistics in order to study international regimes and emphasize "the underlying principles of order and meaning that shape the manner of their formation and transformation."<sup>6</sup> Ruggie's approach was essentially analogical, in the sense that he considered regimes "akin to language."<sup>7</sup> By extending the scope of his insight, one can hypothesize that the language underpinning political ideas and norms is itself constructed from a 'generative grammar' needing exploration. As long as such a 'generative grammar' is viewed as a historical structure in perpetual motion,<sup>8</sup> the concept may spawn a seminal research program for constructivists.

There are undoubtedly numerous avenues available for plotting a 'generative grammar' of political discourse, particularly in the field of international relations. While it does not aim for universality —an unattainable goal almost by definition— the method proposed here still has the merit of being parsimonious: it relies on the fact

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<sup>4</sup> Alexander Wendt, Social Theory of International Politics, Cambridge, Cambridge University Press, 1999, p. 115.

<sup>5</sup> Pierre Bourdieu, Ce que parler veut dire. L'économie des échanges linguistiques, Paris, Fayard, 1982, p. 99.

<sup>6</sup> John G. Ruggie, "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Regimes," in Stephen D. Krasner (ed.), International Regimes, Ithaca, Cornell University Press, p. 196.

<sup>7</sup> Ibid.

<sup>8</sup> Robert W. Cox, "The Way Ahead: Toward a New Ontology of World Order," in Richard Wyn Jones (ed.), Critical Theory and World Politics, Boulder, Lynne Rienner, 2001, p. 46.

that the vast majority of political speech acts can be located within the Left-Right division. Thus, in what follows, I suggest that the history of ideas about international development can be understood as the history of an ongoing debate between forces of the Left and forces of the Right. At first glance, this interpretation may appear curious, perhaps even simplistic. Yet, while international relations scholars rarely use notions of Left and Right, the Left-Right opposition has long been recognized as a meaningful distinction in comparative politics, political philosophy and sociology.<sup>9</sup> Indeed, according to one scholar, that distinction is "the most firmly-established method" for categorizing political ideas.<sup>10</sup> It must be acknowledged, moreover, that the notions of 'Left' and 'Right' are analytical references commonly used as a political compass by both the general public and the media. As political philosopher Norberto Bobbio argues, the Left-Right divide has not only survived the end of the Cold War, but it also continues to be "at the center of political debate."<sup>11</sup>

Left and Right cannot be easily defined, and it is beyond the scope of this chapter to address all the difficulties involved in the formulation of such a definition. The present analysis will restrict itself to the widely shared interpretation put forward by Bobbio, according to which the difference between Left and Right rests on "the attitude of real people in society to the ideal of equality."<sup>12</sup> As Bobbio admits, the Left-Right distinction is no more than a metaphor because in the real world it involves a spectrum of attitudes rather than a mere dichotomy. He also emphasizes that Left and Right are context-dependent, and that their meaning varies across space and time. In spite of its evident limitations, Bobbio's definition has the great advantage of emphasizing that equality remains a central issue of negotiation in modern political life. At any rate, even though the terms 'Left' and 'Right' point to realities that are far more relative than absolute, those who use them "do not appear to be using words unthinkingly."<sup>13</sup> Anthony Giddens correctly points out that in the shifting ideological

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<sup>9</sup> The scholarly literature is replete with references to the notions of Left and Right. See for example J. A. Laponce, Left and Right: The Topography of Political Perceptions, Toronto, University of Toronto Press, 1981; Francis G. Castles and Peter Mair, "Left-Right Political Scales: Some 'Expert' Judgments," European Journal of Political Research, Vol. 12, No. 4 (1984), pp. 73-88; Norberto Bobbio, Left and Right: The Significance of a Political Distinction, Chicago, University of Chicago Press, 1996; Leon P. Baradat, Political Ideologies: Their Origins and Impact, 6<sup>th</sup> ed., Upper Saddle River, Prentice Hall, 1997; Geoffrey Garrett, Partisan Politics in the Global Economy, Cambridge, Cambridge University Press, 1998; Anthony Giddens, The Third Way and its Critics, Cambridge, Polity Press, 2000; Jean-Philippe Thérien and Alain Noël, "Political Parties and Foreign Aid," American Political Science Review, Vol. 94, No. 1 (2000), pp. 151-162; Anthony Giddens (ed.), The Global Third Way Debate, Cambridge, Polity Press, 2001; James E. Alt, "Comparative Political Economy: Credibility, Accountability, and Institutions," in Ira Katznelson and Helen V. Milner (eds.), Political Science: The State of the Discipline, New York, W.W. Norton & Company, 2002, pp. 163-164; and Manfred B. Steger, Globalism: The New Market Ideology, Lanham, Rowman & Littlefield, 2002.

<sup>10</sup> Andrew Heywood, Political Ideologies: An Introduction, New York, St. Martin's Press, 1992, p. 9.

<sup>11</sup> Bobbio, Left and Right, p. 89.

<sup>12</sup> Ibid., p. 60.

<sup>13</sup> Ibid., p. 29.

environment of the post-Cold War era, Left and Right cannot be considered the "sole and sovereign dividing-line" in political struggles. Yet Giddens also makes clear that Left and Right "still count for a good deal in contemporary politics."<sup>14</sup> There exists no *a priori* justification for depriving the discipline of international relations of such enduring analytical categories.

From a different perspective, this study is also founded on the conviction that multilateral institutions offer an excellent vantage point to examine political ideas and discourse in the field of development. That conviction is rooted in two complementary observations. First, the production of new ideas constitutes one of the main contributions of international organizations to the dynamics of world politics.<sup>15</sup> Second, the promotion of development and the fight against poverty have long figured among the most fundamental objectives of multilateral institutions.<sup>16</sup>

Some might argue that trying to comprehend development through the lens of multilateral institutions is inappropriate because international organizations are secondary actors in international relations. Realists, for instance, believe that international organizations reflect the interests of only the most powerful states. That view is not adopted here. Although the state remains the main actor on the world stage, it no longer monopolizes political authority. The thriving literature on global governance amply illustrates the recent expansion of "the nexus of systems of rule-making, political coordination and problem solving which transcend states and societies."<sup>17</sup> And while international institutions cannot be considered wholly autonomous political bodies, a wide range of studies have clearly demonstrated that they function as key agents of global governance because they change the context of government decision-making, shape states' interests, and play a significant role in industrial development.<sup>18</sup>

The importance attributed to multilateral institutions can be justified as well by the power stemming from their legitimacy.<sup>19</sup> It should be recalled that one of the most vital functions performed by international organizations is that of articulating and

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<sup>14</sup> Giddens, *The Third Way and its Critics*, pp. 38 and 50.

<sup>15</sup> See Louis Emmerij, Richard Jolly and Thomas G. Weiss, *Ahead of the Curve ? UN Ideas and Global Challenges*, Bloomington, Indiana University Press, 2001, p. 3.

<sup>16</sup> Peter Townsend, *The International Analysis of Poverty*, London, Harvester-Wheatsheaf, 1993, pp. 102-103.

<sup>17</sup> David Held and Anthony McGrew (eds.), *Governing Globalization: Power, Authority and Global Governance*, Cambridge, Polity Press, 2002, p. 8.

<sup>18</sup> See for example, Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy*, Princeton, Princeton University Press, 1984; Martha Finnemore, *National Interests in International Society*, Ithaca, Cornell University Press, 1996; and Craig N. Murphy, *International Organization and Industrial Change: Global Governance Since 1850*, New York, Oxford University Press, 1994.

<sup>19</sup> See Jean-Marc Coicaud and Veijo Heiskanen (eds.), *The Legitimacy of International Organizations*, Tokyo, United Nations University Press, 2001.

aggregating their members' interests.<sup>20</sup> Because of this function, multilateral institutions represent the most tangible expression of what is referred to as the 'international community'. Indeed, the daily work of multilateral institutions largely consists in determining "what is just and what is not" on behalf of the international community.<sup>21</sup> Multilateral institutions thus enjoy a political legitimacy no single state can attain on its own. This feature certainly warrants the great attention paid to them in the study of international relations and development.

Whereas international organizations have the capacity to legitimize a certain image of the international community, their interests are too disparate for that image to be unified. The notion of 'international community' simply does not mean the same thing to everyone, and in the field of development, the lack of consensus is particularly noticeable. For fifty years, the 'UN paradigm' put forward by UN agencies such as the Secretariat, ECOSOC, UNDP, UNCTAD, and ILO among others, has opposed the 'Bretton Woods paradigm,' advocated by the IMF, World Bank, and GATT-WTO.<sup>22</sup> As Joseph Stiglitz suggests, the conflict between these two worldviews has a lot to do with ideology;<sup>23</sup> it should therefore be located quite naturally within the Left-Right debate alluded to earlier.

To put it in a nutshell, one could say that the Bretton Woods institutions lean more to the Right, whereas the UN agencies tend towards the Left. This typology, represented in Figure 1 below, is a simplification not only because all multilateral organizations have distinct mandates and institutional cultures but also because none is ideologically homogeneous. Still, inasmuch as it focuses on the forest rather than the trees, the proposed typology is analytically useful to synthesize the collective images that shape the global development debate. Above all, it is supported by the fact that the Bretton Woods institutions champion economic growth and the free functioning of markets, values traditionally associated with the Right, while the UN agencies are inclined to stress social justice and the need for political regulation, ideas generally associated with the Left. In other words, the Bretton Woods institutions' neo-liberalism stands in opposition to the UN agencies' more social-democratic views.<sup>24</sup>

The proposed typology sheds a new light on what is often termed the "separation"<sup>25</sup> between the Bretton Woods institutions and the UN agencies. This

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<sup>20</sup> Clive Archer, International Organizations, 3<sup>rd</sup> ed., London, Routledge, 2001, pp. 94-96.

<sup>21</sup> Marie-Claude Smouts, Les organisations internationales, Paris, Armand Colin, 1995, p. 98 (author's translation).

<sup>22</sup> Jean-Philippe Thérien, "Beyond the North-South Divide: The Two Tales of World Poverty," Third World Quarterly, Vol. 20, No. 4, 1999, pp. 723-742.

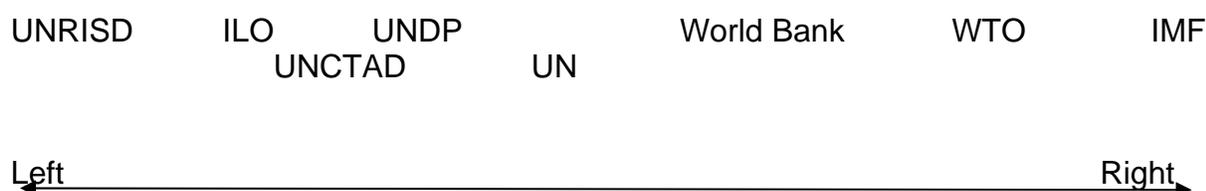
<sup>23</sup> Joseph E. Stiglitz, La grande désillusion, Paris, Fayard, 2002, p. 35.

<sup>24</sup> A very similar view is presented in Bob Deacon (with Michelle Hulse and Paul Stubbs), Global Social Policy: International Organizations and the Future of Welfare, London, Sage, 1997, pp. 57-90; see also Nigel D. White, The United Nations System: Toward International Justice, Boulder, Lynne Rienner, 2002, p. 266.

<sup>25</sup> Karen A. Mingst and Margaret P. Karns, The United Nations in the Post-Cold War Era, 2<sup>nd</sup> ed., Boulder, Westview, 2000, p. 130. For a comparative overview of the main characteristics of the two sets

"separation" is explained by the fact that, except in the Security Council, UN agencies have a voting system based on the 'one state, one vote' principle, whereas decision-making procedures in the Bretton Woods institutions are, *de jure* or *de facto*, "weighted (...) in favor of the major developed countries."<sup>26</sup> Since it ultimately refers to different conceptions of inter-state equality, the "separation" between the "economic multilateralism" of the Bretton Woods institutions and the "political multilateralism"<sup>27</sup> of the UN agencies coheres with the logic of the Left-Right divide. A final point to consider is that associating the Bretton Woods institutions with the Right and the UN agencies with the Left is also consistent with the facts of domestic political life, for it corresponds to a distinction often found within national governments: the Finance department is typically headed by politicians more to the Right, and those in charge of 'social' departments like Health or the Environment are generally closer to the Left.

**FIGURE 1. Multilateral Institutions In the Left-Right Spectrum**



Based on the preceding considerations, the rest of this chapter offers an analysis of recent trends in multilateral debates on development issues. The analysis demonstrates that the consensus, which for many observers characterizes the global governance of development in these early years of the 21<sup>st</sup> century, remains extremely fragile.

## **II) A New Convergence Among Multilaterals**

The current climate within the multilateral development system is much more harmonious than that which prevailed in the 1980s and the early 1990s, when "the civil war over structural adjustment" was raging.<sup>28</sup> Although the optimism that marked the Millennium Summit has somewhat diminished because of the political tensions generated by the war on terrorism, cooperation and dialogue between the Bretton Woods institutions and the UN agencies are more intensive today than at any other

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of institutions, see Catherine Gwin, "A Comparative Assessment," in Mahbub ul Haq, Richard Jolly, Paul Streeten, and Khadija Haq, The UN and the Bretton Woods Institutions: New Challenges for the Twenty-First Century, New York, St. Martin's Press, 1995, pp. 95-116.

<sup>26</sup> Mingst and Karns, The United Nations in the Post-Cold War Era, p. 130.

<sup>27</sup> The distinction between economic and political multilateralism is formulated in Robert W. Cox, "Multilateralism and World Order," Review of International Studies, Vol. 18, No. 2 (1992), p. 164.

point in the past. The Bretton Woods institutions now acknowledge that globalization engenders losers, and that "the disparities between the world's richest and poorest nations are wider than ever."<sup>29</sup> The UN agencies, for their part, agree more and more that globalization offers "great opportunities" for poor countries.<sup>30</sup>

In accordance with this change in attitudes, the Bretton Woods institutions attribute greater importance than before to the social dimension of development, while the UN agencies are less hostile to market forces. Among its main achievements, the new multilateral compromise has made it possible to target one critical priority: poverty reduction. Indeed, this theme has become so pervasive in the discourse of international organizations that poverty reduction is for many the new name for development. The poverty reduction issue may be destined to quickly fall into oblivion, much like the World Bank's 'basic needs' strategy in the 1970s. But, at present, the level of political support in favor of poverty reduction is without parallel in the history of international development.

The new development consensus was solemnly endorsed with the adoption of the 2000 Millennium Declaration. Recognizing that "the benefits [of globalization] are very unevenly shared," that document commits the international community to reduce world poverty by half by 2015.<sup>31</sup> Other so-called 'Millennium Development Goals' (MDGs) include achieving universal primary education, promoting gender equality, reducing child mortality, improving maternal health, halting the spread of infectious diseases, ensuring environmental sustainability, and developing a global partnership for development.<sup>32</sup> In 2002, the Declaration adopted at the Monterrey Conference on financing for development confirmed the importance of the MDGs articulated in the Millennium Declaration and proposed to make the 21<sup>st</sup> century "the century of development for all."<sup>33</sup>

The Monterrey Declaration has the additional distinction of having stated more clearly than ever before the norms underlying today's development compromise. These norms can be summed up as follows: 1) The global economic system should be more inclusive and equitable; 2) Each country has primary responsibility for its own

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<sup>28</sup> UNDP, "The United Nations, the World Bank and the Millennium Development Goals: A New Framework for Partnership," Address by UNDP Administrator Mark Malloch Brown to the International Monetary Fund-World Bank Development Committee," Washington, 13 April 2003, p. 2.

<sup>29</sup> IMF, "Working for a Better Globalization," Remarks by Managing Director Horst Köhler at the Conference on Humanizing the Global Economy, Washington, 28 January 2002, p. 2.

<sup>30</sup> Kofi A. Annan, 'We the Peoples': The Role of the United Nations in the 21<sup>st</sup> Century, New York, United Nations, 2000, p. 6.

<sup>31</sup> United Nations General Assembly, United Nations Millennium Declaration, UN Resolution A/RES/55/2, New York, 18 September 2000.

<sup>32</sup> See Roger A. Coate, "The United Nations and Development," in Diana Ayton-Shenker (ed.), A Global Agenda: Issues Before the 57th General Assembly of the United Nations, Lanham, Rowan & Littlefield, 2002, pp. 143-147.

<sup>33</sup> United Nations General Assembly, Monterrey Consensus: Draft Outcome of the International Conference on Financing for Development, New York, United Nations, 30 January 2002.

economic and social development; 3) Development should primarily rely on private flows; 4) Trade is the main engine of growth and development; 5) Aid should be seen as a complement to other sources of development financing; 6) Debtors and creditors must share the responsibility for solving unsustainable debt situations; and 7) The participation of developing countries in global economic decision-making bodies should be strengthened. Horst Köhler, the Managing Director of the IMF, has distilled from those seven norms two principles that are to be upheld equally: "self-responsibility in developing countries" and "solidarity on the part of the international community."<sup>34</sup>

The atmosphere of cooperation that currently characterizes the multilateral development system has been made possible by the rapprochement between the UN agencies and the Bretton Woods institutions that began in the second half of the 1990s. After picking up speed as of 1998, in the wake of a historic meeting of high-level officials from ECOSOC and the Bretton Woods institutions, this rapprochement received an unprecedented boost with the joint signing by the IMF, the World Bank, the UN, and the OECD of A Better World For All in 2000.<sup>35</sup> In many ways, that path-breaking document, itself the result of decisions adopted at various UN conferences held throughout the 1990s, laid the foundations for the Millennium Declaration and the Monterrey Declaration.

While partnership between the Bretton Woods institutions and the UN agencies must still be seen as nascent, the recent convergence marks a turning point in North-South politics. All the Bretton Woods institutions are more sensitive to the problems of poor countries. According to Horst Köhler, poverty has become, "the greatest challenge to peace and security in the 21<sup>st</sup> century."<sup>36</sup> Hence, the IMF has taken a series of measures to face this challenge. Since 1999, the Enhanced Initiative for Highly Indebted Countries (HIPC) has accelerated debt relief. By 2002, it had provided a \$40 billion debt reduction to 26 countries.<sup>37</sup> Moreover, the introduction of the Poverty Reduction Strategy Papers (PRSPs) has increased 'national ownership' in the definition of developing countries' economic policies. In particular, PRSPs have helped to respond more effectively to the needs of the poor by encouraging dialogue with civil society in borrowing countries. Since the arrival of James Wolfensohn at its helm in 1995, the World Bank, too, has been much more concerned with poverty reduction. This new orientation, quite evident in the Bank's rhetoric and research activities, has had a tangible impact on lending operations and on relationships with NGOs. Taking also into account the IMF and World Bank's recent active support of

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<sup>34</sup> IMF, "The Role of the IMF in a Globalizing World Economy," Remarks by Managing Director Horst Köhler at the Fourth Annual Conference of the Parliamentary Network on the World Bank, Athens, 9 March 2003, p. 2.

<sup>35</sup> IMF, OECD, UN, and World Bank, A Better World for All, Washington, Communications Development, 2000.

<sup>36</sup> IMF, "Working for a Better Globalization," p. 2.

<sup>37</sup> IMF, Debt Relief for Poor Countries (HIPC): What Has Been Achieved ? A Factsheet, Washington, IMF, March 2002.

higher levels of foreign aid, most critics acknowledge that international financial institutions pay increasing attention to "making growth 'pro-poor'".<sup>38</sup>

In the field of trade, the failure of the Seattle conference prompted the WTO to engage more closely with developing countries. Using an entirely new language, the WTO now presents poverty reduction and the achievement of the MDGs as a "shared responsibility of the international community."<sup>39</sup> More significantly, the trade round initiated at Doha in 2001 is officially referred to as the "Development Round." At that meeting, several observers argued, the developing countries successfully took advantage of more transparent negotiation procedures to make gains on questions including the timetable of future negotiations, the implementation of the Uruguay Round, and technical cooperation.<sup>40</sup> The surprise agreement relaxing the rules on intellectual property could provide developing countries with easier access to generic drugs. In addition, WTO authorities are far more vigorous than before in denouncing the cost of the developed countries' protectionism toward developing countries, which is estimated at about \$150 billion per year. Though the WTO certainly does not see itself as a development agency, it admits, "it could do more to help the poor."<sup>41</sup>

In the face of repeated criticisms from the developed countries, the 'UN paradigm' has, for its part, become more 'market-friendly.' Indeed, the UN has gradually abandoned its longstanding "anti-business prejudice,"<sup>42</sup> a trend spotlighted by Bill Gates and Ted Turner's generous support for UN activities. According to one observer, "every UN organization is currently involved in multiform private sector partnerships."<sup>43</sup> Henceforward, it is clear for the UN that in the field of development, markets have to be seen more as part of the solution than of the problem. The UN's ideological shift has been particularly remarkable within the Secretariat and the UNDP. In A Better World For All, for example, by agreeing that Third World countries "have to lower their tariffs and other trade barriers and streamline their systems for the flow of imports, exports and finance,"<sup>44</sup> Kofi Annan has aligned himself with a position traditionally defended by the IMF. At Doha, the Secretary-General went still further,

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<sup>38</sup> Caroline Thomas, Global Governance, Development and Human Security : The Challenge of Poverty and Inequality, London, Pluto Press, 2000, p. 62.

<sup>39</sup> WTO, "Trade Policies Cannot Work on Their Own, Supachai Tells Development Seminar," Speech Delivered by Director-General Supachai Panitchpakdi at the Second Integrated Framework Mainstreaming Seminar, Geneva, 1 November 2002, p. 3.

<sup>40</sup> See Gumasa Mutume, "What Doha Means for Africa : Compromises at WTO Trade Talks Bring Some Gains, But at an Uncertain Cost," Africa Recovery, Vol. 15, No. 4, 2001, p. 3.

<sup>41</sup> WTO, "Trade, Poverty and the Human Face of Globalization," Speech Delivered by Director-General Mike Moore at the London School of Economics, London, 16 June 2000, p. 4.

<sup>42</sup> Sidney Dell, The United Nations and International Business, Durham-London, Duke University Press-UNITAR, 1990, p. ix.

<sup>43</sup> Sandrine Tesner (with Georg Kell), The United Nations and Business: A Partnership Recovered, New York, St Martin's Press, 2000, p. 69.

<sup>44</sup> IMF, OECD, UN, and World Bank, A Better World for All, p. 22.

stating that opening markets "is even more important for developing countries and transition economies than for the rest of the world."<sup>45</sup> In terms of political initiatives, this new willingness of the UN Secretariat to cooperate with 'market forces' is no doubt best highlighted by the launching of the Global Compact in 1999. The Global Compact is a multi-stakeholder network that includes business, labor organizations, NGOs, and the UN. Its objective is to induce the private sector to adopt good practices based on nine internationally approved principles in the areas of human rights, labor, and the environment.<sup>46</sup> The Global Compact is ultimately rooted in the notion that the promotion of corporate social responsibility through voluntary measures is one of the best ways to counteract the "downsides of globalization."<sup>47</sup>

The UNDP is another UN agency that has changed considerably in recent years. Basically, it has been won over to a number of ideas long defended by the World Bank and the OECD. The UNDP has thus embraced the view that since the early 1990s, "development aid has seen a shift away from 'aid-as-entitlement' concepts toward an emphasis on results and performance."<sup>48</sup> And, in an effort to promote "results-based management," the UNDP is endeavoring to make its services "more competitive."<sup>49</sup> The UNDP has also become an active partner in the implementation of the PRSPs sponsored by the Bretton Woods institutions. In 2002 the participation of the UNDP in PRSPs extended to more than 60 countries and covered a wide range of subjects including trade, macroeconomic policy, and poverty monitoring.<sup>50</sup> Moreover, the general tone of the UNDP's discourse is less confrontational than in the past. The growing tendency of the UNDP to describe the development issue as more technical than political is altogether in keeping with the "new pragmatism" the UN agencies are striving to foster.<sup>51</sup> Finally, it is striking that, having recently introduced purchasing power parity in its measurement of income, the

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<sup>45</sup> Kofi Annan, "Message of the UN Secretary-General, Mr. Kofi Annan, at the Doha Ministerial Conference of the WTO," 9 November 2001, p. 1.

<sup>46</sup> John Gerard Ruggie, "global\_governance.net : The Global Compact as Learning Network," Global Governance, Vol. 7, No. 4, 2001, pp. 371-378.

<sup>47</sup> United Nations, Cooperation Between the United Nations and All Relevant Partners, In Particular the Private Sector: Report of the Secretary General, New York, United Nations, 28 August 2001, A/56/323, p. 32.

<sup>48</sup> UNDP, Development Effectiveness : Review of Evaluative Evidence, New York, Evaluation Office of the UNDP, 2001, p. 5.

<sup>49</sup> *Ibid.*, p. 12

<sup>50</sup> UNDP, "Statement by UNDP Administrator Mark Malloch Brown at the Conference on the Review of Poverty Reduction Strategy Papers," Washington, 16 January 2002, p. 3.

<sup>51</sup> Joan E. Spero and Jeffrey A. Hart, The Politics of International Economic Relations, 6<sup>th</sup> ed., Belmont, Wadsworth/Thomson Learning, 2003, p. 284.

UNDP now suggests that global inequality, rather than increasing, might be on the decline.<sup>52</sup>

A number of factors may explain the emergence of a more widely shared vision of development. The Bretton Woods institutions' shift in attitude can be attributed, in particular, to the lessons drawn from the Asian crisis, the worst economic crisis of the second half of the twentieth century. Many analysts have stressed that the IMF's standard austerity policies resulted in making the Asian crisis "deeper, longer and harder."<sup>53</sup> With their credibility seriously tarnished, the international financial institutions became less arrogant and more aware of their weaknesses. Apart from the multilateral scene, it should be emphasized that the second half of the 1990s was marked by the simultaneous presence of 'Center Left' governments in many countries of Europe and North America. Leaders such as Bill Clinton in the United States, Tony Blair in Great Britain, Gerhard Schröder in Germany, Lionel Jospin in France, Massimo d'Alema in Italy, and Jean Chrétien in Canada were certainly more open to Third World concerns than others.

On the other hand, the changes that have occurred within the UN system were due, in part, to the demonstration effect generated by developing countries where liberalization has helped achieve higher levels of growth, but perhaps even more to a "widespread mood of resignation."<sup>54</sup> As one UN agency argued, "The ever-present possibility of withdrawal of concessional assistance and debt relief (...) is inhibiting what national authorities feel they can say."<sup>55</sup> Moreover, it should be underlined that with the decrease of aid flows, public-private partnerships now seem to be the only option available to poor countries.<sup>56</sup> Feelings of 'resignation' derive also from the recent alteration in the dynamics of multilateralism: in a lopsided world completely dominated by the hyperpower of the United States, the UN's latitude to stand up to a vision of development strongly advocated by the U.S. government has diminished significantly.

The director of UNRISD, Thandika Mkandawire, accurately notes that, "the ideological climate for rethinking development policy is more favorable than it has been for years."<sup>57</sup> And as suggested by his colleague Mark Malloch Brown, the Administrator of the UNDP, the Left-Right distinction certainly sheds light on today's

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<sup>52</sup> UNDP, Human Development Report 2001: Making New Technologies Work for Development, New York, Oxford University Press, 2001, p. 20.

<sup>53</sup> Joseph E. Stiglitz, "The Insider: What I Learned at the World Economic Crisis," The New Republic, 17-24 April 2000, p. 60.

<sup>54</sup> "Jordan Valley Declaration: Time for Mobilizing the South," in South Centre, South Centre High Level Policy Forum, Dead Sea, Jordan, 14-15 January 2003, Geneva, South Centre, 2003, p. 3.

<sup>55</sup> UNCTAD, The Least Developed Countries Report 2002: Escaping the Poverty Trap, New York-Geneva, United Nations, 2002, p. x.

<sup>56</sup> Annan, 'We the Peoples', p. 39.

<sup>57</sup> Thandika Mkandawire, "Preface," in UNRISD, Visible Hands: Taking Responsibility for Social Development, Geneva, UNRISD, 2000, p. iii.

convergence among development institutions: "I believe we are at a pivotal moment in global development (...) where the right has realized that the case for doing something is now too powerful to hide behind past failures and the left — recognizing these failures — is taking a much tougher approach to performance and results."<sup>58</sup> The 'new compromise' that emerged in the late 1990s has been referred to variously as the post-Washington Consensus, the Copenhagen Consensus, the Santiago Consensus, the Bangkok Consensus, and the Monterrey Consensus. But no matter what it is called, it remains very thin.

### **III) The Mirage of a 'Grand' Compromise**

For a number of reasons, the recent changes in the relationships between the 'UN paradigm' and the 'Bretton Woods paradigm' fall short of what could justifiably be referred to as a 'grand' compromise. To begin with, the very existence of a new development 'consensus' has been met with skepticism within the multilateral system. Not surprisingly, given that this system is characterized by the hegemony of the Bretton Woods institutions and that any form of hegemonic power strives for legitimation through consensus, the skepticism regarding a so-called 'Global Deal' has been voiced first and foremost by the UN agencies. In fact, one of the main cracks in the new development compromise stems from the split between the Bretton Woods' systematic optimism and the UN agencies' more pessimistic penchant. While conceding that, "a radical rethinking of international development cooperation [...] is currently under way," for instance, a recent UNCTAD report vented a widespread sense of frustration by asking, "Why should we expect better results this time around?"<sup>59</sup> With the attainment of the MDGs already in doubt just a few years after their adoption by the international community, that question seems altogether pertinent. The UNDP estimates that in all likelihood 70 countries will be unable to reduce poverty by half by the year 2015,<sup>60</sup> a bleak forecast that seems all the more plausible as development assistance has dropped considerably since the mid-1990s.

The convergence observed in recent years between the 'UN paradigm' and the 'Bretton Woods paradigm' remains superficial because both worldviews are grounded on discrete values. The UN agencies continue to insist mainly on social justice and equality, whereas the Bretton Woods institutions place much more emphasis on economic performance and freedom. In its highly diplomatic summary of these divergent outlooks, the UN argues, "the ideal of equitable societies and global equity is little challenged," but admits, "views on what is equitable [...] and how equity can be promoted are subject to interpretation and give rise to acrimonious political

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<sup>58</sup> UNDP, "Meeting the Millennium Challenge: A Strategy for Helping Achieve the United Nations Millennium Development Goals," Address by UNDP Administrator Mark Malloch Brown, Berlin, 27 June 2002, p. 1.

<sup>59</sup> UNCTAD, The Least Developed Countries: 2000 Report, New York-Geneva, United Nations, 2000, p. i.

<sup>60</sup> UNDP, Human Development Report 2001, p. 25.

controversy."<sup>61</sup> One fundamental aspect of this "political controversy" is that the Bretton Woods institutions speak in terms of poverty, the UN agencies in terms of inequality. The former frame the problem as one of individuals who are not well adapted to the demands of the market; the latter define it primarily as a structural issue whose solution would require global redistribution measures. The current consensus on poverty reduction and the emphasis placed on the need to lift out of 'absolute poverty' the 1.3 billion individuals who survive on less than one dollar per day can thus be interpreted as a victory of the Bretton Woods perspective. This victory, however, fails to adequately address the concerns of the UN agencies that denounce as "grotesque" the fact that 1% of people receive an income equivalent to that of the poorest 57%, or that the income of the world's richest 5% is 114 times that of the poorest 5%.<sup>62</sup>

Because of their differing value systems, the 'UN paradigm' and the 'Bretton Woods paradigm' do not share the same view of globalization. Granted, the UN agencies and Bretton Woods institutions do currently concur that globalization presents both opportunities and risks. Overall, however, the Bretton Woods institutions underscore the opportunities, while the UN agencies tend to highlight the risks. For the World Bank, for instance, "global economic integration has supported poverty reduction and should not be reversed."<sup>63</sup> Similarly, Mike Moore, the former Director-General of the WTO, has argued, "The message is clear: freeing trade boosts economic growth, and so helps to alleviate poverty."<sup>64</sup> Ultimately, the Bretton Woods institutions associate globalization with the human desire "for expanded horizons and freedom of choice."<sup>65</sup> The UN agencies' analysis of globalization is much more critical. According to the UN 2001 Report on the World Social Situation, "Globalization is widely perceived as having contributed to uncertainty and setbacks in living standards for many, particularly in less developed countries and for low skilled workers globally."<sup>66</sup> Using more radical language, the UNRISD denounces globalization "with a human mask" because it sees in it a process that is "pushing the world toward unsustainable levels of inequality and deprivation."<sup>67</sup> In sum, the UN agencies are far more attentive than are the Bretton Woods institutions to the social dimension of

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<sup>61</sup> United Nations, 2001 Report on the World Social Situation, New York, United Nations, p. 1.

<sup>62</sup> UNDP, Human Development Report 2002, New York, Oxford University Press, 2002, p. 19.

<sup>63</sup> World Bank, Globalization, Growth and Poverty: Building an Inclusive World Economy, Washington, Oxford University Press, 2001, p. xi.

<sup>64</sup> WTO, "The WTO and LDCs : Delivering a Better Future Through Trade," Speech Delivered by Director-General Mike Moore at the Third United Nations Conference on the Least Developed Countries, Brussels, 17 May 2001, p. 2.

<sup>65</sup> IMF, "Working for a Better Globalization," p. 1.

<sup>66</sup> United Nations, 2001 Report on the World Social Situation, p. 1.

<sup>67</sup> UNRISD, Visible Hands: Taking Responsibility for Social Development, p. viii.

globalization, as is unmistakably witnessed by the ILO's recent establishment of a World Commission mandated to study that very issue.<sup>68</sup>

These opposing ways to evaluate the effects of globalization are in line with the contrasting approaches of the Bretton Woods institutions and the UN agencies toward states and markets. Here again, it is important to acknowledge that the Bretton Woods institutions and the UN agencies are probably closer today than they have ever been in the past. Nevertheless, the UN agencies remain indisputably more interventionist than the Bretton Woods institutions. For the Bretton Woods institutions, the developing countries that have best succeeded in reducing poverty are the "new globalizers" (Brazil, China, India, Mexico...), which have opened their borders to trade and foreign investment.<sup>69</sup> The UN agencies, on the other hand, are generally more mistrustful of markets. In the words of Kofi Annan, for example, "the private sector, as vital and dynamic as it is, cannot by itself give global markets a human face or reach the millions on the margins."<sup>70</sup> Convinced that markets have little concern for matters of social cohesion, the UNRISD concludes for its part, "the greater the degree of openness of a market economy [...] the more important is the role that must be played by national governments in the field of social policy."<sup>71</sup>

The new development compromise appears fragile also because the reform agenda proposed by the Bretton Woods institutions is quite different from that proposed by the UN agencies. The Bretton Woods institutions place relatively greater stress on the domestic conditions of development and on the leeway available to developing countries. They underscore the "capacity of 'self-help' of Third World countries,"<sup>72</sup> and appeal to the ethical values of Third World leaders by way of convincing them to pay more attention to good governance, corruption, human rights, and property rights. Consistent with this approach, the World Bank tends to direct its resources toward "good-policy countries" as opposed to "poor-policy countries." In the late 1990s, the Bank granted the former almost three times the amount of aid allocated to the latter on a per capita basis.<sup>73</sup> Moreover, the reforms put forward by the Bretton Woods institutions at the global level are far more superficial than those advocated by the UN agencies. In the area of trade, the WTO's prescriptions consist essentially in accelerating the opening of markets. In the financial sphere, the debate initiated by the IMF concerning the establishment of a 'new international financial architecture'

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<sup>68</sup> ILO, "ILO Tackles Social Consequences of Globalization," Press Release, Geneva, ILO, 27 February 2002.

<sup>69</sup> World Bank, Globalization, Growth and Poverty, pp. 5-7.

<sup>70</sup> United Nations, "Social Summit Special Session Seeks Solutions to Globalization Woes," New York, United Nations General Assembly Special Session on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives, Geneva, 26-30 June 2000, p. 2.

<sup>71</sup> UNRISD, Visible Hands, p.13.

<sup>72</sup> IMF, "Working for a Better Globalization," p. 5

<sup>73</sup> World Bank, The Role and Effectiveness of Development Assistance : Lessons from World Bank Experience, Washington, World Bank, 2002, p. xix.

tends to be confined to issues such as greater policy transparency, stronger surveillance mechanisms, and improved inter-organizational collaboration.<sup>74</sup> Though it fully recognizes the need to strengthen democracy in the developing countries, the UN ascribes much more weight than the Bretton Woods institutions to the systemic constraints on development. In an interdependent world, "no country can put its house in order regardless of the conditions prevailing in its external economic environment."<sup>75</sup> The UN agencies' aspirations for change are also much more ambitious than those of the Bretton Woods institutions. While UN agencies have welcomed as a positive trend the introduction of poverty reduction in the strategic planning of international financial institutions, the PRSPs are far from having met their expectations. According to UNCTAD, for instance, the PRSPs have meant "no fundamental departure from the kind of policy advice espoused under what has come to be known as the 'Washington Consensus.'"<sup>76</sup> In addition to their goal of placing the UN at the heart of the governance of development, UN agencies have proposed institutional innovations that include the launching of a Marshall Plan for the Third World, the introduction of a tax on international financial transactions, the creation of an Economic Security Council, the establishment of a bankruptcy court, and the creation of an international development fund.<sup>77</sup> The United Nations Office of the High Commissioner for Human Rights has made the radical suggestion of defining development assistance as a legal obligation under human rights instruments.<sup>78</sup> And, based on the observation that "all countries are consumers of globalization's effects," UN agencies regularly stress the need to change voting procedures in major economic forums.<sup>79</sup> So far, all these ideas have appeared unacceptable to the Bretton Woods institutions.

The partnership that has taken shape between the UN agencies and the Bretton Woods institutions in the past few years has led some to concur with Voltaire's hero, Pangloss, that "all is well in the best of all possible worlds." But in reality, the

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<sup>74</sup> See IMF, Annual Report 2000, Washington, IMF, 2000, pp. 16-17 and 151-152; IMF, "Köhler Says Surveillance and Crisis Prevention Should Be at Center of IMF Activities," IMF Survey, Vol. 29, No. 19, 2000, pp. 303-305; and IMF, "Financial Architecture: Fast-changing World Economy Drives IMF Reforms," IMF Survey Supplement, Vol. 31, September 2002, pp. 11-15.

<sup>75</sup> UNCTAD, "Statement by Mr Rubens Ricupero, Secretary-General of UNCTAD to the IMF and World Bank Meetings," Washington, 19-21 April 2002, p. 4.

<sup>76</sup> UNCTAD, From Adjustment to Poverty Reduction: What is New?, New York-Geneva, United Nations, 2002, p. 6.

<sup>77</sup> See United Nations, Financing for Development: A Critical Global Collaboration, New York, United Nations, 2002, Technical Note No. 4; UNRISD, Visible Hands, pp. 25-32; UNCTAD, Trade and Development Report, 2002, Geneva, United Nations, 2002; and ILO, "Statement by Director-General Juan Somavia to the Sixty-fourth Meeting of the Development Committee," Ottawa, 18 November 2001.

<sup>78</sup> United Nations Office of the High Commissioner for Human Rights (UNOHCHR), "Contribution of UNOHCHR to the Second Session of the Intergovernmental Preparatory Committee for the High-level International Intergovernmental Forum on Financing for Development," New York, 12-23 February 2001, p. 5.

<sup>79</sup> Annan, 'We the Peoples', p. 13.

extent of the differences remaining between the 'UN paradigm' and the 'Bretton Woods paradigm' suggests that the current development consensus is simply too fragmentary to qualify as a 'grand' bargain or a 'grand' compromise.

## **Conclusion**

This chapter has drawn a portrait of the development debate at the beginning of the 21<sup>st</sup> century. Focusing on the role of multilateral institutions, it has shown how the recent convergence of the 'UN paradigm' and the 'Bretton Woods paradigm' signals a new stage in the evolution of North-South relations, a stage that some have associated with the emergence of a 'Global Third Way.' As summarized by the UNDP Administrator, "management and staff alike in the UN and the Bretton Woods institutions have never been more aligned."<sup>80</sup> Yet while it is certainly unprecedented, today's multilateral consensus on development issues remains partial and frail.

The political meaning of the convergence process described here is not easy to unravel. The Left-Right distinction nevertheless offers a powerful analytical framework because it provides a conceptual link between, on the one hand, the global tension that opposes the Bretton Woods institutions and the UN agencies, and, on the other hand, the domestic struggles pitting social groups favorable to neo-liberalism against those closer to social-democracy. Considering that Left and Right actually refer to an ideological spectrum rather than discrete categories, the new development compromise can be located roughly on the 'Center Right.' This interpretation suggests that the rapprochement observed since the mid-1990s did not take place at the exact median between the original positions of the UN agencies and the Bretton Woods institutions. The Left—the UN agencies—has in fact conceded more than the Right—the Bretton Woods institutions—, a conclusion apparently shared by the UN itself. For the UN admits that in the great debate of recent years opposing the advocates of equality of opportunity, who prefer market solutions, and the supporters of equality of outcomes, who stress the need for redistributive measures, the former have made gains at the expense of the latter. "A feature of recent years," the UN acknowledges, "has been a noticeable shift in the middle ground toward opportunity rather than outcomes."<sup>81</sup>

More important, however, than the precise location of the current development compromise in the Left-Right spectrum, is the crucial question it raises: Can it endure? A full answer to this question goes well beyond the scope of this chapter as it would require a detailed analysis of how governments of both developed and developing countries will respond to the challenges of North-South cooperation. After all, states remain the main actors of world politics. Still, in accordance with the logic of the Left-Right divide, at least three different scenarios can be envisaged.

According to a first, rosy, scenario, the new consensus will hold and its founding objectives will be achieved. This outcome is obviously the one hoped for by most

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<sup>80</sup> UNDP, "The United Nations, the World Bank and the Millennium Development Goals: A New Framework for Partnership," p. 3.

<sup>81</sup> United Nations, 2001 Report on the World Social Situation, p. 4.

international institutions involved in the global governance of development and by various groups associated with the political Center. The script has the vast majority of Third World countries reducing poverty by half and reaching the other MDGs by 2015, the developed countries opening their markets to Southern exports, particularly to agriculture products, and a new financial architecture providing a sustainable solution to the debt problem. In this new world order, a much larger number of countries and individuals would benefit from global capitalism. For now, however, this "reformist"<sup>82</sup> vision does not seem likely to materialize. As mentioned earlier, several countries are not on track to achieve the MDGs. Moreover, the North has to this day refused to pay any serious attention to the warning formulated by both the UN and the World Bank, according to which an additional \$50 billion a year in aid would be necessary to reach the MDGs. Finally, sluggish growth and the war against terrorism have made the countries of the North more reluctant to keep their promises in the field of trade and finance. For all these reasons, this first scenario seems out of touch with the realities of contemporary international politics.

A second possibility would involve the break-up of the new compromise and a move further to the Right. In this scenario, the global governance of development would be increasingly shaped by norms of self-help rather than by norms of solidarity. As a result, the world would become more unequal and polarized, a situation that would add fuel to the clash of civilizations. Unsatisfactory economic performances and growing security concerns would lead the countries of the North to lose interest in development issues. Only those Third World countries already well integrated into the global economy could manage to stay afloat. In keeping with this script, aid, instead of steadily increasing, would remain at the low levels that have been maintained since the end of the 1990s. One can easily imagine a variation of this scenario whereby U.S. unilateralism would spread to economic issues and thus worsen the climate of North-South relations. In an environment where global governance is generally "poorly done and poorly understood," this may well be the most plausible forecast.<sup>83</sup>

Less likely than the first two, a third possibility would involve a shift to the Left, entailing a radical transformation of the current development compromise. This 'Big Bang' scenario, which brings to mind the "counterhegemonic order" described by Robert Cox,<sup>84</sup> would stress the redistribution of global wealth, the democratization of international politics, and the promotion of environmental sustainability. To foster such changes, the global governance of development would have to give a much more prominent role to Third World countries and to civil society groups from both North and South. This trajectory would also lead to an overall strengthening of the role of UN agencies in the management of world affairs. Admittedly, barring a profound economic crisis, a major war, or a significant escalation of public protest against the international economic system, it is difficult to imagine this as a possible near future

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<sup>82</sup> This term is borrowed from Caroline Thomas, "Poverty, Development, and Hunger," in John Baylis and Steve Smith, *The Globalization of World Politics: An Introduction to International Relations*, 2<sup>nd</sup> ed., Oxford, Oxford University Press, 2001, pp. 578-579.

<sup>83</sup> Craig N. Murphy, "Global Governance: Poorly Done and Poorly Understood," *International Affairs*, Vol. 76, No. 4, (2000), p. 789.

<sup>84</sup> Cox, "Multilateralism and World Order," p. 180.

scenario. Yet the very fact that it has been put forward by many analysts and activists and includes a number of proposals already articulated within recognized international institutions, requires that in spite of its idealism, it be regarded as a serious hypothesis.<sup>85</sup>

However fraught with uncertainty the future of the global governance of development may appear, one thing is not in doubt: The ongoing debate will not be restricted to economic issues such as growth rates, market access, and interest rates. It will deal as well with moral questions, in particular, those concerning the distribution of power and wealth on the global level. One can safely predict that the development debate will continue to focus on equality, and that the Left-Right distinction will remain a useful key to understanding events as they unfold.

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<sup>85</sup> In addition to the above reference to Cox, variants of this scenario can be found in Thomas, "Poverty, Development, and Hunger," p. 579; Steger, Globalism: The New Market Ideology, pp. 145-148; Jacques Baudot (ed.), Building a World Community: Globalisation and the Common Good, Copenhagen, Royal Danish Ministry of Foreign Affairs, 2000; and Social Movements International Secretariat, "Call of Porto Alegre 2003", Porto Alegre, 27 January 2003.