

*excerpted in Latin American Advisor, Inter-American Dialogue, Sept. 25, 2003*

Q: The annual meetings of the World Bank and IMF conclude today in Dubai, and the WTO ministerial meetings concluded in Cancun a week earlier. What do developing nations take away from these meetings in terms of future relations with the multilateral institutions?

A: The developing countries have earned the right to a larger collective weight in multilateral governance. By now their markets have become big enough to matter, they have been asked for substantive concessions, and they have become central to some of the financial and political issues that matter most in the world. Furthermore, the Asian central banks increasingly hold the fate of the dollar in their hands.

The failure at Dubai to give poor countries more vote in the World Bank shows that the rich countries have not yet adjusted to new realities. Another example is the US Administration's treatment of China policy as an appendage of the election-year strategy to mollify voters unhappy about shrinking employment in manufacturing states. But economic realities will prevail eventually. The US bond and stock markets reacted negatively to the G-7 communiqué from Dubai regarding increased exchange rate flexibility, and thereby illustrated an economic lesson that the White House may not have adequately considered. The US is becoming increasingly dependent on Asia to fund its deficits. Whatever it gains by intimidation of Asia on the exchange rate and the trade balance, the US will lose on the interest rate and investment. If the G-7 wants to continue talking about China's currency, it will have to let China into the club.

Argentina enjoyed some success in Dubai playing hardball in its debt negotiations. But more dramatic muscle-flexing occurred the week before at the WTO Ministerial in Cancun. When the developing countries were not offered areas for negotiation that would be of interest to them, they ended the meeting. For the first time, the signal that they need to be taken seriously is too loud to be ignored. True, it is unfortunate that a successful conclusion of the Doha Round is far off. The developing countries should use the extra time to think through more clearly what they want from it.