

Non-American should lead World Bank

Time for change at Bretton Woods bodies

by Mark Sobel in Washington

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With the departure of Jim Yong Kim as World Bank president, the administration could promote its self-interest and enhance its global standing by ending the US hold over its leadership. At the same time, America would leverage the selection of a candidate who would pay heed to US views.

Since the creation of the International Monetary Fund and World Bank at the end of the second world war, an American has led the Bank (Kim is Korean-American) and a European the IMF. This convention was logical in the post-war decades when the major advanced economies dominated the global economy. Kim's departure presents an opportunity to re-evaluate the convention.

It is time for a change.

If emerging markets and developing countries wish seriously to challenge the convention, they will need to act swiftly to find a strong, credible and globally respected candidate and unite behind that person. Good candidates abound. They include, for example, Indonesian Finance Minister Sri Mulyani (a former World Bank managing director) or former Nigerian Finance Minister Ngozi Okonjo-Iweala (also a former Bank managing director).

Global economic weight has become more dispersed with the decline in the relative share of advanced economies. And the Bretton Woods institutions have become more universal following the collapse of the Soviet Union and as China's economy has expanded.

The communique at the end of the April 2009 G20 leaders' London summit stated, 'We agree that the heads and senior leadership of the international financial institutions should be appointed through an open, transparent and merit-based selection process.'

To date, though, the duopoly has met no effective challenge. When Dominique Strauss-Kahn was forced to step down as IMF managing director in 2011, France acted quickly to nominate, and secure European backing for, Christine Lagarde, then a (deservedly) well-respected and liked French finance minister. This pre-empted any effective challenge. Months later when the Bank presidency came open, it was all but guaranteed an American would remain at the helm, though two former finance ministers also competed (Okonjo-Iweala from Nigeria and José Antonio Ocampo from Colombia).

The changing global economic landscape makes the convention outdated. There are many excellent potential candidates across the globe, just as there probably are in the US. In the past, the international financial institutions were closely associated with hegemonic US priorities. Yet this is far less the case today.

Choosing a president who is neither American nor European would enhance the global standing of the Fund and Bank. That would helpfully counter the drift toward regionalism, when opaque Chinese official lending is challenging the scale of, and standards for, multilateral finance – undermining debt sustainability in many countries.

Strong and effective leadership of the World Bank, no matter from where it comes, would serve US and European interests. The Bank presidency in US hands has at times been a mixed blessing. It was simply assumed that the Bank president represented US interests, even when the US position was not aligned with the Bank's. In my experience on the IMF board, the ability of board members to work well with management or senior staff generally had little to do with the person's nationality – and certainly not whether the person was American.

The rest of the world frets about the Donald Trump administration, perceived as hostile to international institutions. The administration knows that other countries will be highly sceptical of any US effort to maintain the Bank presidency. Were the administration to put forward a controversial candidate, it would run the risk of rejection and serious discord. On the other hand, a more mainstream and centrist US

candidate might be greeted with suspicion in any case and have difficulties balancing US priorities in the Bank with the rest of the world's agenda.

Furthermore, if the convention were preserved, Europe might insist on leading the Fund when Lagarde leaves. If, on the other hand, a non-American took over at the Bank, European leadership of the Fund would probably end.

From all points of view, the US could well enhance its self-interests by steering the rest of the world towards an overdue change at the helm of the two Bretton Woods institutions.

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