

Schwellenländer im IWF und in der WTO: Neue Wege oder Reform?

Laura Carsten, M.A.

12. Juli 2008



Ruhr-Universität Bochum

Lehrstuhl für Internationale Politik

Tützing, July 12, 2008

Ph.D. Adviser: Prof. Dr. Stefan A. Schirm

Emerging Powers in the IMF and WTO: Substitution or Reform?

Laura Carsten, M.A.

July 12, 2008



Ruhr-Universität Bochum

Lehrstuhl für Internationale Politik

Tützing, July 12, 2008

Ph.D. Adviser: Prof. Dr. Stefan A. Schirm

Background

Two interesting facts:

1. Increased Emerging Power (EP) activism within Bretton Woods (BW) institutions since 1991

- ✓ Membership applications
- ✓ Borrowers
- ✓ Coalition-builders



Background

2. Affiliation with BW institutions → great benefits for EPs

- IMF loans make the impossible possible.
- WTO membership means...
 - MONEY!
 - AND JUSTICE!



Background

EXPECTATION

EPs will continue to focus on using these institutions.

REALITY

EPs have been focused on three different strategies:

☆ Simple use ☆ Reform ☆ Substitution



Who are the EPs?

Five defining characteristics:

1. Power resources + Internal cohesion = Effective state action
2. Global ambitions
3. Increased contact with one another
4. Edge of US-led system
5. Able to attract followership from others



Who are the EPs?



Brazil



Russia



India



China



South Africa



Strategy #1: REFORM

➤ External partnerships created for a variety of reasons

- Security
- Diplomacy
- Common ideals
- Economic incentives

➤ They share two characteristics

1. Pragmatism:
Cooperation = Benefits
2. Attempt to increase legitimacy of world system



Strategy #1: REFORM

External partnerships used to gain *internal* (institutional) benefits.

EXAMPLE ONE

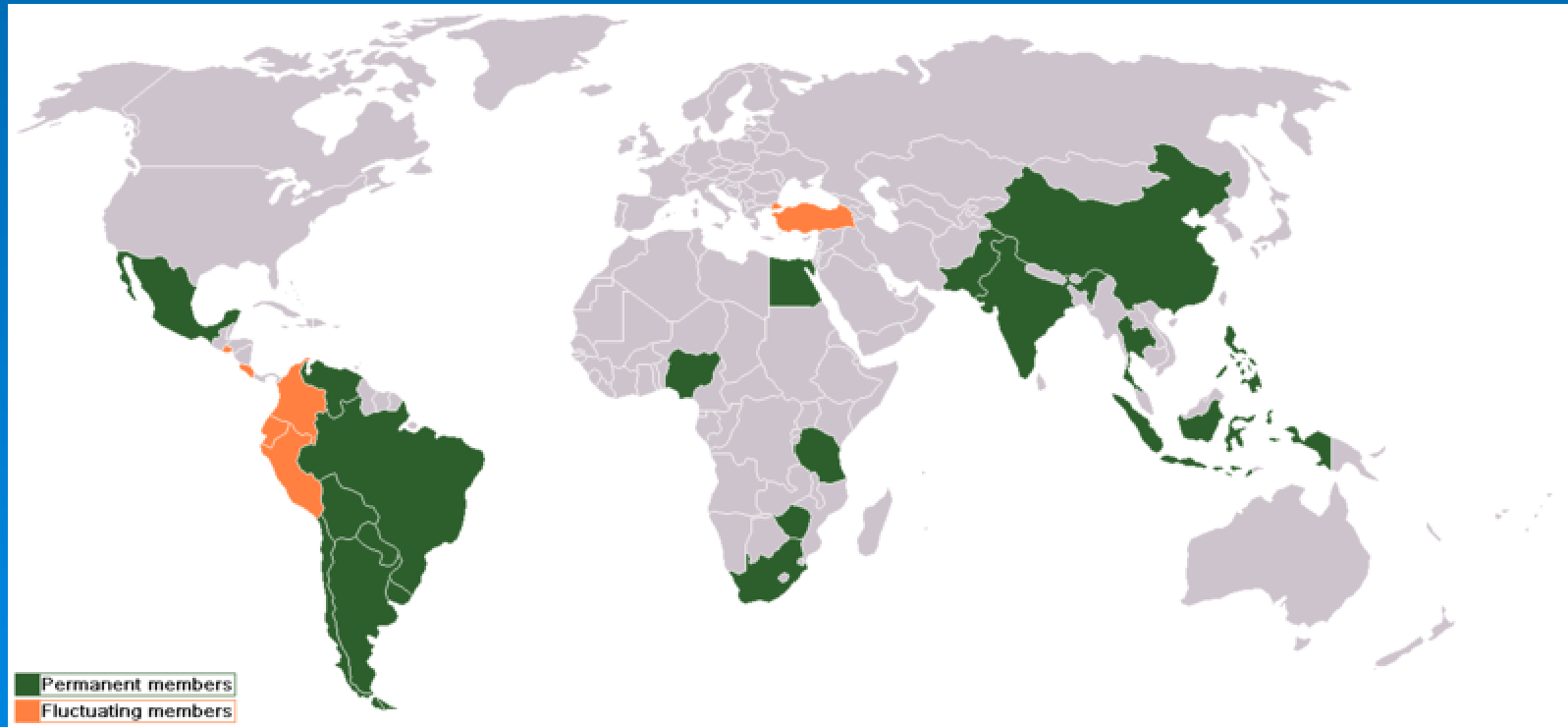
WTO Reform: The G20 in Cancun

Two goals:

- ✓ Agenda-making rules (legitimacy)
- ✓ Removal of exceptions (benefits)



Strategy #1: REFORM



Strategy #1: REFORM



Ruhr-Universität Bochum

Lehrstuhl für Internationale Politik

Tützing, July 12, 2008

Ph.D. Adviser: Prof. Dr. Stefan A. Schirm

Strategy #1: REFORM

**Negotiations ended in deadlock.
WTO reform failed.**



Strategy #1: REFORM

EXAMPLE TWO

IMF Quota Reform 2006

Three elements:

- ✓ Immediate quota increases
- ✓ New quota formula
- ✓ Second round of quota increases

**Brazil, Argentina, India, Egypt organize
for GDP in PPP.**



Strategy #1: REFORM

<i>State</i>	<i>GDP (PPP)</i>	<i>GDP (exchange rate)</i>
India	\$2.989 trillion	\$1.099 trillion
Argentina	\$523.7 billion	\$260 billion
Egypt	\$404 billion	\$127.9 billion
Brazil	\$1.836 trillion	\$1.314 trillion

SOURCE: CIA World Factbook Online



Strategy #1: REFORM

Brazil on quota reform:

Pre-reform: “IMF in sclerosis”; “only the views of big states and their allies”

Post-reform: “an important first step toward modernizing the IMF”

IMF reform was a success.



Strategy #2: SUBSTITUTION

Two general categories:

1. Bilateral and regional preferential (PTA) and free trading agreements (FTA)
2. Building up foreign exchange reserves (FERs)



Strategy #2: SUBSTITUTION

PTA/FTA Facts

- Over 200 and growing...
- Creates trade between Southern states
- Gives EPs an ever-larger share of world trade

WHY CREATE THEM?

Because WTO negotiations take too long!



Strategy #2: SUBSTITUTION

What does this mean to the WTO?

1. The WTO is no longer the only way to prosper.
2. The threat increases as the number of TAs increases.
3. Nondiscrimination – a fundamental WTO principle - is out.

- ✓ Hinders WTO-facilitated trade liberalization
- ✓ Makes global governance of trade harder



Strategy #2: SUBSTITUTION

FERs: Why the unexpected build-up?

ANSWER 1: Self-insurance

Substitute the IMF by protecting yourself from crisis and avoiding conditions!

Problem: FERs are too big: states are *losing* benefits on them!

- Economic Costs
- Political Costs



Strategy #2: SUBSTITUTION

ANSWER 2: Currency control

Buy dollars: keep your currency down and your exports up!

- Threatens IMF
- Threatens WTO

FER accumulation benefits EPs *and* threatens the relevancy of the IMF/WTO



Questions to Consider

- Will EPs continue to see benefits in the IMF and WTO?
- How can we make sure they do?
- Is there space for EPs within the IMF and WTO?
- If so, will the current powers let EPs occupy it?

