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# Responding to Global Development Challenges

Views from Brazil and India

*Oliver Stuenkel*



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Oliver Stuenkel

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## Foreword

This paper has been produced under the umbrella of the DIE research project „Development Policy: Questions for the Future,” funded by the German Ministry for Economic Cooperation and Development (BMZ). This research project seeks to stimulate thinking about how the context that development policy responds to could change in the future. As a previous paper written in connection with this project (“Country Classifications for a Changing World” by Dan Harris, Mick Moore, and Hubert Schmitz) highlighted, a key element of the transforming development landscape policymakers confront is the emergence of global powers that defy easy categorisation, as their growing weight in the global political economy has not erased significant internal development challenges. In this paper, Oliver Stuenkel analyses the interests of two of the most important states reshaping the global development context, revealing domestic influences on the foreign policy positions of Brazil and India and suggesting ways that European states might adjust to the growing prominence of these emerging powers as global development actors. The paper adds to a large body of research carried out at the Deutsches Institut für Entwicklungspolitik / German Development Institute (DIE) in recent years on the global development role of emerging powers, which has examined subjects such as domestic development strategies, the political and economic influence of emerging powers in their regional neighbourhoods, their roles as providers of development assistance, and their participation in global governance processes. These strands of research contribute to an improved knowledge base to inform future strategies for engaging with emerging powers through development cooperation and in world politics more broadly.

Erik Lundsgaarde

Bonn, August 2010



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## Abbreviations

ABC	Agência Brasileira de Cooperação
ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BRIC	Brazil, Russia, India and China
DAC	Development Assistance Committee
DCF	Development Cooperation Forum
DEA	Department of Economic Affairs
ECOSOC	Economic and Social Council
FSB	Financial Stability Board
FSF	Financial Stability Forum
GA	General Assembly
GDP	Gross Domestic Product
GNI	Gross National Income
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
IADB	Inter American Development Bank
IBSA	India, Brazil and South Africa
IIDCA	Indian International Development Cooperation Agency
IMF	International Monetary Fund
ITEC	Indian Technical and Economic Co-operation
MDG	Millennium Development Goals
MINUSTAH	United Nations Stabilization Mission in Haiti
NAM	Non-Aligned Movement
NATO	North Atlantic Treaty Organisation
NEPAD	New Partnership for Africa's Development
NGOs	Non-Governmental Organisations
NPT	Non-Proliferation Treaty
OCHA	Office for the Coordination of Humanitarian Affairs
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PALOP	Portuguese Speaking African Countries
PSDB	Partido da Social Democracia Brasileira
PT	Partido dos Trabalhadores
SDR	Special Drawing Rights

UN	United Nations
UNDAC	United Nations Disaster Assessment and Coordination
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund
UNSC	United Nations Security Council
WFP	World Food Programme

## Executive summary

Development policy is a traditionally Western-dominated domain. Emerging non-Western actors are entering the field vowing to strengthen their engagement both on the multilateral and the bilateral level. These policies need to be understood against the backdrop of profound domestic changes in both Brazil and India. With one foot in the past and one in the future, national governments in Brasília and New Delhi have to manage a delicate transition process of societies that cannot be categorized easily. Brazil's leadership in the stabilization effort of Haiti is a case in point. Many in Brazil welcomed stronger involvement and a more prominent international role for their country, but others asked why the Brazilian government spends resources in Haiti while 40 million Brazilians still live in poverty. Tensions are similar in India, which is home to one third of the world's poor, but has a government that has ended collaboration with many donor agencies, lends money to the International Monetary Fund (IMF), and is emerging as a significant bilateral donor in Africa and its region.

Brazil's and India's strategies towards the IMF are remarkably similar. Having overcome significant ideological resistance at home, both countries were able to repay their debt and announced in 2009 that their governments would lend \$10 billion each to the Fund. Despite their pragmatic approach, politicians from both countries, but particularly in Brazil, frequently criticize the IMF and characterize it as a tool of Western imperialism. This confrontational rhetoric, however, is mostly meant to appease domestic constituencies. Governments in Brasília and New Delhi proposed to increase developing countries' voting shares in the Fund by 5%, which would bring the developing countries' overall share to 48%. They also seek to reduce the United States' ability to block important decisions, and end the tradition of appointing only Europeans to lead the IMF.

Similar proposals exist for the World Bank, where Brazil and India seek a 3% increase for developing countries. Contrary to the IMF, the World Bank still engages heavily in Brazil, and India remains one of the Bank's principal clients. Both countries argue that their increased weight in both institutions is a matter of justice and of increasing the institutions' legitimacy. They insist on ending the practice that only American citizens can become World Bank Presidents. Furthermore, both India and Brazil have made vague proposals about changing the way both the IMF and the Bank operate. Influenced by recent memories of IMF intervention in their own countries, they have argued for less stringent conditionalities to be tied to IMF and World Bank loans. While it remains unclear how to put such proposals into practice, Brazil's and India's engagement can certainly increase the institutions' legitimacy in the eyes of other developing countries. Brazil and India claim to represent the world's poor, but both are more and more exposed to the tension of defending both the developing countries' interests and their own, which increasingly diverge.

We obtain a similar picture with regards to the United Nations (UN). Both Brazil and India confer a high degree of legitimacy to the UN, and both have undertaken significant efforts to obtain a permanent seat on the UN Security Council. While Brazil has recently increased its UN contributions somewhat, both Brazil's and India's financial support for the UN remains low and stands in contrast to claims for greater responsibility. At the same time, both Brazil and India assumed leadership in the context of peacekeeping missions. India has long been a principal contributor of troops, and Brazil strengthened its commitment in 2004 when it took command of MINUSTAH, the UN peacekeeping mission in Haiti.

The UN's presence in Brazil is something of an outlier. Brazil is the leading country to use the so-called 'cost-sharing mechanism', a scheme under which the Brazilian government pays the UN to provide services in Brazil. Having failed to reform inflexible labour laws that do not allow it to lay off public employees easily, the Brazilian government hires staff through the UN that performs both administrative and managerial tasks within the government apparatus. This dilutes the UN's mission, but helps some agencies, particularly UNDP, to survive financially and remain in the country.

Both Brazil's and India's behaviour in the UN reflects their domestic transformation. Historically firmly aligned with the G77, both countries continue to exercise significant influence over other developing countries. Yet, Brazil has departed from some of the classic G77 positions as its interests slowly diverge from those of poorer nations. India remains closer to G77 positions, but faces similar challenges to combine a pro-G77 ideology with a more pragmatic approach. This gap will widen further as both countries assume more responsibility in international institutions such as the World Bank and if they become permanent members of the UN Security Council. Both countries' lukewarm support of the ONE UN initiative, which helps small recipient countries but may put large decentralized ones at a disadvantage is an example of a growing rift.

Both Brazil and India have a long history of giving bilateral aid, but it has sharply increased over the past years, and both are commonly referred to as "emerging donors". Brazil focuses on Latin America and Portuguese-speaking Africa, employing models that have been successfully applied in Brazil. This may add to the understanding and success of such development policies. India spends most aid in its region (including Afghanistan), and a significant portion in Africa. While Indian diplomats at times describe their country as a 'donor', Brazilians refuse to do so. Both countries describe their projects as 'mutually beneficial partnerships' and argue that they seek to avoid a recipient-donor relationship, which is regarded as 'humiliating' for the recipient. Figures of aid outflows are difficult to obtain and bureaucratic structures are opaque, but processes can be expected to be streamlined in the near future. Since impact evaluation is still rare, it is difficult to say how much Brazil's and India's approach really differs from the Western approach, and how much is mere rhetoric. Despite recent growth, Brazil's and India's influence in Africa remains insignificant compared to that of China.

There are several areas where emerging donors' interests and established European donors' interests converge, especially in the case of Brazil. Trilateral aid projects show that Brazil can successfully collaborate with European donors, although emerging donors are sensitive about the so-called "donor hierarchy", in which Northern donors are positioned above Southern donors. Yet, established actors can learn a lot from collaborating with new donors, as they often employ techniques successfully tested at home. At the same time, extended collaboration with Brazil and India may prove difficult because the process of providing funds for development cooperation is quite unstructured, and Western agencies often have trouble identifying a Brazilian or Indian counterpart who has the mandate to take decisions. Despite their growth as emerging donors, Brazil's and India's impact is still small compared to that of traditional donors. Still, despite at times differing points of views, Brazil and India bring new ideas to the table, and their impact on global development policy is likely to be positive if European actors are willing to engage them.

## 1 Introduction

The emergence of new actors such as Brazil and India on the global stage has profound implications for international development policy. While traditional donors are still by far the most significant ones, development cooperation is in the process of multipolarisation.<sup>1</sup> This process manifests itself in two areas. First, emerging powers seek greater representation in international development institutions such as the World Bank and the IMF. This may not only alter the distribution of power within these organisations, but also the way they operate. Second, emerging powers may dispute some long-established assumptions about how to respond to global development challenges. The West, represented by the OECD's Development Assistance Committee (DAC)<sup>2</sup> has historically dominated the discussion about the rationale and management of development cooperation and the delivery of aid.<sup>3</sup> In the same way, humanitarian assistance remains a largely "Western-dominated enterprise" (Donini 2004). The Millennium Declaration of 2000 and the 2005 Paris Declaration are examples of a perceived global consensus among donors, which conceals the fact that actors within this group sometimes have different points of view (Grimm et al. 2009).

The emerging donors<sup>4</sup> pose a challenge to existing development norms (Rowlands 2008). For example, India and Brazil do not necessarily value good governance or environmental standards as much as members of the DAC (Weinlich 2010). In both Brazil and India, economic cooperation is administered by their respective Ministries of Foreign Affairs, which indicates that their aid programmes are embedded in their overall foreign policy strategy, signalling an especially close link between aid and other political and economic dimensions of bilateral relationships. At the same time, emerging donors can have diverse objectives and motivations, which make generalisations across this group difficult. For example, Brazil's policies seem closer to Western norms of cooperation than India.

This paper will analyse Brazil's and India's visions on how to respond to global development challenges, their strategies toward the international development institutions, and their roles as emerging powers in the global development architecture. The paper will also consider possibilities for Europe to collaborate with Brazil and India, two key actors with the potential to change a traditionally Western-dominated domain.

The past years have seen many changes in international institutions. The global financial crisis has forced the developed world to take stock. The G8 has lost its function as the world's principal platform for the powerful, and the G20 now aims to replace it. The World Bank and the IMF are undergoing reform. These initial changes may only be the beginning of much more pronounced changes in the years to come. Brazil and India are among the key actors in a

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- 1 Some 90 per cent of global aid flows are still coming from the DAC donors (Grimm et al. 2009). Southern development cooperation is expected to increase substantially in the future if Southern contributors pursue current intentions for scaling-up such support (ECOSOC 2008).
  - 2 Japan and South Korea are the only non-Western countries among the DAC's 24 members.
  - 3 This does not mean that Western nations agree on all aspects of development cooperation. There are certainly different positions, for example with regard to the UN's identified aid target of 0.7% of the Gross National Income (GNI), or the restructuring of international institutions such as the IMF.
  - 4 The term "emerging donor" used to label Brazil and India in this study is not entirely adequate for two reasons. First, the actors in this category do not consider themselves as donors, but as "partners in development". Second, they are not emerging. Brazil, for example, has been engaged in development cooperation for decades.

marked shift in the balance of power in international institutions, towards a more balanced distribution of weight between OECD countries and emerging powers. Yet, rather than weakening them, Brazil's and India's emergence is likely to strengthen international development institutions. Both countries' foreign policy strategies are grounded on a multilateral outlook and a firm belief that international institutions such as the United Nations are the best avenue to tackle international development challenges (de Sousa 2008).

There are currently at least two major trends that affect international institutions. The first trend is economic. In this dimension, we live in an increasingly multipolar world, and our international institutions are struggling to adapt to this situation.<sup>5</sup> This trend has been developing for a while, and China has already become a major pole.<sup>6</sup> The financial crisis of the past two years, which has hit the rich countries harder than the emerging ones, has brought attention to the fact that economic multipolarity has become a reality.

The second trend has to do with global challenges. Climate change and poverty are examples of issues that cannot be resolved by a small number of states. Global warming requires a truly global response, and a deal that does not include countries such as China, India and Brazil cannot bring a sustainable solution. Poverty is no different. As global challenges such as equitable growth, failed states and extremism are increasingly connected, developed countries have come to see poverty as a security issue. Due to their own success and ongoing challenges at poverty reduction, emerging powers play a crucial role in addressing this challenge (Malaby 2002). While evidence on the link between Chinese engagement in Africa and poverty reduction is still limited, the engagement of emerging powers with Africa may provide new insights into poverty alleviation there, since emerging powers act in Africa following an economic rather than a humanitarian rationale, and potentially offer alternative development models (Rotberg 2008).

China often takes the centre stage in academic and political discussions about emerging powers and the global economy, climate change, and poverty. The centrality of China in these discussions has tended to push other countries to the margins. As a result, detailed analyses on Brazil's and India's foreign policy have been scarce. Yet, both Brazil and India are increasingly important when dealing with global problems. Brazil is now the largest exporter of agricultural goods in the world, the largest exporter of ethanol, and home to the world's largest carbon sink, the Amazon forest (London / Kelly 2007). India currently accounts for about 5% of global carbon emissions, with emissions expected to triple by 2030 (Majumder 2009).

The two nations are also important in the context of global poverty reduction efforts. Approximately one third (300 million) of the world's poor live in India, and the global fight against poverty cannot be won without making major progress on the subcontinent. In Brazil, more than 40 million people continue to live in poverty, despite the progress made over the

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5 There are two principal and practical indicators to measure a country's (hard) power. One is the Gross Domestic Product (GDP), the other is military spending. While we live in a multipolar world in economic terms, the United States is still dominant with regards to military spending. In 2008, more than 40% of global military spending was undertaken by the US army. (<http://www.globalissues.org/article/75/world-military-spending>). Soft power is harder to measure and will not be considered here.

6 While the United States, the European Union and Japan still have the largest GDPs, China has overtaken Germany and is expected to overtake Japan in 2010. Other emerging economies such as Brazil and India have higher growth rates and are therefore expected to become significant economic poles in the next decade (IMF 2010).

past years (World Bank 2008). The study of Brazil's and India's views on how to respond to global challenges is therefore of special relevance.

To properly assess Brazil's and India's views, this analysis will approach the topic in two ways. The first is by analysing a nation's conduct - actual foreign policy decisions. In sections 1.2. – 1.5 and 2.2 – 2.5, I will investigate Brazil's and India's respective positions on how to address global development challenges. I will focus on their positions vis-à-vis the IMF and the World Bank, the importance of regional development banks, and the UN Development Cooperation System. In addition, I will analyse alternative mechanisms such as bilateral aid flows, which are steadily gaining importance in Brazil (de Sousa 2010) and India (Grimm et al. 2009). This will include an analysis of both countries' more general principles of development cooperation and highlight some of the potential sources of disagreement between Europe on the one side and Brazil and India on the other. For example, while the DAC separates aid from other economic and political activities, Brazil's cooperation projects are usually meant to be beneficial for both sides and do not differentiate between "donor" and "recipient" (de Sousa 2010). Since emerging donors spend considerably less on impact analysis, it is largely unclear in how far the claim about mutual benefits bears any more truth than with Western development aid.

Secondly, I will consider the two nations' domestic politics, and the way both nations perceive themselves in the context of geopolitics. This can provide a better understanding of the lens Brazil and India are using to make decisions, and the interests that stand behind them (1.1. and 2.1. respectively). India is an instructive example that focusing on foreign policy decisions by itself is insufficient. Considering India's foreign policy alone, for example with regard to trade liberalisation and nuclear non-proliferation, the country can be described as a stubborn naysayer unwilling to make any concessions (Narlikar 2006b). Shedding light on domestic political and cultural issues, however, reveals that domestic constraints related to food security and to a very large and inefficient agricultural sector limit India's room for manoeuvre in trade negotiations. In addition, "civilizational pride" and a "colonial mindset" have created a culture in which *"it is easier for a minister to come back home empty-handed as a wounded hero, rather than to come back with something after having had to make a compromise"* (Narlikar 2006b).

As democracies, Brazil and India are more transparent in comparison to China, but domestic influences on foreign policy decisions remain underexplored. The role of both countries in the world is quickly changing. At the time of writing, there was widespread euphoria among Brazilians about the International Olympic Committee's decision that Rio de Janeiro would host the Olympic Games in 2016. Following this decision, Luis Inácio Lula da Silva (hereafter Lula) noted in a televised and highly emotional speech that Brazil was now a "first-class country" (Rossi 2009), and news channels across the country reported on the Financial Times' decision to call Brazil a *"country to watch in the 21st century"* (Skapinker 2009). Rapid economic and social change in Brazil has a direct impact on its international strategy. Brazil's President Lula has significantly changed the country's foreign policy and enhanced its aid policy since taking office in 2003. Similarly, India's international behaviour is in flux, and India's role in the world is debated intensely in academic circles, politics, and the general media. As more and more Indian analysts call India a "great power" or even a "world power", its vision on how to address global development challenges is bound to change (Mohan 2003). This cannot hide that both countries' transition – often described as a "rise" (Luce 2007) – is by no means linear, assured, or fully supported by all parts of society. While Brazilian diplo-

mats shy away from calling Brazil a ‘donor country’,<sup>7</sup> Indian diplomats are more comfortable with the term, but quickly clarify that India should not have the same financial obligations other donor countries have.<sup>8</sup>

Section 3 compares Brazil’s and India’s positions and assesses how European approaches are viewed from both countries. From this analysis, it is clear that emerging powers such as Brazil and India will not necessarily adopt Western standards of economic cooperation, but that despite these differences, there is ample scope for cooperation, especially with Brazil. Both countries will also push hard for profound reforms of development institutions. They deem this necessary to gain a greater international say, adapt the institutions to new realities and to salvage their legitimacy and effectiveness. Yet Brazil and India are also facing significant internal obstacles and groups that defy change and seek to maintain Brazil’s and India’s status as developing countries and aid recipients. While European governments need to remind developing countries that increasing voting power and responsibility is tied to a broad and long-term financial engagement, a general resistance to this inevitable reform process will reduce goodwill and faith in future collaboration, and should therefore be avoided. Emerging powers’ participation in the global development arena should be welcomed from the European side. India’s and Brazil’s expertise, based on the recent experiences as aid recipients and countries under IMF tutelage, as well as their impressive transformation into serious global actors can help today’s international institutions and joint development programmes become more effective.

## **2 Brazilian perspectives on addressing global development challenges**

### **2.1 Setting the stage: Brazil’s economic and political backdrop**

Brazil’s socioeconomic profile cannot be categorised easily (Soares de Lima / Hirst 2006). It possesses both characteristics of rich and poor countries, which puts it in a hybrid position between the developed and the developing world. Brazil’s industry is booming, and its agricultural industry is highly competitive. At the same time, it suffers from problems that normally characterise the social infrastructure of much poorer countries, such as a lack of social cohesion and a poverty rate of over 20% (Neri 2009; World Bank 2010). This somewhat schizophrenic role is reflected in Brazil’s international standing as a country that is torn between a developmentalist outlook, its ties to the Western world, and the ambition to become a global player (Hurrell 2006).

This clash becomes clear when looking at the country’s development policy. Brazil has traditionally been a recipient of development aid. Yet, in 2007, Brazil was a net contributor to the UN by a margin of \$ 53 million (Weinlich 2010). Despite this, Brazil remains a net recipient of development aid (de Sousa 2008). Until 2005, Brazil borrowed money from the IMF (Hakim 2004), which had a significant impact on the way the country saw itself in the world. The government’s decision to lend \$10 billion to the IMF, announced in September 2009 was interpreted by many Brazilians as a big step away from that traditional role. As Hurrell notes, Brazil still partly understands its foreign policy through the prism of North-South relations,

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7 Phone interview, Brazilian representation to the UN, New York, July 1, 2010.

8 Phone interview, Indian representation to the UN, New York, April 26, 2010.

positioning itself as a developing country (Hurrell 2006). It supported conceptions of international order that challenged those of the liberal West- such as revisionist Third Worldism in the 1970s and 80s.

Yet, Brazil is slowly turning into a noteworthy provider of development assistance. While Brazil, like most non-DAC development actors, does not report its financial outflows for development cooperation, estimates of Brazilian aid range from \$ 345 million to \$ 1275 million (de Sousa 2010; Maihold / Kochskaemper / Mueller 2010), and development aid can be expected to rise further. The Brazilian Cooperation Agency (Agência Brasileira de Cooperação<sup>9</sup>, commonly referred to as “ABC”) is the centrepiece of a growing effort that reflects greater global aspirations, such as for a permanent seat in the UN Security Council. Despite these developments, the Brazilian government refuses to be considered a “donor”, calling itself a “partner in development” (de Sousa 2008). Brazil’s development assistance programs are still fairly uncoordinated, but we can expect them to professionalize in the coming years (Rowlands 2008).

Over the past years, Brazil has experienced a historic period of economic growth and political stability, paired with greater confidence and a more active and assertive foreign policy. Growth is expected to continue, and, despite the relatively recent democratisation in 1988, political institutions have reached an unprecedented level of stability. While President Lula’s highly active and personalised foreign policy strategy is unlikely to continue under the next President, Brazil’s new status will inevitably give it more international influence and responsibility.

After President Fernando Henrique Cardoso of the Social Democratic Party (PSDB) had successfully created a solid economic framework, Brazil underwent an important power transition that further strengthened its institutions. When President Lula from the left-wing Worker’s Party (PT) became President in 2003, he agreed to continue Cardoso’s pragmatic policies, creating a broad policy consensus (Barber / Wheatley 2009). As a consequence, economic policy differences between the two major candidates to succeed Lula in January 2011 (Dilma Rousseff, Lula’s chosen heiress, and José Serra from the PSDB) are minor.<sup>10</sup>

Foreign policy is one of the only areas in which Cardoso and Lula (similar to the two presidential candidates) have differed significantly. While President Cardoso sought to align Brazil with Western powers such as the United States, President Lula aimed to strengthen South-South cooperation<sup>11</sup>. Lula focused on Brazil’s relations with other emerging countries such as India and China. He also frequently visited Africa and aimed to intensify economic and political ties with countries such as South Africa and Angola. This involved increases in development aid, mostly to Portuguese-speaking Africa. Lula’s conception of the “South” is ideological, vaguely encompassing all poor developing countries. Brazil has aimed to position itself as the “leader of the South”. In several instances, Lula sought to coordinate developing countries’ positions to maximise benefits, most notably with regard to trade (Narlikar, 2006a). Brazil’s foreign policy is the result of the traditional “rich vs. poor” dichotomy traditionally

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9 The Brazilian Cooperation Agency is part of the Ministry of Foreign Affairs.

10 Dilma Rousseff is Lula’s chief of staff, and José Serra formerly served as the governor of São Paulo, Brazil’s most populous state.

11 South-South cooperation is by no means a new concept. Already in the 1960s, China provided assistance to other poor countries to foster South-South solidarity and to isolate the Nationalist government in Taiwan.

adopted by Brazil's Workers Party's (PT). Yet, there is also an economic rationale to it. Apart from strengthening Brazil's reputation in the developing world, Brazil is seeking to access new markets and promote Brazilian companies such as Petrobras (oil), Vale (mining), Odebrecht (engineering and construction) and Embraer (aviation) (Busch 2009). Aside from agricultural products, the Brazilian government believes that demand in developing countries for Brazilian biofuel could grow strongly in the future (de Sousa 2010).

Should Ms. Rousseff become President, she is likely to continue Lula's foreign policy strategy with a strong focus on South-South cooperation. A President Serra, on the other hand, would possibly move away from Lula's South-South diplomacy and focus instead on strengthening relations with the United States and the European Union.

The two principal candidates are sure to continue Lula's course of professionalizing and expanding bilateral development cooperation, which focuses on Latin America and the Portuguese-speaking developing countries (PALOP). They will also continue to seek to enhance Brazil's insertion and weight in international institutions that deal with development such as the IMF, the World Bank and the Inter American Development Bank. Yet, while Rousseff is likely to continue Lula's at times anti-Western rhetoric, Serra can be expected to loosen Brazil's alignment somewhat with what in Brazil is still commonly referred to as the "Third World" and pursue more pragmatic policies. This could have tangible effects with regard to climate change. Dilma Rousseff sees a contradiction between climate change and economic development, and believes that rich countries have a "historic responsibility" to deal with climate change. José Serra, on the other hand, seems to have a more flexible position.

Until recently, foreign policy has been a topic only discussed among Brazil's elites. Yet, due to Lula's more politicised foreign policy, international issues are increasingly visible in the domestic political debate, and there is a growing consciousness about Brazil's role in the world among Brazil's middle class. This brief overview of Brazil's domestic transition is important to put the following debate about Brazil's views on how to respond to global development challenges into context.

## 2.2 The IMF, World Bank and the Inter American Development Bank (IADB)

Brazil's economic growth story is not yet as impressive as that of its fellow emerging powers China and India (de Sousa 2008), but President Lula has tried to make up for it by being the most vocal player of the group, tirelessly pressing for more weight for emerging countries in both the IMF and the World Bank. President Lula identified the financial crisis as a unique chance to make a compelling case for the democratisation of global governance, pointing out that Western powers could no longer fix the world on their own (da Silva 2009). Eager to stress that the crisis originated in the developed world, Lula repeatedly claimed that emerging powers' participation was necessary to build a more robust system. Brazil, as he often and proudly pointed out, had been "*the last country to enter the crisis and the first to leave it*" (da Silva 2009). While this claim was false – the Brazilian economy was in recession for a short period of time, yet India and China did not enter recession at all (IMF 2010) – his point was clear. Lula sees Brazil on the way to "decoupling" from the rich world, and hopes that this will soon allow Brazil to no longer depend on consumption in Europe and the United States. As Samuel Guimarães, one of Brazil's leading diplomats, has noted, Brazil is aiming to create

a multipolar world system, with a Brazil-led South America as one of the poles (Guimarães 2006).<sup>12</sup>

Behind the bold rhetoric, Lula's occasional outburst against "Western-dominated" international institutions and evil "blond and blue-eyed bankers" (Nossa 2009) must be seen in the domestic context. This confrontational rhetoric is a concession for the left-leaning factions of Lula's government who feel betrayed by Lula's conservative economic policy at home. In addition, Brazil's international actions often do not match Lula's verbosity. Brazil, above all, seeks to increase its visibility and influence. Brazil's goal to strengthen its voice in the international institutions can be seen as a consequence of that strategy. It also shows Brazil's willingness to engage in and strengthen existing multilateral development regimes, although most of Brazil's aid expenditures are still disbursed bilaterally. This is mostly because Brazilian aid is given for economic and political reasons, and the political and economic impact of bilateral aid (international political gain and economic gain for Brazilian economic interests) is considered larger and more direct than multilateral aid.

Judging from the statements made during the G20-summit in Pittsburgh in late September and the Annual IMF and World Bank Meeting in Istanbul early October 2009, Brazil's and the other emerging powers' arguments about reform are unlikely to go unheard (Dervis 2009). While the changes will not take effect before 2011, developing countries' voting share in both institutions is set to increase.

### 2.2.1 The IMF

This section will give a brief overview of Brazil's stance towards the IMF as a tool to address global development challenges. This concerns Brazil's views on the distribution of power and the way the fund operates.

In late 2007, prior to the worst economic crisis since the Great Depression, analysts across the world openly asked whether the IMF was a superfluous organisation (Economist correspondent 2009b). In a world where IMF lending seemed to be largely unnecessary due to large amounts of private capital, ever fewer governments paid attention to its advice (Ambrose 2007). Another problem was that the IMF's reputation remained tarnished from botched attempts to stabilise several developing countries, such as Argentina, Zambia and Pakistan (Lana / Clark 2007, Khan 2002), and the IMF was criticised for "overdoing it" by imposing too many major structural and institutional reforms (Feldstein 1998; Zaidi 1999). Still today, the IMF's image in Argentina is tainted, and populist politicians across Latin America (including Brazil) frequently speak out against it to shore up support, as many citizens associate the IMF's involvement with the financial collapse in 2001. As an official at Brazil's Finance Ministry pointed out, there still is a stigma attached to IMF loans and, as a consequence, to the institution itself. In this regard, Brazil has been very much aligned with the rest of the re-

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12 Brazil's president likes to recount with gusto the day he said no to the International Monetary Fund. "I called [Rodrigo] de Rato, [managing director] at the IMF and told him I didn't want his money. He was really upset," Lula laughs. "Rato said: 'But lending to Brazil is really important to me.'" (Barber / Wheatley 2009)

gion.<sup>13</sup> The crisis has brought radical change. Under the leadership of Dominique Strauss-Kahn, the IMF is “back from the dead”, having increased lending considerably, and planning to increase the fund’s size even more, to around 2 trillion dollars, to become a credible lender of last resort (Economist correspondent 2009b).

Understanding how the Brazilian government thinks of the IMF helps us put Brazil’s behaviour into context. President Lula’s Workers Party (PT) has traditionally seen the IMF as a tool used by Western imperialists to control developing countries. This opinion is not restricted to the left-leaning parties, and a negative view of the IMF has been historically endemic among Brazil’s political elites.<sup>14</sup> Lula has strong negative memories of Brazil’s experience as an IMF lender, calling it “traumatic to see, for almost two decades, IMF bureaucrats telling us what we should do” (Junior 2009). This fuelled fear in a country that is historically concerned about attacks on its sovereignty, be it in the form of internationalising the Amazon forest or in the form of strings attached to IMF loans (Busch 2009).

The old rhetoric remains, at least among PT politicians, but today Brazil regards the IMF as an important and necessary tool to stabilise the world economy. This acknowledgement can best be explained by Brazil’s strong insertion in the world economy, and a resulting interest in global financial stability. In 2002, Brazil obtained a credit line of over 30 billion dollars, the biggest in IMF history (Hakim 2004), to avoid a looming default on its debt.<sup>15</sup> Furthermore, its very interest in IMF reform and more voting shares is a strong signal that Brazil acknowledges the IMF’s relevance as a credible lender of last resort in the future. Its policy is thus by no means aligned with that of Venezuela’s Hugo Chavez, who aims to replace the fund with a home-grown model, the Bank of the South<sup>16</sup>. In Istanbul, during the yearly IMF gathering in October 2009, Brazil’s finance minister Guido Mantega announced that Brazil would spend \$ 10 billion dollars to buy International Monetary Fund bonds to boost the fund’s resources. Ahead of the meeting in Istanbul, Mantega underlined the importance of this decision for Brazil, noting it was a “*historic moment for [Brazil]. It is the first time in history that Brazil is lending resources to the IMF and therefore to the international community*”, stressing that Brazil’s contribution “*is an expression of Brazil’s willingness to play a greater role in the fund and support the institution and its objectives*” (Rodriguez 2009). Brazil’s commitment is likely to alter the way the world perceives Brazil, and the way Brazil perceives itself. For example, it may accelerate the reduction of aid given by rich countries to Brazil, as they will increasingly regard Brazil as a “donor country”. In Germany, for example, some policy makers have questioned the need to provide development aid to emerging powers such as Brazil, India and China (for example, Wolff 2010; Handelsblatt 2009).

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13 Brazil’s changed relationship to the IMF is certainly not representative of the region. In Argentina, the IMF continues to be fiercely criticised, despite an emerging global consensus that a credible lender of last resort is necessary (for example, see Gersbach 2009).

14 In 1986, for example, Brazil’s President Sarney laid out his strategic plan and described under how much pressure he was due to the IMF’s intervention (Sarney 1986).

15 Brazil repaid 15.57 billion dollars in December 2005 to settle its debt two years ahead of schedule.

16 The Bank of the South (Banco del Sur in Spanish) is a monetary fund and lending organisation first proposed by Venezuelan President Hugo Chavez, which aims to focus on poverty reduction. Lula has frequently rhetorically supported the idea of the Bank of the South, which is ideologically opposed to the Bretton Woods institutions, yet Lula does not consider the Bank of the South to have strategic importance similar to the IMF.

At the same time, the Brazilian government claims it is determined to alter the way the fund operates in the future, and it has tied its promise to become a lender to the rapid implementation of reform. Brazil demands change in two areas. First, Brazil believes it is necessary to enhance emerging powers' weight in the decision making process, and to reduce richer countries' influence. Brazil consequently presses for a change of the IMF quotas (Mantega 2009). Quotas determine voting shares in the fund, and the contributions countries make to it. Brazil wants power to be taken away from European countries and increasing emerging powers' weight.<sup>17</sup> The fact that Belgium has more votes than Brazil is an oft-cited fact in the Brazilian media that symbolizes Brazil's discontent with the current *modus operandi* (Acebes 2009). Brazilian Finance Minister Guido Mantega said after the IMF meeting in Istanbul that "*we can only hope that over-represented advanced countries will realize that they may do great harm to the fund if the attempt to block or delay quota and voice reform*", (Mantega 2009). In Istanbul, developed nations proposed to increase developing countries' voting share in the IMF by 5%, which would bring the developing countries' total share to 48% (Cermak 2009). It is unclear at this point whether this increase will be sufficient for Brazil and the other developing nations. It would mean an increase of Brazil's share from 1.38% to 1.72%. The United States' share would decrease from 16.77% to 16.73%, yet the US ability to block proposals would be maintained. Prior to the meeting, the G24, which includes emerging and developing countries from Latin America, Africa, the Middle East and Asia, called for a commitment to shift 7 percent of quota shares from rich to developing countries, which would give them an equal say with the industrialised world. In addition, the Brazilian government aims to reduce the percentage of votes needed to ratify the IMF's most important decisions. Currently, 85% are needed. The goal is to break the United States' ability to veto any crucial vote with its 17% share. Breaking the US veto power would be an additional step to reduce the Western powers' grip on the fund.<sup>18</sup>

In this context, Brazil largely agrees with the IMF-appointment committee headed by South Africa's then- Finance Minister, Trevor Manuel, who reported to the fund on March 24<sup>th</sup>, 2009 on how to enhance the Fund's capacity (Manuel 2009). The Brazilian government has also repeatedly criticized the unwritten rule that a European and an American head the IMF and the World Bank, respectively. When rumours emerged in July 2009 that the Obama administration had tapped President Lula to head the World Bank (Carroll 2009), Lula stated that he would be honoured to take on the post. He is since said to have changed his mind, hoping to succeed Ban Ki-moon as United Nations Secretary General. No matter what Lula's

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17 Quota subscriptions generate most of the IMF's financial resources. Each member country of the IMF is assigned a quota, based broadly on its relative size in the world economy. A member's quota determines its maximum financial commitment to the IMF and its voting power, and has a bearing on its access to IMF financing. The IMF's Board of Governors conducts general quota reviews at regular intervals (usually every five years). Any changes in quotas must be approved by an 85 percent majority. There are two main issues addressed in a general quota review: the size of an overall increase and the distribution of the increase among the members. First, a general quota review allows the IMF to assess the adequacy of quotas both in terms of members' balance of payments financing needs and in terms of its own ability to help meet those needs. Second, a general review allows for increases in members' quotas to reflect changes in their relative positions in the world economy. The Thirteenth General Review was concluded on January 28, 2008 with no proposal by the Board of Governors to increase quotas ([www.imf.org](http://www.imf.org)).

18 Aside from a country's votes, the IMF's Special Drawing Rights (SDRs) are important because they represent a potential claim on other countries' freely usable currency reserves, for which they can be exchanged. Alternatively, countries with robust finances can buy SDRs from countries which are in need of hard currency. (IMF 2010).

personal ambitions are, Brazil will continue to press for a selection process that chooses the IMF leadership irrespective of nationality.

The second area where Brazil sees the need for reform is the lending procedure. Brazil believes in a more “recipient-friendly” lending process, envisioning a less intrusive process with fewer “strings attached”, i.e., fewer policy conditionalities (Rowlands 2008). However, the Brazilian government has been rather vague about how exactly things should be changed.<sup>19</sup> In this regard, Brazil remains a developing country in spirit, even though it has pledged to give the fund 10 billion dollars, thus becoming a lender to the IMF for the first time in history. Commenting on Brazil’s new role in the IMF, President Lula stressed that *“as we turned from debtors into international creditors... we decided to contribute resources for the IMF to loan money to poor countries, free of unacceptable conditionalities imposed in the past.”* (da Silva 2009) Such demands are not new. In fact, the IMF has already modified the way it imposes conditions on its borrowers. In the 1990s, the fund was known to micromanage economic policy in debtor countries and to impose reform in areas that were not directly related to economic growth. In 2002, under Horst Köhler’s leadership, new guidelines were published to operate in a less invasive manner. While loans will always have to be attached to conditions, the involvement of Brazil and other emerging markets may further dilute conditionalities, in the hope of making them more effective. Brazil called the FCL (Flexible Credit Line), a tool recently created by the IMF with few strings attached, a “breakthrough” (Mantega 2009).

Brazil’s motivations to increase developing countries’ weight in the IMF and insistence on reducing the amount of conditionalities attached to IMF loans are based on ideology, power politics and its own experience as an IMF recipient. Despite continuing former President Cardoso’s conservative economic policies, the Lula administration has introduced a leftist ideology in its foreign policy outlook. In order to gain more leeway with regards to (conservative) internal policies, Lula has made significant concessions in the area of foreign policy, allowing left-leaning perspectives to dominate Itamaraty, the foreign ministry. While rhetoric is usually more radical than actual policy, the result has been a marked shift. Under Cardoso, Brazil’s major allies were, aside from Argentina, the United States and the European Union. While Lula never openly broke with the richer countries, his government has changed focus and sought to align with other developing countries. The objective to increase Brazil’s weight on the international stage remained unchanged, but the strategy employed to achieve this goal changed radically. Rather than seeking rapprochement to the United States and Europe, Lula attempted to maximise benefits by positioning Brazil as the “leader of the South” (Vigevani 2009), aligning with other developing countries. Lula’s travels have been indicative of this shift of focus. Lula has travelled to Africa and Asia more frequently than any other President in history.

This change has been criticised by foreign policy advisors of the Cardoso administration and by Mr. Cardoso himself. Their major criticism is that Lula’s foreign policy, which resulted in the establishment of the “South-South diplomacy”, is based on a somewhat ideological and antiquated dichotomy of “first world vs. third world”, or “us vs. them”. Several analysts (e.g. Narlikar 2006b) have described Lula’s foreign policy outlook as “third worldish”, showing that while the Workers’ Party modernised its views in several areas such as economic man-

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<sup>19</sup> It must be noted here that there have been no specific proposals put forward by the Brazilian government in this regard. Evidence for this policy position is based on conversations with Brazilian diplomats and on declarations by politicians.

agement, its foreign policy outlook remains that of the 1960s and 70s, when the term “Third World” was still in use. Lula’s opponents furthermore ascribe his apparent foreign policy successes to Brazil’s economic growth, a result of Cardoso’s wise policies in the 1990s, rather than to Lula’s foreign policy strategy.<sup>20</sup>

Yet, Brazilian policy makers also believe that the IMF can be strengthened and made more effective if developing countries were to participate more in decision making. This position is tied to a general interest in the democratisation of global governance and the belief that a more balanced global leadership is more successful at tackling the world’s most pressing issues. Brazil has long argued that contributions from countries such as Brazil, Russia, India and China will boost the fund’s legitimacy and its ability to convince countries in trouble to adopt its recommendations (Mantega 2009). Brazil has been pushing for reform for several years (ODI 2007). In 2006, the Medium Term Strategy was passed, which includes changes in IMF governance to enhance the role of developing countries in the institution’s decision-making process yet Brazil did not receive a higher share of votes. While Brazil feels well-protected from financial disaster at this moment, its recent memory of the rescue by the IMF certainly added to the conviction that a strong lender of last resort can provide a useful safety net in rough times. As the Brazilian economy is more and more open and intertwined with the global economy, and as more Brazilian multinationals venture out into the world, Brazil has an increasingly strong interest in global financial stability, to which the IMF contributes (Busch 2009).

In conclusion, the Brazilian government strongly believes in the future of the IMF, and in its ability to help prevent further financial crises. The Brazilian government wants the IMF to become a credible lender of last resort, a role the IMF had temporarily lost prior to the economic crisis in 2008. The IMF emerged from the meetings in Istanbul with a promised increase of its capital, also thanks to developing countries such as Brazil. At the same time, the Brazilian government is committed to increasing its own role and that of other developing countries in the IMF decision making process. European countries are likely to be most affected by Brazil’s growing role in these institutions. Proposals by Brazil carry with them a loss of power for European nations because changing voting rights is, by definition, a zero-sum game. If the Brazilian economy continues to grow, so will Brazil’s demands for more weight in the IMF.

Brazil also claims it wants the IMF to operate less invasively. Rather than insisting in fundamental changes in economic and institutional structures, Brazil envisions credits to be more flexible, with fewer conditions attached. One possibility is to tie loans to macroeconomic goals only, and leave it to the recipient to design the necessary changes. Brazil’s proposition remains vague, however, and it is unclear whether Brazil will bring forward any specific proposals. In this context, when analysing Brazil’s reform proposals, one must be careful to assess how much Brazil is really interested in actual change in procedure, and in how far Brazil pushes for reform in order to make a broader argument about an unjust distribution of power

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20 The opposition is certainly right to point out that the economic rationale for Lula’s alignment with the South is questionable, as economic relations with developing countries are, with the exception of China, still far less significant than those with the United States and Europe. Lula’s “South-South diplomacy” explains why Brazil not only fought for its own better representation, but also that of other developing nations. But from a realist perspective, aligning with other emerging countries such as India increases Brazil’s clout during negotiations.

in today's international institutions (Spektor 2010). While Brazil may be genuinely interested in improving the IMF's work, Brazil has identified the IMF as a medium of power and influence, and its principal goal is therefore better representation.

### 2.2.2 The World Bank

As this section will show, there are similarities between Brazil's strategy towards the IMF and the World Bank: Brazil seeks changes in both the internal distribution of power in the organisation and the way the World Bank operates.

The IMF has received widespread attention over the past year due to its role as a financial fire fighter in the aftermath of the financial crisis. In Brazil, the World Bank finances more tangible projects which are usually less politicised. Brazil and the World Bank have a long history of collaboration. The World Bank started to finance public sector projects in Brazil in the late 1940s, soon after the institution's creation. In the 1970s, the Bank turned into one of the largest funding source of social projects in Brazil (Fonseca 1998). The Bank continues to play an important role in Brazil today. For example, the Bank will help Brazil accelerate \$11.1 billion in mostly infrastructure investments needed to host the Olympic Games (World Bank 2010). In addition, the World Bank will lend the state of Rio de Janeiro \$212 million to help the state government purchase 30 trains for its rail network, and \$480 million to improve public administration of the health and education systems (World Bank 2010).

Similar to its sister organisation, the World Bank has been slow to adapt to changing global economic realities by changing its decision-making structures. It remains dominated by Western powers (Einhorn 2006). The United States is the Bank's principal paymaster, and there is an unwritten rule that the White House can appoint the World Bank's President. Critics claim Europe is overrepresented: eight to nine members of the 24-member Executive Board are Europeans. Sixty percent of the Executive Directors are from the world's industrialised countries, and the US government, with close to 20% of the vote, can veto important decisions, which require an 85% majority. The 46 Sub-Saharan African members together control only 8% of the board's total voting power, with two seats.

In yet another parallel to the IMF, where South Africa's former Finance Minister Trevor Manuel headed an independent commission to propose reforms, World Bank President Robert Zoellick appointed a high-level commission to improve the Bank's performance. The commission was headed by Mexico's former President Zedillo, and it included, among others, Brazil's former Central Bank Chief Armínio Fraga, one of Brazil's most influential economists (Busch 2009). Similar to the Manuel Report, the Zedillo Commission called for sweeping changes to reflect the world's new economic order. Presenting the proposal to Zoellick, Zedillo said that the decision-making process was too exclusive, and that European countries' influence in the executive board needed to be reduced to four or five seats. The report also recommends replacing the Executive Board with a "World Bank Board", whose members should hold ministerial or vice-ministerial rank (Zedillo 2009). The report further suggests lowering the majority needed on major decisions to end America's ability to veto decisions. Finally, it argues that the selection process for the World Bank's leadership position should not be based on nationality, but on merit (Linn 2009). While there has been no explicit endorsement of the entire report, Brazil's rhetoric indicates that the Brazilian government's po-

sition on World Bank reform is largely in line with that of the Zedillo Report, supporting all the items listed in the Zedillo Report.<sup>21</sup>

During the recent G20 Summit in Pittsburgh, heads of governments agreed to shift voting power within the World Bank, increasing developing countries' weight by 3%. The Brazilian government does not regard this as sufficient, but rather as a first step towards a long term reform process. Prior to the summit, Brazil had asked for a bigger increase (Mantega 2009). Brazilian policy makers believe that the developing countries' lack of participation in the decision-making process reduces the institution's legitimacy.

In addition to seeking a more balanced power structure, Brazil supports, together with other developing countries, a heavy capital injection in the World Bank's war chest. Rich countries have understandably been cautious about such a measure, as they would probably have to finance such an increase. While Brazil does not need any help from the IMF, it continues to receive loans from the World Bank.

Lula's strategy toward the World Bank points to a struggle within the ruling Workers' Party (PT).<sup>22</sup> The party's base adheres to traditional leftist views and often strongly disagrees with Lula's conservative economic policies, yet Lula is pragmatist enough to understand that Brazil is better served by continuing them. Several analysts argue that Lula attempts to satisfy his left-leaning party members by using foreign policy rhetoric reminiscent of the "good old days" when the PT was still genuinely fighting for socialism similar to that in Cuba.<sup>23</sup> The US and European governments are therefore right not to take Lula's at times anti-Western comments too seriously, as they are clearly directed towards certain domestic groups.

This does not mean that Brazil is on a confrontational course against the World Bank; quite the opposite. Rather than avoiding contact with the Bank, Brazil is keen to assume more responsibility. Brazil's position thus differs markedly from that of Venezuela and Ecuador, which have attempted to take concerted action against the World Bank. In April 2007, Ecuador's President Rafael Correa expelled the World Bank representative in the country. In the same month, Venezuela's President Chavez announced his country's withdrawal from both the IMF and the World Bank (Buncombe 2007). Venezuela was later forced to reverse its decision to prevent default clauses in the country's sovereign bonds.

Brazil's proposals on how to reform the World Bank have focused on issues related to the organisation's decision making process. Yet, judging from the comments made by Brazilian policymakers about pushing for IMF loans with fewer strings attached, it is likely that this

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21 Several Brazilian diplomats have confirmed this assumption during interviews for this paper.

22 President Lula frequently uses harsh rhetoric against the World Bank, sometimes calling it an "evil Western institution". For example, in a typical speech in early 2009, Lula criticised the World Bank for the way it was handling the crisis: "*It seems like those institutions, which knew everything when we had a crisis, don't know anything when the crisis is happening there (in the rich world). Or, at least it is not permitted to give their advice; with the arrogance they do it here.*" (Aquino 2009) Yet, in such cases, he is pandering to leftist or anti-Western factions in his government and in the population. In reality, Brazil pursued conservative economic policies (de Onis 2008), and its interest in the World Bank's reform process underlines its belief in the usefulness and future of the organisation to maintain financial stability, help transition countries join the international economy, and fight poverty.

23 Interview with Rogério Schmitt, Political Analyst, Center for Public Leadership, São Paulo, November 11, 2009.

policy also affects Brazil's views on how the World Bank should operate: less invasive and "less arrogant" (da Silva 2009) although it is somewhat unclear what exactly that means, and there have been no specific World Bank proposals put forward by the Brazilian government in this regard. There is thus some gap between Brazil's rhetoric and its actual behaviour with regard to World Bank reform. Brazilian officials, however, have pointed out that they prefer to exert pressure together with other countries, rather than to stick out as the leader, to not undermine the overall effort to improve developing countries' weight.

Brazil's view on the World Bank is therefore aligned with that on the IMF. It regards the World Bank as a crucial institution with an important role in the context of facing global development challenges. Yet, in order for the Bank to assume that role, Brazil thinks it should give developing nations a greater say.

### 2.2.3 The Inter-American Development Bank

We cannot fully comprehend Brazil's views on international financial institutions without a discussion about the Inter-American Development Bank. The IADB<sup>24</sup>, founded in 1959, seeks to strengthen the process of economic and social development in Latin America and the Caribbean. It is the largest source of multilateral financing in the region, although it is only slightly ahead of the World Bank (World Bank 2009; IADB 2010). Many of Brazil's demands with regard to the Bretton Woods institutions (such as more decision-making power for recipient nations) have been implemented in the IADB, which makes Brazil's behaviour in this institution an interesting subject.

While the IADB's mission is largely similar to that of the World Bank in fundamental respects, it differs slightly with regard to its internal distribution of power. Aside from its regional focus on Latin America, its power structure gives more rights to developing countries, which control the majority of the decision-making bodies of the Bank.<sup>25</sup> Some argue that if developing countries had more decision-making power in international lending institutions, developed countries would have less leverage to coerce the borrowers. Others argue that peer pressure creates a strong motivation not to default. Yet, this peer pressure did not stop Argentina from defaulting in 2001. In any case, the borrowing countries' larger influence has an impact on how the IADB is perceived by Latin American policy makers. Hugo Chavez, who has fiercely criticised the World Bank, has never spoken out against the Inter American Development Bank, and Venezuela continues to benefit from the IADB (IADB 2010).

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24 The Inter American Development Bank is often called IDB, which at times leads to confusions as IDB also stands for Islamic Development Bank.

25 The United States is the most powerful member with 30% of the shares, but the Latin American and Caribbean countries hold 50% in total. Brazil is, together with Argentina, the second most powerful member, with 10.75% of the total vote. Several European countries, as well as Israel, China, Japan, the United States and Canada, are non-borrowing members, while all Latin American countries except Cuba are borrowing members (IADB 2010). The United States has a significant say in the leadership selection process, and US influence was crucial when the IADB had to choose a new leader in 2005. Yet, contrary to the World Bank, the IADB is traditionally led by a Latin American. From 1988 to 2005, the Uruguayan economist Enrique V. Iglesias led the institution. In 2005, Colombian diplomat and entrepreneur Luis Alberto Moreno succeeded him (IADB 2010).

The IADB disbursed loans of approximately \$ 8.1 billion in the year ending on October 31, 2009. With 25% of the total funds, Brazil received most of the loans. Brazil does receive less per capita than other nations, considering that 35% of all Latin Americans (200 out of 570 million) are Brazilians (IADB 2010). Given the IADB's different power structure, it is not perceived as a tool of imperialism by Brazilian politicians. Rather, it is regularly featured in the local sections of the newspaper and in local television news when Bank President Luis Alberto Moreno and local politicians inaugurate a new project.<sup>26</sup> Furthermore, the IADB's work is not affected by political instability in several Latin American countries. As Brazil, Chile, Colombia and Uruguay strengthen their institutions and pursue centrist policies, Venezuela, Argentina, Ecuador and Bolivia are increasingly unpredictable and dominated by populist policies. While these political developments may have negatively affected chances to coordinate policies across the continent, the IADB is one of the few regional bodies that works properly. Brazil can therefore be expected to continue to regard the IADB as an important organisation in the context of facing today's principal development challenges.

### 2.3 The UN Development Cooperation System

Brazil's view of the United Nations Development Cooperation System is particularly interesting because the discussion about UN Security Reform eclipses Brazil's strategy with regard to other, no less important areas of the organisation. Severe criticism and calls for reform of the United Nations have been ever-present since the organisation's creation in San Francisco in 1945 (Schlesinger 1997; Gardner 1970; Jacobson 1990). As more recent calls for reforming the United Nations show (for example, Boutros Ghali 1992; Richter 1995; Helms 1996), there is little consensus about how the many diverging views on UN reform should be implemented (Weiss 2008; Weinlich 2010).

The discussion about UN Security Council Reform is the most prominent aspect of the discussion (Rajamani 1995). There are, however, many reform proposals concerning other areas of the organisation and the UN's organisational procedures and administration (Beigbeder 1997). The second type of reform consists of proposals to increase accountability, transparency, and efficiency. In addition, there is a discussion about finance reform. Finally, the United Nations' handling of human rights issues has been the subject of an intense debate, which led in 2006 to the creation of the United Nations Human Rights Council, substituting the heavily criticised United Nations Commission on Human Rights.

This section will start out focussing on 1) Brazil's stance towards the United Nations' responsibilities and continue with 2) Brazil's contributions to the UN system (in the form of money and troops) and 3) the UN's activities in Brazil. It then proceeds to 4) how the government views reform efforts such as ONE UN. Finally, Brazil's views in the context of the 5) Non-Aligned Movement (NAM) and the G77, and 6) on the UN Security Council (UNSC) will be scrutinised and put into context.

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26 Reforming the IADB is therefore not an issue at this point. Improving infrastructure is considered one of the few aspects that could hold Brazil back from realizing its full potential, and the IADB is seen as a crucial player in helping Brazil make a leap in areas as diverse as roads, public transport, and telecommunication. Yet, the IADB is also seen as a powerful tool in helping the poorest countries in the region, such as Bolivia and Haiti, and as a talking shop for the region.

### 2.3.1 Brazil's views on the UN

Brazil is a charter member of the United Nations since its foundation in 1945, and it participates in all of its specialised agencies. Brazil's engagement in the UN and its criticism of it shows that the Brazilian government has a sense of ownership in the UN, and it regards the UN as the most legitimate of all international organisations. Brazil also regards the UN as the most adequate organisation to deal with security issues, climate change, and the fight against poverty.

While Brazil has sent mixed signals about who should pay for combating climate change, the government has never questioned the United Nations' legitimacy in dealing with the issue. Given the opportunity to assume leadership as one of the greenest economies on earth, the Brazilian government's failure to produce a coherent strategy prior to the Copenhagen Summit in 2009 is surprising. The government merely announced that it would oppose tough emission caps during the UN Climate Conference.<sup>27</sup> Despite its exceptionally high use of clean energy - more than 45% of energy in Brazil that is consumed is renewable (Busch 2009) - the government is unsure how to position itself in the "pragmatism vs. justice" discussion of whether only the rich or all countries, including emerging powers, should adopt emission caps. Initially, Lula adopted a rigid developmentalist position and said emerging powers would have every right to pollute as they grow their industrial base (da Silva 2009). While this dilemma which reflects Brazil's dual identity as both a developing country and a global player remains unresolved, it is certain that Brazil ascribes a major role to the United Nations in facing the challenge of climate change.

### 2.3.2 Brazil's contributions

This vision of a strong role for the UN is contrasted by Brazil's marginal financial contributions. Between 2003 and 2007, Brazil contributed on average \$340 million per year for the UN's operational activities. This is a lot more than fellow developing countries such as India, which contributed \$ 35 million per year in the same period (Weinlich 2010), but it can largely be explained by the cost-sharing mechanism (see section 1.3.3.), through which most of the money is spent on activities within the country. In 2009, Brazil's net contribution to the UN's regular budget barely exceeded \$ 20 million, compared to Japan's \$ 405 million (UN 2009a). In 2009, for example, Brazil shouldered less than 0.1% of the United Nations International Children's Emergency Fund's regular budget (UNICEF). Brazil is one of the countries with the highest percentage of contributions tied to a specific activity, which can also be explained by the large amount of self-supporting contributions (Weinlich 2010). In some areas, however, Brazil has recently increased multilateral aid, it has supported the World Food Programme (WFP) with a yearly \$ 15 million since 2009 (WFP 2010). It is not clear whether this is the beginning of a trend or a temporary increase. For now, Brazil's lacklustre contributions raise questions about both Brazil's seriousness about strengthening the UN, and about the soundness of its claim to be granted a permanent seat on the UN Security Council.

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<sup>27</sup> In addition, President Lula's decision to appoint Dilma Rousseff, his chief of staff and anointed successor, to head the Brazilian delegation, has been subject to criticism as Rousseff is known to favour economic development over dealing with climate change (Rodrigues 2009).

On the other hand, Brazil has contributed troops to several UN peacekeeping missions, and most recently to East Timor and Haiti, where Brazil leads the UN peacekeeping force MINUSTAH. According to the Brazilian Ministry of Defence, Brazil has spent \$705 million on the mission, 40% of which will be reimbursed by the United Nations (Maiholt / Kochskaemper / Mueller 2010). After the earthquake in Haiti in 2010, Brazil has agreed to send another 1300 peacekeepers, bringing the total number of Brazilian personnel to 2600. In addition, Lula announced \$ 210 million in emergency aid and another \$180 million during the Haiti donor conference.

### 2.3.3 The UN in Brazil

The UN's massive engagement within Brazil is noteworthy and raises further questions about Brazil's quest for more influence. Given its stable economic development, UN funds allocated to Brazil have been sinking since the late 1970s (Galvani / Morse 2004). Yet, in the face of pressure to improve governmental services, a relative lack of human capacity and an apparent inability to modernise labour laws, the Brazilian government and UNDP have developed the so-called "cost-sharing mechanism". Contrary to traditional approaches, where the UN provides funds, this mechanism involves governments providing resources to UN agencies for development activities in their own countries. The top self-supporting countries in 2007 were mostly Latin American, led by Brazil (UN 2009a). The mechanism involves providing the funds and essentially hiring UNDP staff to do secretarial and managerial work public employees would normally do. Brazilians hired through the UN system are more expensive, but they are temporary consultants. This allows the government to avoid the cumbersome bureaucratic process of hiring public employees (Weinlich 2010). In 2000, the Brazilian government paid \$ 180 million to UNDP for hiring consultants and coordinating projects, while around half of this amount was financed by the World Bank and the IADB (Galvani / Morse 2004). Critics have pointed out that such a mechanism ensured financial sustainability for UNDP, but that it undermines the Brazilian government's ability to develop sustainably. Despite attempts to curb the excessive use of the mechanism, little has changed over the past decade. In 2005, the government paid \$ 191 million to UNDP (UN 2005), in 2007 Brazil paid \$ 388 million in self-supporting contributions for operational activities.

Brazil's massive use of this mechanism is unique (UN 2009a), and it can be explained by the specific circumstances in Brazil and several Latin American countries, but it also demonstrates the country's inability to wean itself from UN assistance. This mechanism allows the UN to remain and even expand in a relatively rich country (compared to where the UN's other operations take place), while helping the Brazilian administration avoid necessary reform of its archaic labour laws. Despite Brazil's economic rise, the UN, and specifically UNDP, remains an important entity in the country, with the Brazilian government paying for a significant part of the services. Due to the cost-sharing mechanism, Brazil is one of the countries with the highest percentage of UN contributions tied to a specific purpose, in this case for activities in Brazil itself. However, only contributions free of conditionalities will strengthen the UN's mandate. This open-ended practice seems incoherent with Brazil's broader engagement with the UN, its calls for reform, and its belief that the United Nations should focus its attention on poverty reduction in the poorest countries (Herz 1999). As Weinlich points out, the Brazilian government often asks UNDP to perform tasks outside of the agencies' core competencies, further diluting UNDP's mission (Weinlich 2010).

UN activities in Brazil take place in several different areas. There are currently three “joint programmes” in which two or more UN agencies work with local partners to design, implement, accompany and evaluate activities geared towards achieving the UN Millennium Development Goals (MDGs) (UN 2009c). These programs deal with a) the promotion of race- and gender-related equality, b) public safety, crime and vulnerable youth, and c) social services and education. As the United Nations Development Assistance Framework (UNDAF) for Brazil (2007–2011) points out, the UN’s activities in Brazil have the following overarching objectives (with share of financial resources): 1) Expanding access to public services (69,6%), 2) Reducing gender- and race-related inequality (4,3%), 3) Reducing violence (10,2%), 4) Improving governance (8,1%) and 5) Promoting equitable and environmentally sustainable economic development (7,9%) (UNDAF 2005).

### 2.3.4 Brazil and UN reform efforts

In 2005, the UN’s 191 members<sup>28</sup> agreed to a final version (the “outcome document”) of the declaration of UN reform that called, among other issues, for management reform, the creation of a Peacebuilding Commission to supervise the reconstruction of countries after wars; reform of the Security Council, and the substitution of the disgraced UN Commission on Human Rights by a more effective Human Rights Council. Brazil cautiously supported the proposals, but any changes that would reduce developing country’s control over the UN budget by increasing the Secretariat’s leeway, are seen critically by the Brazilian government.

Statements by government representatives calling for increased coherence of the UN system do not necessarily indicate that a country is seriously interested in reform (Weinlich 2010). While Brazilian diplomats officially support reform projects such as the ONE UN initiative<sup>29</sup>, Brazil has not assumed a leadership role in financing the pilot countries’ country funds.<sup>30</sup> Eight countries – Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Uruguay, and Vietnam – volunteered in 2007 to become “Delivering as One” pilots (UNDP 2009). The approach is meant to strengthen the UN’s impact through more coherence, lower transaction costs for governments and lower overhead costs for the UN system. The Brazilian government welcomed such new approaches, but a Brazilian diplomat in New York insisted on an independent evaluation before embracing the change.<sup>31</sup> Similar to India, Brazil is likely to regard this approach as useful for smaller countries, but inadequate for large players. Concentrating the UN’s presence in Brazil to one single office may imply a significant loss of influence Brazil has over the UN, as it is easier for the Brazilian government to influence smaller agencies than a single representative.

Brazil is more open with regard to the Development Cooperation Forum (DCF), an instrument created in 2007 and aimed at strengthening the role of the Economic and Social Council (ECOSOC) in international development cooperation. While Western nations regard the DCF

28 Montenegro joined the UN in 2006, bringing the membership count to 192.

29 The One UN initiative, created in 2007, aims at strengthening system-wide coherence at the country level and encompasses a number of dimensions – “One Leader, One Programme, One Budget and, where appropriate, One Office”(UNIDO 2009). The goal is to ensure coordinated and more effective development operations and accelerate progress towards the achievement of the MDGs.

30 Norway, Great Britain and Spain financed the largest parts of this initiative (Weinlich 2010).

31 Phone interview, Brazilian representation to the UN, New York, July 1, 2010.

primarily as an aid coordination forum, Brazilian diplomats based in New York stressed that Brazil would like to see a stronger role for DCF, although they admit that this is unlikely. Great Britain, Austria, Switzerland and Germany have financed most of the preparatory processes for the Development Cooperation Forum, while emerging donors have not assumed a leadership role.

### 2.3.5 Brazil, G77 and the Non-Aligned Movement

As part of the G77 and as an observer of the Non-Aligned Movement, Brazil has historically sought to promote a more prominent role for the UN General Assembly (GA) by envisioning greater GA involvement on questions regarding military intervention, for example (Herz 1999). Some critics have pointed out that Brazil's attempt to enter the UN Security Council as a permanent member is not entirely about democratising the UN, but rather about creating an "expanded oligarchy", as a former Brazilian diplomat has called it. With regard to Security Council Reform, the Non-Aligned Movement is torn (Rajamani 1995; Weinlich 2010), and Brazil does not have all the developing countries' support in this project.

Ideologically, Brazil often remains aligned with the principles espoused by most G77 members and nations of the Non-Aligned Movement (NAM). One of them is the principle of non-intervention. Brazilian government officials have therefore failed to support any proposals that seek a stronger "pacifying role" for the UN that may at times disrespect sovereignty such as the peace enforcement missions in Rwanda and Somalia (Herz 1999). In this respect Brazil continues to side with developing countries, and it remains a country with a strongly Westphalian outlook. While it regards interference approved by the UN Security Council as legitimate, it traditionally has been reluctant to vote for any type of measures that violate a country's sovereignty. The Brazilian government is therefore highly critical of the concept of "R2P" (Responsibility to Protect), which it believes can be easily misused as a pretext for aggressive military intervention. Over the past decades, Brazil has rarely openly criticised any human rights abusers. This may be partly explained by the fact that the Brazilian foreign policy elite remains concerned about a possible foreign intervention in its Amazon region, which it has difficulty in controlling (de Souza 2009).

Brazil also supports the NAM's affirmation that the United Nations is the best vehicle to achieve the MDGs (NAM Durban Summit Declaration 1998). It similarly supports the NAM's call for "a central role of the United Nations and its member states through the General Assembly and the Economic and Social Council" (Sharm El Sheikh Summit Declaration 2009). This rhetoric, however, needs to be understood with caution. Brazil's gradual transition from developing country to emerging power has initiated a slow process towards differentiating between its own interests and the developing countries' interests. Brazil has long departed from the G77's more radical calls for "total democracy", a proposal that seeks to replace the UNSC with the General Assembly. Despite continuous rhetorical support for reform, Brazil has not assumed leadership in reviving ECOSOC<sup>32</sup>, indicating that it does not regard this as a

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32 When the United Nations was founded, the UN Economic and Social Council (ECOSOC) was designed similarly to the UN Security Council (UNSC). Unlike the UNSC, however, ECOSOC was placed under the authority of the General Assembly (UN Security Council 2009). ECOSOC was therefore always been a "second-class" body, merely recommending policies. Strengthening ECOSOC has been one of Brazil's

priority. While Brazil aligns with developing countries on security issues, its position resembles that of Western countries with regards to issues such as women's rights and gay rights, where it is at odds with most developing countries. It actively collaborates with the NAM concerning questions of disarmament. This strategy shows that Brazil's strategy today is much more pragmatic than its rhetoric may indicate.

### 2.3.6 Brazil and the UN Security Council

Brazil has occupied a non-permanent seat on the UNSC nine times. In October 2009, it was elected a tenth time to occupy a seat from 2010 to 2011. Brazil is thus, together with Japan, the country that has held a non-permanent seat for the longest period of time (18 years in total). Brazil is also one of the most vocal supporters for reform, asking for greater influence and responsibility for emerging powers such as itself.

Assessing Brazil's strategy with regards to UNSC has been widely popular among scholars, while few have analysed reform proposals of the UN's other entities (see Avelar 2003), and it at times seemed as though this particular topic eclipsed all other matters related to the United Nations (Lacerda 2009). A permanent seat on the UN Security Council has been the objective of Brazil's foreign policy since 1995, when Fernando Henrique Cardoso assumed the Presidency (Herz 1999, Vigevani 2009). This was based on a simple observation: since Brazil lacks significant military power, it regards multilateralism as the only way to project its power and influence outside of its borders. Since Brazil lives in an exceptionally peaceful neighbourhood, it is unlikely that Brazil will ever engage in a military build-up. The United Nations, and a permanent seat on the UNSC, are therefore seen as one of Brazil's best bets to turn itself into a global actor.<sup>33</sup>

Brazil's efforts are also motivated by the belief that Brazil's deserves a more prominent role as the South American representative and the belief that global institutions are more legitimate and effective if developing countries are adequately represented. While some conservative voices have denounced the quest for a UNSC seat as an "unnecessary adventure", there is now a solid consensus that Brazil deserves a permanent seat (Saraiva 2005). The Security Council's objective to maintain international peace and security, and as several Brazilian scholars and members of government point out, the Security Council's key role in maintaining peace is directly related to major development challenges. For Brazil, a reformed Security Council reflects on the legitimacy and thus on the effectiveness of the entire UN organisation. For Brazil, no UN reform is thus complete without a reform of the UN Security Council.<sup>34</sup>

In 2004, Brazil, India, Japan and Germany formed the G4, whose joint goal was to achieve a UN Security Council reform and obtain permanent seats. In 2005, the UN Assembly voted on

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goals in the past, but the government now wishes to aim higher, focusing entirely on the Security Council (Vigevani / Cepaluni 2007).

33 When Lula became President in 2003, he maintained this foreign policy objective, hoping to achieve UNSC reform and entry by aligning with and gaining support from other emerging powers and African countries (Vigevani / Cepaluni 2009).

34 The United States' decision to invade Iraq without a UN Security Council resolution caused some to call the quest for Security Council reform irrelevant, as it would not be able to constrain US power (Weiss 2008). For Lula, however, the Iraq War only strengthened his argument for a reformed and more legitimate UN Security Council.

a reform proposal, which also included two permanent seats for African countries. The proposal failed, largely because African countries were unable to agree who would occupy the two permanent seats (Okouma 2007). While the G4 has, for now, ceased to exist as a vehicle for achieving Security Council Reform, Brazil continues to press for expansion and a permanent seat. To advance its goals, the Brazilian government has used at times questionable tactics. In 2005, for example, a Brazilian delegation travelled to Khartoum and promised not to condemn Omar Al-Bashir of genocide if he supported Brazil in its UNSC-reform project. Critics note that Brazil's desire to occupy a seat has prevented Brazil from criticising any government, not even the worst human rights abusers such as Zimbabwe and Sudan. Brazil also continues to entertain cordial relationships with Iran, and in 2009 Itamaraty, the Brazilian foreign ministry, decided to establish diplomatic relations with North Korea, before the decision was reversed after a domestic outcry. Critics point out that while Lula aims to be liked by everyone, there is no particular value Brazil aims to project.<sup>35</sup>

To conclude, we can say that the United Nations as a whole is regarded in Brazil as an international institution legitimate to take important decisions, for example with regard to military intervention and climate change,<sup>36</sup> and that Brazil seeks to enhance its role in the organisation, symbolised by its quest for a permanent seat on the UN Security Council. Contrary to this claim, however, Brazil's financial contributions have been fairly insignificant, and the widely used cost-sharing mechanism raises questions about why the UN is so massively engaged in a country that is no longer one of the world's poorest.

## 2.4 Bilateral aid

Brazil has been active as a donor in development cooperation for over 40 years. Until the mid 1990s, however, the amounts had a rather symbolic impact. Under President Lula, Brazil has begun to finance cooperation mechanisms more seriously.<sup>37</sup> Brazil attempts to develop more development projects in a multilateral setting. For example, Brazil collaborates with Japan in over 20 countries in trilateral projects (Maihold / Kochskaemper / Mueller 2010). Brazil also finances projects that seek to prevent urban violence and education and HIV/ AIDS prevention projects. Most of these take place in a trilateral setting with OECD partners, but also with other developing nations such as Indonesia (Maihold / Kochskaemper / Mueller 2010). Despite this aspiration, however, most aid is still provided as in-kind government-to-government assistance. During interviews, Brazilian diplomats expressed wariness of triangular development cooperation, where Northern donors finance projects executed by Southern development partners, as it made Brazil a "second-class donor."<sup>38</sup>

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35 Hawkish critics such as de Souza (2009) point out that there is incoherence between Brazil's great power claim and its unwillingness to take real decisions.

36 In addition, Brazil's President Lula is said to eye the top job of the organisation once he leaves office in 2011.

37 Brazil also assumed leadership in other areas. In 2009, it co-hosted a regional meeting on humanitarian aid in Latin America together with the Office for the Coordination of Humanitarian Affairs (OCHA).

38 Phone interview, Brazil's foreign ministry, Brasilia, December 2, 2009.

**Box 1: Brazil: Institutional structures for bilateral aid delivery**

An increasingly important institution in the context of development cooperation is the Brazilian Development Agency (Agência Brasileira de Cooperação, or ABC). It was created in 1987 as part of the Fundação Oswaldo Cruz (FUNAG) to help coordinate aid inflows received by Brazil. In the 1990s it began to act as a provider of aid (Agência Brasileira de Cooperação 2010). It is ABC's mission to strengthen Brazil's ties to the developing world, to exchange technical knowledge, build capacity and strengthen state institutions in the partner countries (Agência Brasileira de Cooperação 2010). However, while the ABC has gained prominence, their representatives do not seem to control or coordinate Brazil's overall policy on development cooperation. Several other ministries also engage in development coordination. In addition, ABC representatives do not seem to enjoy much respect within Itamaraty, the Foreign Ministry, and ABC's policies seem to be designed to complement short-term foreign policy strategies and react to promises made by President Lula during meetings with other heads of state. Several Brazilian diplomats acknowledge the need to streamline Brazil's policy on economic cooperation and argue that political interference reduces Brazil's leverage it ought to gain from providing development aid. However, there is a general expectation that over time, processes will be restructured, which will allow the Brazilian government to act more effectively, and to provide comprehensive data on its aid outflows.

Streamlining is not only needed with regard to development aid, but also with regard to humanitarian aid, which currently requires a cumbersome process that slows down decision-making. Brazil's Congress is therefore debating a bill that would allow the President to pay out humanitarian aid quickly by temporarily bypassing Congress (Câmara Brasileira 2007). Brazil does not report how much it spends on international economic cooperation. According to an estimate of the Brazilian Cooperation Agency, the Brazilian government has spent US\$ 1275 million on aid, but other estimates are significantly lower (\$ 85 million, ECOSOC 2008), making its structure difficult to understand. Given the political sensitivity of development aid, the government may have an interest in maintaining a certain lack of transparency, shielding the government from criticism that it is wasting money abroad it should spend to solve domestic social problems.

Brazil's bilateral aid flows have two principal destinations: Latin America and the Portuguese Speaking African Countries (PALOP), both representing roughly half of Brazil's total aid. Brazil's bilateral aid finances social projects in Paraguay and the Andean countries, focusing mostly on education and health. It is noteworthy that contrary to OECD donors, Brazil mostly finances projects that it has successfully implemented domestically, sharing Brazil's "best practice" where Brazil has excelled, such as using conditional cash transfer programs to boost income of the poor, or in the reduction of HIV/ AIDS rates (Manning 2006). This practice has two rationales. First, Brazil lacks sufficient funds to finance larger programs. Second, Brazil's memory as an aid recipient nation is relatively fresh, which leads Brazilian policy makers to seek to engage in "partnerships" rather than donor-recipient relationships which they consider to be 'humiliating' for the recipient. Finally, the Brazilian government actively promotes technical cooperation much more than the other emerging donors, which tend to focus more on infrastructure projects. Two further areas can be highlighted: agricultural and bio-fuel research. PROSUL, PROAFRICA and the National Council for Scientific and Technological Development are all involved in research for development.

**Box 2: Brazil in Africa**

In Africa, Brazil's cooperation strategy is somewhat different. Rather than funding health or education projects, Brazil finances mainly agricultural projects in Angola and Mozambique. In the latter, Brazil is also financing projects in the mining sector, which facilitates Brazil's Vale do Rio Doce, the second largest mining company in the world, operate in Mozambique (de Sousa 2008). Despite attempts to strengthen relationships with African countries, there have been few tangible results (de Souza 2009). Lula has visited African heads of state numerous times, but critics at home point out that Africa is of little strategic importance to Brazil, urging the government to focus on more important markets for Brazilian companies. Compared to China, the United States and the European Union, Africa is indeed of small economic importance. When attacked by the opposition for squandering time in Africa, Lula usually retorts using more general affirmations about the importance to align with Africa and help Africans face their development challenges. Yet, as the opposition rightly points out, there have been no tangible gains for Brazil as a result of Lula's Africa policy. Quite to the contrary, Brazil is quickly falling behind other emerging powers such as India in its attempt to gain influence on the continent (Vigevani 2009).

## 2.5 New political forums

Even though the G20's main task is to regulate financial markets and stabilise international finance, it is an important talking shop for several issues, including how to tackle poverty. Brazil is committed to the G20 and believes in its usefulness as a policy platform that includes the views of emerging powers. Brazil's Finance Minister Mantega sees the G20 "*at the top of the pyramid, providing guidance and support to international financial institutions*" (Mantega 2009).

Emerging powers such as Brazil had clamoured for years that the G8 was no longer representative of an increasingly multipolar world (da Silva 2008). While the Brazilian government is content to have a seat at the G20-table, it continues to ask for the addition of a permanent seat for the Group of 24, a forum for developing nations from Latin America, Asia and Africa. Finance Minister Mantega stressed that this was necessary to counter the excessive influence of European nations, whose weight is larger due to a permanent seat for the European Union (Goodman 2009a).

The Bank of the South (*Banco del Sur*), a development institution founded by Venezuela's Hugo Chavez, is unlikely to play a significant role in Brazil's strategic planning. The Bank, which has been established in order to reduce US influence in the region, has won rhetorical support from Brazil, but Lula gives much more importance to the IADB and the Bretton Woods Institutions than to the Bank of the South (Zanini 2009). One principal reason that makes the Bank of the South unattractive is that it is highly politicised, and therefore less likely to prioritize poverty reduction but rather political impact.

Finally, the Brazil, Russia, India and China (BRIC) constellation seems to play a growing role in Brazil's foreign policy strategy. This raises a question about how far this grouping is, in Brazil's eyes, a useful institution to tackle the world's principal development challenges. When Goldman Sachs' Jim O'Neill created the acronym in 2001, it was not his intention to argue that these four countries are a political alliance such as the European Union or any formal trading association, like the Association of Southeast Asian Nations (ASEAN) (Kowitz 2009). However, the BRIC has become a commonly used aspect in foreign policy analysis, and the BRIC countries met for their first official summit in June 2009, in Yekaterinburg, Russia, with the leaders of Brazil, Russia, India and China all attending. A second meeting

took place in April 2010 in Brasília. While the idea has been taken up enthusiastically in several countries, especially in Brazil, the differences among these countries outweigh their commonalities. All four countries seek more power on the international stage. But while Brazil and India are democracies, Russia and China are not. Russia and China are permanent members of the UN Security Council, while Brazil and India seek UNSC reform. While Russia and Brazil export commodities, China and India import them. Finally, most socio-economic indicators show that Russia is not an emerging country in the first place: its population is for example shrinking (MacFarlane 2006). As a consequence, the BRIC countries are unlikely to create a common agenda or agree on any policy specifically, and they are certainly unable to create an effective alliance to work against Western interests (Nye 2010) or articulate any coherent position on how to tackle global challenges such as climate change. As an example, while there are some indications that Brazil may assume a more cooperative stance, Russia is unlikely to agree to any emissions cuts in the near future.

## 2.6 Conclusion: Brazil's role in the development architecture

As this analysis of Brazilian foreign policy has shown, the country is experiencing a fundamental transition. Policies may change quickly, but deeply held convictions and loyalties linger. Brazil's policy towards the IMF symbolises this very well. Brazil is in the delicate position of lending money to the IMF, while holding on to memories of its struggle against the Fund. This problem is aggravated by the stark socio-economic inequality in Brazil. Despite economic growth, Brazil will continue to be home to millions of poor: this figure currently stands at about 40 million (World Bank 2008).

The discussion in Brazil's political circles is marked by this clash. While some opposition parties, like the Social Democrats (PSDB) and the Democratic Party (DEM) urge Brazil to take a more interventionist role with regard to Venezuela – pressuring Caracas, for example, to criticise the lack of freedom of the press – Lula opts for a South-South alliance in which sovereignty is still sacred and even significant crimes by developing country governments against their people are not commented on.<sup>39</sup> This duality is reflected in both Brazil's societal structure as well as its history. On the one hand, Brazil is a Western-style democracy and not ideologically predisposed against Western-style institutions. Its elites, mostly of Portuguese origin, have a liberal world view. On the other hand, Brazil has the memory of colonisation, its leaders frequently use anti-Western rhetoric, and Brazilian society is strongly influenced by non-Western culture, mostly indigenous and African.

When talking about Brazil's future, non-Brazilian media and scholars usually tend to be more optimistic about the country's future. A front page cover similar to that of the Economist's November 14th, 2009 edition ("Brazil takes off") on a Brazilian magazine is still unthinkable in a country that has vivid memories of high hopes followed by painful economic crashes. In 1986, for example, José Sarney once more announced a new era of stability and prosperity,

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39 In November 2009, for example, Lula played host to Iran's President Ahmadinejad on his first trip abroad after the rigged election. Lula refused to criticise the Iranian government over the conduct of the election, comparing the post-election protests in Iran to a soccer match between two local rivals in Rio de Janeiro (Azevedo 2009), a move that was ridiculed by the Brazilian press. The strongest criticism came from the more conservative and business-friendly opposition, a political group that does not agree with Brazil's current emphasis on South-South relations.

only to see his new currency, the Cruzado, fail to stop rampant inflation and economic instability (Sarney 1986). “Brazil”, a popular saying goes, “is the land of the future and always will be”, which implies that Brazil will never fulfil its potential. Numerous failed efforts to achieve long-term stability have made Brazilians more cautious, and some are still uncomfortable with Lula’s big power talk. Brazil is unlikely to face a crisis soon, but the strategic considerations that are emerging in Brazil depend on future growth and will not bear fruit the improbable case of a severe downturn. Brazil’s current foreign policy is thus closely linked to its domestic economic development.

Ambiguity remains on whether Brazil’s language of Third Worldism and Southern solidarity is simply a rhetorical remnant of the past, interest-driven strategy or a reflection of a deeper set of beliefs. If it is the latter, it is unclear “*what happens if the ‘developing country identity’ conflicts with the aspiring ‘great power identity’*” (Hurrell 2006). This dilemma becomes visible when analysing the debate about sovereignty in Brazil. Brazilians are, in general, very concerned about their own sovereignty, and there is a diplomatic tradition that Brazil does not interfere in other countries’ affairs. Yet, it becomes increasingly clear to policy makers that becoming a global player requires Brazil to take important decisions and make commitments that may involve the violation of a country’s sovereignty- evidenced by Brazil’s ambiguous response to the bombing campaign of the North Atlantic Treaty Organisation (NATO) in Kosovo in 1999 (Serrano / Murillo 2001).

Climate change is another good example of this duality. Born out of a North vs. South mindset, Brazil early on blamed the developed countries for the changing climate and argued that Brazil and other emerging powers would have every right to pollute as much as Europe and the United States did during their phase of industrialisation. This approach, valuing justice over pragmatism, has drawn significant criticism from Brazilian civil society and some political parties, notably the Green Party. It remains to be seen how Brazil behaves once its supposed allies such as South Africa and India change strategy and agree to some emissions cuts.

With regard to multilateral institutions, Brazil seeks a stronger voice, yet it remains unclear in how far it is willing to assume financial responsibilities to strengthen its claims. Brazil’s engagement in Africa raises doubts about the country’s capacity to assume a leadership role in international development, especially in the context of India’s and China’s growing presence in Africa. Most Brazilian diplomats interviewed for this study admitted that the strategic benefits from Brazil’s involvement in Africa are merely symbolic. Some, however, argued that it was necessary to build a “beachhead” now to maintain and possibly expand a presence in the future.

Similar to India, Brazil refuses to be called a donor country, preferring instead the concept of horizontal, mutually beneficial cooperation. While the notion of partnership is also increasingly articulated clearly among Western donors, it does assign the roles of donor and recipient, which Brazil and India oppose. Brazil’s behaviour at the Accra Conference, where it insisted that South-South cooperation be designated as an activity other than development aid, underlines that point.

### 3 India's position on how to address global development challenges

#### 3.1 Setting the stage: India's economic and political backdrop

This section provides a brief overview of India's domestic situation as a precursor to analysing India's strategy in the context of international development challenges.

Like Brazil, India is difficult to categorise. At times, India plays the role of developing country with an anti-Western mindset, in other moments, that of a democratic and Western-oriented global player.<sup>40</sup> Edward Luce aptly described India as "one country, two planets"-referring to the vast inequality between Westernized urban elites and the poor rural population (Luce 2007). Some basic figures make this clear. On the one hand, India's economy is the fourth largest in the world by purchasing power parity, with \$ 3.297 trillion, and the 12<sup>th</sup> largest using by nominal GDP, with \$ 1.21 trillion (IMF 2010). India has grown by an average growth rate of more than 7% in the decade since 1997, which has reduced poverty by about 10 percentage points.<sup>41</sup> On the other hand, over 300 million people (around 60% of India's labour force) work in the agricultural sector, contributing only 18% to national GDP. Virtually all of them live under the poverty line. India has by far the largest agricultural workforce in the world. In China, by comparison, only 80 million people work in agriculture. Along similar lines, India's urbanisation is low, at 30%, and roughly 40% of Indians over 15 are illiterate. Every year, 25 million people leave the country side and move into urban areas, increasing the size of the city's sprawling slums.

India's Congress Party, led by Sonia Gandhi, won a convincing victory in May 2009, winning a further mandate to continue the reforms undertaken over the past five years. Prime Minister Manmohan Singh, a former Economics minister and architect of widely hailed economic reforms in the early 1990s, is the first Prime Minister since Nehru to be appointed for a second five-year term. He is expected to serve for at least three years, if not until the end of the term, before 40-year old Rahul Gandhi takes over if Congress remains in power. India's position on how to respond to global development challenges is therefore unlikely to change radically until 2014.

Over the next decade, India thus faces much larger domestic development challenges than Brazil. This may reduce the attention the Indian government pays to global development challenges. In desperate need to accommodate a growing population, the Indian government needs to fix urban infrastructure. Yet, the state of rural infrastructure is even more precarious, and large-scale improvements are needed to give the rural population a chance to escape poverty. If India succeeds, the rewards will be plentiful. According to Goldman Sachs, the Indian economy is set to become the third largest of the world in 2050 (Wilson / Purushothaman 2003). Despite economic progress, domestic economic development is likely to be the major challenge for decades to come.

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40 Raja Mohan, an Indian scholar, argues that India is in fact part of the West, while Western scholars such as Andrew Hurrell place it on the fringes of the Greater West (Mohan 2003; Hurrell 2006). In a similar fashion, while Western scholars sometimes see Brazil on the fringes of the West (e.g. Huntington), Brazilian scholars oftentimes see Brazil as part of the West. José Guilherme Merquior, for example, referred to Brazil as the 'Other West': poorer, more enigmatic, more problematic, but not less Western" (Merquior 1993).

41 India has 1.166 billion inhabitants, and it grows every year by over 150 million people. It is set to overtake China and become the most populous country on earth within the next decade. 25% of the population, however, continues to live under the poverty line.

## 3.2 The IMF, the World Bank and the Asian Development Bank (ADB)

### 3.2.1 The IMF

India's noteworthy transition from IMF recipient to IMF lender has important implications for India's international role. Similar to Brazil, India has been quite outspoken about its desire to reform the Bretton Woods Institutions. During the annual IMF and World Bank meeting in Istanbul in early October 2009, the Indian press cheered on as Finance Minister Pranab Mukherjee made his case for "far-reaching changes" in the governance structure of financial institutions such as the IMF and the World Bank, to "reflect the changing dynamics of the world economy" (The Hindu 2009b). India has called for the quota shares of developing countries to be raised since 2003. To strengthen its claim, India wrote off Rs1 billion (\$24 million) owed to it by seven Heavily Indebted Poor Countries (Mozambique, Tanzania, Zambia, Guyana, Nicaragua, Ghana and Uganda) (Price 2005).

According to the World Bank, even before the crisis, nearly three-fifths of the growth in global GDP was created in India and China alone. In 2009, most of the global growth has occurred in emerging economies (IMF 2010). While the case for reform seemed evident to Indian policy makers all along, they have identified the crisis as an opportunity to strengthen their argument.

The statements made by several officials from developed countries such as US Treasury Secretary Timothy Geithner about the need for reform have been interpreted in India as a sign that change is underway. With 1.89% of total voting rights at the IMF, India feels its newly found economic strength is not adequately reflected. As in Brazil, the fact that small countries such as the Netherlands or Belgium have more votes than India is an often used argument to symbolise the inequality and Western-centrism of the Bretton Woods institutions (Gurumurthi 2006). Indian newspapers often write that "the rich countries" or simply "the Europeans" are not ready to accept the fact that they are losing power.

In detail, the Indian government has proposed a quota shift of 7% towards the developing countries during the recent IMF meeting in Istanbul. Yet, it has also conceded that this goal could be achieved over several years, which indicates that India will be content with the promised 5% increase for now.<sup>42</sup> Similar to the Brazilian government's line of argument, India's claim for more votes in the IMF is justified by a mixture of national interest and a genuine belief that greater legitimacy and credibility will increase the IMF's effectiveness (Mukherjee 2009).

Over the past decades, the IMF has played an important and often controversial role in Indian politics. The IMF loan agreement and the World Bank Structural Adjustment Loan (SAL) signed in December 1991 had severe social consequences. It forced India to cut social programmes (including food subsidies) and scrap infrastructure projects (Chossudovsky 1993). Its economic impact was contentious, especially for the poor, as food prices temporarily spiked, and wages decreased. The IMF's influence in the early nineties was so palpable that one economist claimed that "*while the rajputs and princely states had a fair degree of autonomy in relation to the British colonial government (...), under IMF-Worldbank tutelage, the*

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42 Similar to Brazil, India is willing to increase its financial contributions, but it insists that these increases must be reflected in voting power (Reuters 2009).

*Union Minister of Finance reports directly to 1818 H Street NW, Washington, D.C., bypassing the parliament and the democratic process”* (Chossudovsky 1993). In a similar fashion, Joseph Stiglitz compared India’s agreement to the IMF with the “surrender of Mahrajadas to the British” (Stiglitz 1998). The IMF’s intervention created political tension, as several ministers of the Congress party spoke out against the IMF’s austerity measures, which eroded their political support among the rural poor.

Despite these at times traumatic experiences, Manmohan Singh has achieved the improbable in more than a decade- first as Finance Minister and then as Prime Minister- and stabilised the economy and convinced the political establishment and the voters that the IMF is a necessary organisation and that India can use the IMF as a vehicle to increase its power in the international arena. Rather than marking a stark turnaround, India’s engagement with the IMF as a lender marks the culmination of Manmohan Singh’s long and arduous travails, which included offering painful truths and questioning long-held convictions. Admitting that both the socialist-leaning Nehruvian economic model and Gandhi’s belief that small-unit rural production was the key to development failed has been difficult in a country where the two are revered father figures (Swaminathan 2000). Today the Indian government now strongly believes in the future of the IMF and wants to be a credible lender of last resort. The Singh government supports the recommendation brought fourth by the commission headed by Trevor Manuel in March 2009. The commission, which included the Indian intellectual Amartya Sen, among other things recommended an adjustment of the fund’s power structures to today’s economic realities and the end of the United States’ ability to veto important decisions (Manuel 2009). The commission recommended a reform of voice and vote share: The five biggest financial contributors should no longer have the right to appoint a Director to the Executive Board (Voice reform), and the Directors representing the developing nations should have more weight (Vote reform).

As India’s Finance Minister Pranab Mukherjee laid out during the IMF meeting in Istanbul, India wants to ratify the April 2008 package of quota reforms early, calling it an “urgent requirement”, and stating that the next quota review should be completed no later than January 2011 (Mukherjee 2009). Finally, India is intent on preserving the Fund as a quota- based institution, pushing for a doubling of quotas. This position very much reflects the Indian government’s conviction that it will grow significantly in the future, and that it believes in the possibility to assume an ever greater role in the IMF (Mukherjee 2009).

One of India’s principal goals has already been achieved during the G20 meeting in November 2008. Prime Minister Manmohan Singh had repeatedly called for a more inclusive Financial Stability Forum (FSF), which until recently consisted of the finance ministers and central bankers of the rich world. The FSF has since been replaced by the Financial Stability Board (FSB), which includes members from all the G20 members.

Yet, India’s push for reform is set to continue. India’s view on how to reform the IMF is, overall, good news for the fund. Rather than calling for other institutions to regulate the world economy, Indian policy makers do not tire of pointing out the importance of the IMF as a credible last lender. Manmohan Singh’s recent experience as Finance Minister under IMF tutelage can only be helpful for an institution that seeks to reproduce India’s economic success story – which includes moving millions from the lower to the middle classes – all over the world.

### 3.2.2 The World Bank

When, in October 2009, India's External Affairs Minister S.M. Krishna invited the Chinese and Russian foreign ministers to Bangalore to speak about the future of the international architecture, the joint communiqué issued after the meeting emphasised that future global economic governance should ensure the “*voice and representation of emerging market and developing countries*” (The Hindu 2009a). In addition to demands for reform of the IMF voting structure and the question of who may host G20 summits, the ministers called for a 3% voting share increase for developing nations in the World Bank. This would elevate the developing nations' share to 47% (Zoellick 2009). The final goal of governance structure reform of international institutions, including the World Bank, is the equitable distribution of voting power between developed countries and developing ones. This could only be achieved by increasing the developing nations' share by 6%, but even India's Finance Minister Mukherjee acknowledges that while this move would be transformational, it could take place only in stages. Yet, patience can be expected to be limited because emerging countries are expected to grow faster than rich countries for the years to come, and small steps are unlikely to halt India's drive for significant reform. In 2008, the World Bank agreed to give sub-Saharan countries a greater share. Mr. Mukherjee says he was dismayed to see the shift to be of only 1.4 percent, too small to have an impact (The Hindu 2009a). Indian officials keep pointing out that they regard a country's GDP (using purchasing power parity) as a “main” reference point. In this dimension, India is already the fourth largest nation (IMF 2010). Interestingly, this puts India in a difficult position, as it puts the country slightly at odds with the G77, a group of developing countries that requests a more fundamental change instead of seeing India become part of the powerful. While India has repeatedly assured that it will defend developing countries' views, it cannot hide the fact that it now requests the same privileges other rich countries such as the United States have secured for itself. India's developmentalist rhetoric is thus possibly aimed to appease other developing countries.

India's position reflects some discontent with the World Bank's governance structure, but it also makes clear that India sees the World Bank as a key institution to confront today's global development challenges. According to India's Finance Minister Mukherjee, the MDGs have suffered a setback during the financial crisis, and the demand for help from the World Bank was set to increase. A well-capitalised Bank is therefore necessary (Mukherjee 2009). India's claim to better representation is contrasted by its reluctance to use multilateral channels as a donor more fully. As will be shown in section 2.4., most Indian assistance is bilateral, and while India prefers to receive aid to multilateral institutions, as a donor it prefers bilateral aid to increase political impact.<sup>43</sup>

India's view on how to reform the World Bank was strengthened by the Zedillo Commission, which presented its findings to World Bank President Zoellick in October 2009. The Commission, which included Montek Singh Ahluwalia, deputy chairman of India's planning commission, criticised the rich countries' grip on the organisations' governance structure and recommended more power for the world's developing nations such as India. Among other issues,

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43 In the case of Afghanistan, for example, India argues that bilateral aid is cheaper (avoiding administrative cost) and faster. India only uses bilateral aid channels if it has no knowledge of the environment in the recipient country. This is rare, given that India mostly channels its aid to neighbours in the region (Price 2005).

the final report called for the abolition of the United States' veto power and the American right to appoint the World Bank President.

Despite its economic growth, India still takes loans from the World Bank, and it is expected to do so over the next decades. The World Bank strategy envisages total proposed lending to India of \$14 billion for 2009 - 2012. Due to the financial crisis, the Bank has agreed to provide an additional \$ 3 billion as part of the total financing envelope of \$ 14 billion to India (World Bank 2009). In late September 2009, the World Bank signed a \$ 4.3 billion loan for the capitalization of public sector banks in India, the India Infrastructure Company Ltd and debt support for the Power Grid Corporation of India. India remains one of the principal recipients of World Bank loans (World Bank 2009).

World Bank involvement in India is controversial and hotly debated in the Indian media. After the announcement of the new loans in September, several op-eds in leading newspapers denounced the World Bank loan as unnecessary (Kumar 2009). As *The Hindu* argued, the new World Bank loans were too expensive, they did not meet genuine requirements, and its conditionalities were considered unacceptable (Kumar 2009). This criticism is different from the latent howling of anti-capitalists such as Arundhati Roy, who accuses the World Bank of infiltrating the Indian government, and of killing the poor through neo-imperialist policies (Roy 2007). Rather, it may reflect a clash between two identities: that of a developing nation and that of a great power (Hurrell 2006). Massive World Bank loans and the intervention that comes with it may be a normal phenomenon for a developing nation. India undoubtedly possesses the characteristics of a developing nation, such as extreme poverty, a high percentage of the population in rural areas, and low literacy rates. At the same time, it possesses several characteristics of a great power. India is a recognised nuclear power, it is one of the fastest growing markets in the world, and India's voice is increasingly recognized in international institutions. For a great power, meddling in internal matters by the World Bank seems wholly inappropriate.

This relates back to India's engagement with the donor community in general- India regards intrusive development aid tied to conditions as humiliating. As a consequence, its bilateral aid programmes tend to be based on more balanced donor-recipient relationships, although it must be noted that a higher percentage of Indian bilateral aid is tied to projects than Western aid. Rowlands argues that "the poorer the donor, the less intrusive its assistance programs" (Rowlands 2008). This may explain India's call for the World Bank to act less invasively.

It is important to understand that there is a conflict of different interest constellations within India. There are interest coalitions that are concerned primarily with addressing economic problems (e.g. low caste parties representing the poorest) and interest coalitions that support the promotion of India as a great power. One of the major issues here is the presence of an extremely large group of poor peasant farmers (approx. 300 million), who have limited empathy with promoting India as a big power given their still appalling economic circumstances. Poor Indians are still likely to vote on local issues, and often feel regional caste-based parties best represent their interests. These regional parties distinguish themselves by having no foreign policy position at all (Luce 2007), and they reflect the fact that poor Indians have different priorities than the country's educated elites. While the elites would very much like to present themselves as a powerful country that needs no World Bank loans, ending the Bank's involvement in India would not be politically feasible due to the interests of the poor and their political representatives. The Indian government is thus forced to attempt to position itself as

a key player in the World Bank while still being one of the Bank's principal clients for years to come. Yet, India's two sides may be complementary to some degree as they strengthen India's argument that developing countries need a better representation in the Bank's decision-making bodies. India's claim that it can offer a different perspective on the issue of poverty is real, and India has a point that the World Bank is likely to gain from a greater Indian representation. Out of necessity, this constellation has shaped India's policy approach towards the World Bank. In the next years, the Indian government under Manmohan Singh is likely to attempt to balance these two sets of interests by showing how India's greater international engagement helps even the poorest. For India, then, a reformed World Bank is a crucial institution to deal with today's global development challenges.

### 3.2.3 The Asian Development Bank

Similar to Brazil, India has a "regional alternative" in the Asian Development Bank, which can be seen as an extension of the Bretton Woods system. The Asian Development Bank (ADB) was established in 1966 to promote economic and social development in Asian and Pacific countries through loans and technical assistance. The Bank is financed by its 67 member states, of which 48 are from the region, and 19 are donor states from other regions of the world- such as the United States, several EU-members and Turkey (ADB 2010).<sup>44</sup>

Similar to China, India is no longer dependent on the ADB's financial help. Yet, India does have a continued interest in the ADB, as the Bank is one of Asia's most important regional talk shops. India's relations with the rest of Asia remain brittle, and India remains a second-tier player in Asia, failing to assume leadership. Other Asian countries still regard India with a certain suspicion, fearing it may some day attempt to promote democracy across the continent. The Indian government is therefore eager to use the ADB to strengthen its role in the region and gain confidence.

After falling somewhat in importance, the ADB came back into vogue, a change related to a growing importance of an "Asian identity", propagated by Singapore's former Prime Minister Lee Kwan Yew and political writer Kishore Mahbubani, among others (Mahbubani 2008). Although India does not subscribe to so-called "Asian values", it recognizes the ADB as a distinctly Asian organization and therefore seeks to be part of it. The importance India attributes to the ADB can also be explained by the relative dysfunction of most other regional bodies it participates in. The East Asia Summit, first held in Kuala Lumpur in 2005, has not yet achieved much, and ASEAN-plus-6 seems unlikely to become a reality anytime soon (Economist correspondent 2009c). India will continue to support the Asian Development Bank as a tool to deal with development challenges. Aside from its effectiveness in fighting

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44 Seeking to implement its vision of a region free of poverty, the ADB's main instruments comprise loans, technical assistance, grants, and advice. The Bank mostly lends to governments, yet also at times to private companies through equity investments, guarantees and loans. Similar to the IADB, the ADB has a AAA rating which allows it to borrow at cheap rates. Last year, ADB approved \$ 10.5 billion of loans for 86 projects, which makes it an influential institution in Asia. The ADB's voting structure is similar to that of the IADB. Recipient countries in Asia hold 65% of the votes, against 35% for non-regional members, of which the United States (12.75%) and Canada (4.47%) are the most powerful. Of the Asian countries, Japan has most weight (12.75%), followed by China (5.44%) and India (5.32%). As one of the Bank's biggest shareholders, the President of the Asian Development is traditionally Japanese. The current Bank President is Haruhiko Kuroda (ADB 2010).

poverty in the region, India sees the ADB as an important vehicle to maintain a dialogue with its Asian counterparts, a project of major importance given India's fragile ties with the region.

### 3.3 The UN Development Cooperation System

Following the structure outlined in the discussion on Brazil's UN engagement, this section will first focus on 1) India's stance towards the United Nations' responsibilities; 2) India's contributions to the UN system (in the form of money and troops); and 3) the UN's activities in India. It then proceeds to discuss 4) how the government views reform efforts such as ONE UN. Finally, India's views in the context of 5) the Non-Aligned Movement (NAM) and the G77, and 6) on the UN Security Council will be scrutinised and put into context.

#### 3.3.1 India's views on the UN

While the regional development banks and the Bretton Woods Institutions have broadened their objectives in the recent past, the United Nations' mission is ampler still. India regards the United Nations as the most important international organisation and it considers the UN to be an institution that can bestow legitimacy on controversial international action (Weinlich 2010). It never supported Sukarno's initial ambition for the Non-Aligned Movement (NAM) to create an alternative world order to that of the "Western-dominated UN" (Alden / Vieira 2005). At the same time, it was for many years one of the leading voices calling for a democratisation of the United Nations in order to make it more effective (Rajamani 1995). Already in 1960, Prime Minister Jawaharlal Nehru addressed the General Assembly and raised the issue of reform, arguing that

*"The structure of the UN when it started was weighted in favour of Europe and America. It did not seem to us to be fair to the countries of Asia and Africa but we appreciated the difficulties of the situation and did not press for any changes. With the growth of the UN and with more countries coming into it, that structure today is still more unbalanced. Even so, we wish to proceed slowly with agreement and not to press for any change which would involve an immediate amendment of the charter and raising of heated controversies. Unfortunately, we live in a split world which is constantly coming up against the basic assumptions of the UN. We have to bear with this and try to move ever more forward to that conception of full cooperation between nations"* (cited in Katyál 1994).

For India, one of the main roles of the United Nations is to serve as a platform that allows it to criticise the Western world order. Aside from the ideological dimension, the UN also serves to pronounce its claim for leadership to both the international and domestic audience (Weinlich 2010). Criticising the West is therefore often a political calculation, to gain votes at home or to pledge allegiance to the other members of the G77 and Non-Aligned Movement. India's basic notion of the necessity of reform has not changed fundamentally since Nehru's time. Despite the UN's inability to engage in more comprehensive reform, India remains committed to the organisation. In 2006, the Indian government nominated then-UN Under Secretary Shahshi Tharoor as a candidate for UN Secretary General, and Indian diplomats actively promoted his campaign, which ultimately failed (UN Watch 2006).

The Indian government remains convinced that the United Nations is the most appropriate organisation to deal not only with poverty reduction, but also with climate change and peacekeeping. It considers the United Nations Framework Convention on Climate Change and its Kyoto Protocol as the “*most appropriate framework for addressing climate change*” (Devraj 2009). India is currently ambivalent on how to approach the challenge of climate change. While the Indian government initially refused to even consider emission targets, India announced, in October 2009, a joint plan with China to cut Greenhouse Gas emissions, even though the government’s principal goal remains economic development, clearly trumping the environment (Devraj 2009). Despite its shortcomings and India’s view that its power structures are outdated, the UN thus continues to occupy an important spot in Indian discussions about global governance. While the World Bank and the IMF are considered more important with regard to development aid, the UN is thought to be of major importance in the area of climate change and international security, such as peacekeeping. India is one of the largest providers of troops for peacekeeping missions, and it has recently contributed \$ 2 million to the UN peacekeeping fund. India is also a major contributor to the United Nations Disaster Assessment and Coordination (UNDAC), to the United Nations High Commissioner for Refugees (UNHCR) and it disbursed over \$ 10 million to WFP’s Afghanistan response so far.

### 3.3.2 India’s contributions

These examples, however, cannot conceal India’s relatively modest financial contributions to the United Nations’ budget. India’s financial contributions for operational activities by the UN rose from \$13 million in 2003 to \$52 million in 2005, but decreased to \$37 million in 2007 (Weinlich 2010). In 2009, India’s net contributions to the UN’s regular budget reached \$10.9 million, half of Brazil’s contributions, and less than 10% of the United Kingdom’s contributions (UN 2009b). In 2009, India contributed less than 0,02% of UNICEF’s regular budget. While India disburses ever growing sums for South-South partnerships, its voluntary contributions to the UN budget remain very small. Rather than making the UN system more coherent, India’s contributions thus add to its fragmentation (Weinlich 2010). But there have been positive aspects, too. Over the past decades, the World Food Program (WFP) provided India with around \$ 1 billion. More recently, however, India has turned into one of the major donors to the WFP, providing assistance through the WFP to Afghanistan, Iran and Iraq (Price 2005).

### 3.3.3 The UN in India

In a time when the Indian government is increasingly unwilling to accept the presence of small country donors who the government deems unworthy of helping India, the United Nations’ continued presence in India is extremely important in the country that is home to one third of the world’s poor. Unlike other smaller agencies who have been asked to leave, the Indian government is pragmatic enough not to consider ending the United Nations’ activities in India. Quite to the contrary, the Indian government closely cooperates with many UN agencies. For example, UNDP closely collaborates with the Department of Economic Affairs of the Ministry of Finance in its coordination of jointly created five-year plans (UNDP 2010).

Given the countless development challenges India faces, the United Nations’ activities in India take place in a wide array of areas, with 25 UN entities active in India (UN 2009d). There

are four joint programmes in the areas of strengthening public management with regards to planning, budgeting, implementing and monitoring, preparing the implementing India's decennial population Census in 2011, combating HIV/ AIDS, and increasing inclusion of poor and marginalised groups.

The large size of operations reflects an awareness that the key to achieving any of the United Nations' proclaimed goals, most prominently the Millennium Development Goals (MDGs), lies in India. India is not only at the centre of the global battle against poverty, but its indicators on many related issues are amongst the worst in the world. India's child mortality rate (49 per 1000) remains ten times higher than in the European Union, it is set to overtake South Africa as the country with the highest number of yearly AIDS-related deaths, and female literacy was still under 50% during the last census (World Bank 2010). These figures show that, even if the most optimistic economic growth forecasts come true, poverty in India will remain a serious problem for decades, creating both opportunities and formidable challenges for the UN there.

As India becomes increasingly self-assertive and unwilling to accept bilateral development aid, large country's development agencies are expected to rebrand their activities and pursue a 'collaborative strategy' to remain in the country. Several non-Indian development professionals expect large European agencies to stay but work as consultants paid by the Indian government rather than classic aid providers- something several of them have been doing for some years already.<sup>45</sup> In the context of this transformation, the United Nations presence in India may increase, given that it faces fewer competing actors in the field.

### 3.3.4 India and UN reform efforts

There has been considerable support for the ONE UN initiative among G77 members. India, being a decentralised and large state, seems to have little interest in being confronted with a single UN counterpart. India has a strong interest in using specifically tailored UN services. Indian diplomats worry that the ONE UN initiative would force India to accept a "one size fits all" UN program unlikely to satisfy India's needs.<sup>46</sup> Furthermore, there is a fear of further conditionalities imposed by Western nations, and as an attempt by Western nations to cut development funds (Weinlich 2010). On the other hand, several G77 members, especially the pilot states Mozambique, Tanzania and Rwanda have a strong interest in pushing the ONE UN initiative, so there is potential for future conflict between India and the other G77 members.

India's most tangible efforts towards reform have been with regard to the UN Security Council as part of the G4, consisting of Germany, Japan, India and Brazil. Aside from its push towards UNSC Reform, India has not taken up a leadership role with regard to procedural reform of the UN- initiatives such as the Four Nations Initiative (4NI), where Chile, Sweden,

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45 Phone interviews with non-Indian development professionals based in Delhi, July 19, 2010.

46 Interview with former Indian diplomat, Delhi, March 25, 2010.

South Africa and Thailand sought to present a proposal that would improve accountability, transparency, budget and financing (4NI 2006).<sup>47</sup>

### 3.3.5 India, G77 and the Non-Aligned Movement

For years, India's representatives have called for revitalisation of the UN General Assembly. In April 2010, for example, Hardeep Puri, Permanent Representative of India to the U.N., said that "*The General Assembly should take the lead in setting the global agenda and restoring the centrality of the United Nations in formulating multilateral approaches to resolving transnational issues*" (RTT News 2010). In a similar fashion, Indian representatives usually argue that the Economic and Social Council (ECOSOC), which, despite its pre-eminence in the charter, has proved too weak to provide coherence to the work of the specialised agencies (Boutros-Ghali 1992), should be "*at the heart of international efforts of development*". India's foreign policy is still influenced by its ties to the Non-Aligned Movement and the G77. During the 2003 trade negotiations in Cancún, for example, India assumed a leadership role together with Brazil and China and convinced other developing countries to maintain a relatively rigid posture.<sup>48</sup> India seeks to represent, in Nehruvian tradition, other developing countries, and it remains strongly committed to multilateralism. As a consequence, India speaks out for a stronger UN General Assembly and the ECOSOC. However, similar to Brazil, there is reason to doubt whether India's pro-poor policy stance will persist once it has a permanent seat on the UN Security Council.

Aside from a stronger role for the United Nations General Assembly, India has traditionally argued for UN Security Council Reform- in accordance with the 1992 Accra Declaration of the Non-Aligned Movement (Rajamani 1995). India's position has thus been traditionally similar to that of the NAM Declarations. India, a co-founder of the NAM in 1955, has always pledged adherence to the movement, and Indian political leaders continue to mention it frequently (see, for example, Singh 2009). However, there has been growing internal criticism of India's NAM stance (Thakur 1997), and India's foreign policy over the past decade indicates that it at times diverges from its traditional, multilateralist strategy, for example when it signed a bilateral nuclear deal with the United States (Carter 2006). A former Indian diplomat argued that India exerts considerable influence over both the G77 and NAM, a leadership position India will attempt to hold on to as long as possible. He admits, however, that India's economic development may make India's adherence to both clubs increasingly untenable.<sup>49</sup>

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47 There is a notion among some of India's foreign policy elite that the G20 may serve as a better vehicle for India to project its new found status, as it recognised India's importance officially. However, this relatively recent interest in the G20 is the product of the frustration caused by the UNSC's failed reform. In India's eyes, the G20 does not have the same degree of legitimacy as the United Nations.

48 The so-called G21 consisted of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, Thailand, South Africa, and Venezuela.

49 Interview with former Indian diplomat, Delhi, March 25, 2010.

### 3.3.6 India and the UN Security Council

Given its prominence, UN Security Council Reform has traditionally been regarded as a crucial part of any wider UN reform (Kennedy / Russett 1995). As with Brazil, UN Security Council Reform has been one of India's key objectives for the past decades. In the Indian ministry of external affairs' annual report in 1992/93, the government pressed for the expansion of the UN Security Council (though not the revision of the veto). In the same document, it also argued that the UN Security Council should be answerable to the General Assembly (Kumar 1994). According to the Indian government's national priorities, the UN's principal goal in India at this point is to promote "social, economic and political inclusion for the most disadvantaged, especially women and girls" (UN 2009d). The UN's vast activities show that despite India's recent economic progress, it will, for a long time to come, be in need of the UN's assistance.

The Indian government complains that governance structures, particularly in the UNSC, "had not been able to keep up with contemporary realities." (UN 2009d) Indian politicians believe that India should have been granted a permanent seat on the UNSC in 1945 (Sud 2007). After failing to obtain a seat in 2005, when India was part of the G-4 (together with Germany, Japan and Brazil), the Indian government has been determined to continuously push for expanding the Council, even though short-term success is unlikely. China is seen as a crucial gatekeeper in India's attempt to advance in the UN Security Council, and this – together with an appreciation of China's growing economic importance – is one of the reasons that India aims to improve relations with China, despite an ongoing border dispute in Arunchal Pradesh. In the future, India is more likely to team up with Brazil in its attempt to obtain a seat, as Germany and Japan weaken India's claim that developing countries need to be better represented.

### 3.4 Bilateral aid

With regard to development cooperation, India is slowly transforming from a 'recipient mentality' to a 'donor mentality' - but for years to come, it will continue to be both a source of and destination for development aid. India's views on how to respond to global development challenges have been marked by a strong adherence to the principles enshrined by the G77 and the Non-Aligned Movement (NAM) that India's first Prime Minister Jawaharlal Nehru helped create, and that India has led. Furthermore, India has vivid memories of colonisation, one of the key characteristics of a developing country identity. This allegiance to other developing countries and the presence of many poor Indian voters keeps the government from loudly announcing its new status as donor country.

India has provided development aid for many years. In the 1980s, Vietnam and Bangladesh received substantial amounts of assistance. Afghanistan received assistance before the Taliban came to power, and India has once again become a principal donor in Afghanistan since the fall of the Taliban regime in 2001. India has committed an assistance package of around \$400 million between 2002 and 2008, making India one of the largest contributors to the reconstruction effort. Aside from the exceptional humanitarian aid India provided neighbouring countries with after the Tsunami, Afghanistan is the only country that received significant humanitarian aid from India, for example after the earthquake in April 2002 (Price 2005).

**Box 3: India: Institutional structures for bilateral aid delivery**

As an aid recipient, India has a clear preference for multilateral rather than bilateral aid. As a donor, on the other hand, it has a clear preference for bilateral aid as it has a higher political impact and economic benefit for India's economy. India does not have a proper Ministry for Cooperation and Development. Rather, the key decision makers with regard to development cooperation work in the Ministry of Finance and in the Ministry of External Affairs, which implies that development aid is seen as a foreign policy tool, rather than a separate discipline. The Ministry of Finance coordinates development loans by India's credit agency, the powerful EXIM Bank. The Ministry of External Affairs, on the other hand, operates bilateral aid programmes in the region and advises the Department of Economic Affairs (DEA), a department within the Ministry of Finance (MoF), regarding assistance packages to other countries. The Indian Technical and Economic Co-operation (ITEC), also run by the Ministry of Foreign Affairs, provides assistance to over 100 countries in Africa, Eastern Europe, Asia and Latin America. Currently with a budget of \$11 million, the program which includes training and projects is expected to expand further (Price 2005).

The Ministry of Water Resources is involved in financing hydroelectric projects in Nepal and Bhutan. It is unclear whether there is a single authority that coordinates India's overall policy towards development cooperation, but there is some indication that powerful decision-makers are located in the Ministry of External Affairs. This lack of organisational clarity is somewhat surprising, given India's increasingly important role in this area. To streamline the process and to create a single entity, the Indian government sought to create the Indian International Development Cooperation Agency (IIDCA) in 2007, but plans were dropped in 2010.

It also remains unclear how much development aid India provides per year, although estimates do not diverge as much as in Brazil. Estimates range from \$420 million (Ministry of External Affairs) to \$610 (Maihold / Kochskaemper / Mueller 2010) to \$1 billion (Rowlands 2008).<sup>50</sup> The failure to produce an exact number does not seem to be regarded as a problem within the Indian administration. A former Indian ambassador argued that this number would be "arbitrary" due to problems of definition. Given that Indian aid is often delivered in a more subtle way and labelled differently according to each project, there are clear limitations in data availability. This leads to a deep divide between the Indian and the DAC approaches to development cooperation, as a lack of basic data makes it difficult to assess other figures such as aid effectiveness, a concept rejected in both India and Brazil.

India's decision to support Afghanistan's recovery mirrors well India's general views on bilateral development aid. The government in New Delhi considers economic assistance to be a useful tool to improve relations and exert influence. India considers Islamist extremists and the Taliban as national security threats, and a strong and stable Afghan government as the best way to contain the terrorist threat emanating from the Taliban.

While Brazil emphasises training, India stresses the use of its own technological innovations (Rowlands 2008). There is however always a gap between rhetoric and reality. In the regional context, India seems to be more comfortable to act as a donor and hegemon. Indian politicians frequently point out India's important role as a donor in Afghanistan. More than Brazil, India has a strong focus on its immediate region. Bhutan, Nepal and Afghanistan are the largest recipients of Indian aid, and India's predilection for infrastructure projects indicates the governments wish to improve access for Indian products.

2003 can be seen as a turning point, when the Indian government stressed the need to reduce dependence on external aid and proclaimed the increase of aid payments to other countries and a reduction of aid inflows (Grimm et al. 2009). India has plans to modernize its aid strat-

<sup>50</sup> The Indian Ministry of Foreign Affairs further estimates that the total value of Indian assistance between 1964 and 2005 was around \$ 2 billion (Price 2005).

egy to other countries, going well beyond its traditionally strong role in training and technical assistance, as well as highly concessional aid to neighbours (Manning 2006).

The so-called “Indian Development Initiative” creates a new lending instrument with which India will borrow on the international capital markets and then lend to less credit-worthy Sub-Saharan countries, but aid to Africa remains marginal as a percentage of overall Indian aid (Grimm et al 2009). A significant portion would be tied to domestic procurement. India has plans to dramatically increase annual aid to Africa to \$300-400 million. In 2004/5, it provided about one tenth of that amount to Africa (Manning 2006). India also envisions \$500 million in Exim Bank lines of credit to Western African countries (Manning 2006), and \$200 million for regional programmes and The New Partnership for Africa’s Development (NEPAD). The amounts spent in Western Africa are part of India’s Techno-Economic Approach for the African-Indian Movement. These funds would help Indian companies set up shop in Africa. While India refuses to accept tied bilateral aid from others, the majority of its own loan programme is tied.<sup>51</sup> This serves as further evidence that India is unlikely to introduce a new type of bilateral aid based on “non-Western values.”

With regard to political reform in Africa, however, India is likely to play a role similar to that of China. Despite priding itself on its democratic system and values, India has been reluctant to actively promote democracy abroad, and it is unlikely to do so in Africa any time soon (Mohan 2007). The principal reason for India’s reluctance with regard to democracy promotion is that maintaining and defending national sovereignty is a major concern in India – partly due to its still vivid memories of colonisation – and meddling in other countries’ political systems is still difficult to defend. Politicians are therefore very ambiguous about India’s intervention in Afghanistan, where strategic geopolitical interests clash with a non-interventionist policy.

**Box 4: India in Africa**

While Brazil focuses on both its neighbourhood and Portuguese-speaking Africa India’s bilateral aid flows to Africa are much smaller than those to its neighbours. In both regions, India’s economic cooperation seeks to advance India’s economic interests. In its neighbourhood, it does so by financing infrastructure projects that facilitate market access for Indian products. In Africa, India focuses on training and on supporting the purchase of Indian products. Although some diplomats in Delhi have argued that India may compete for influence with China on the African continent, representatives of the Indian government stationed in Addis Ababa (Ethiopia) do not consider this realistic due to China’s dominance.<sup>52</sup> Still, India’s engagement in Africa clearly has the purpose to facilitate the entry of Indian products, especially those that are not competitive enough for Western markets.

51 According to the OECD, the majority of DAC aid in 2008 was untied. OECD data base; <http://stats.oecd.org/Index.aspx?DataSetCode=TABLE7B>

52 Interview with former Indian diplomat, Delhi, March 25, 2010.

### 3.5 New political forums

Indian policy makers do not think that the BRIC summits will render any significant results, given their members' differing views and interests and core issues such as human rights, democracy or trade liberalisation. As mentioned above, the four countries that form the BRIC acronym share a common desire for more power, but their fundamental perspectives differ. India, for example, has no interest in exposing its inefficient agricultural sector to international competition, while Brazil, the most efficient agricultural producer in the world, seeks to liberalise markets. This situation is aggravated by the fact that China and India are potential enemies. They have an unresolved border dispute, and the Indian government is known to increase its military strength due to the perceived threat of a conflict with China (Kaplan 2009).

The G20 summits in London and Pittsburgh, both held in 2009, have received unusually high attention in the Indian press, and Indian policymakers are said to regard these summits as very important. This may also have to do with the fact that India is a full member, unlike the G8, which Indians disliked because it failed to grant India full membership (Cooper 2008). India is currently advocating that future G20 Summits should be held by rotation in a developed country and an emerging market.

**Box 5: IBSA: Myth or reality?**

IBSA, which stands for India, Brazil and South Africa, is a forum created in 2003 to exchange ideas of mutual interest in areas such as trade, security, technology and social development (Alden / Vieira 2005). An example for developing countries' attempt to institutionalise South-South relations, IBSA has generated significant interest in the academic community. IBSA's depth, however, should not be overestimated, especially given the three countries' different interests on matters such as trade. IBSA coordinates two UNDP-financed projects: one in Haiti and one in Guinea-Bissau; their impact, however, remains symbolic (de Sousa 2008). IBSA is unlikely to replace established mechanisms of development cooperation such as the World Bank, nor is it supposed to in its current form.

India seems least committed to IBSA, possibly due to the numerous strategic threats the country faces in its region. Still, the Indian government is likely to continue to rhetorically support the alliance, even though interests may at times diverge (Armijo 2007). For example, while Brazil wants to liberalise trade, India is decidedly more protectionist, given its large and inefficient agricultural sector (de Almeida / Gregory 2008). In the same vein, India continues to oppose the Non-Proliferation Treaty (NPT), while Brazil is one of its principal defenders.

Brazil's and India's commitment to IBSA shows that they both believe the current international power structures do not grant them the respect they deserve- one of the few areas in which they agree (Alden / Vieira 2005). Yet, few policy analysts in India take IBSA seriously. Several academics bemoan that the student exchange programmes announced as part of IBSA have never been implemented. Given the lack of coherent interests among its members, it is certain that IBSA will not propose a 'new type' of development cooperation based on values different than those of the traditional Western development model (Manning 2006).

### 3.6 Conclusion: India's role in the development architecture

There is no clear answer to the question of whether India has a developing country mindset or sees itself rather as a global power. Similar to Brazil, India has a foot in both worlds, and some of its policies are contradictory. Culturally, Indian elites largely feel they are part of the West, while rural populations do not feel Western (Luce 2007).

In the discussion about the democratisation of global governance institutions, India calls itself a developing country. For example, when discussing the reform of the IMF governance structure, Finance Minister Pranab Mukherjee rarely called for “*more votes for India*,” but usually used the framework of “*developed countries vs. developing countries*”. Russia, on the contrary, often calls for a higher voting share for itself, as it does not see itself as a developing nation (MacFarlane 2006). This may be partly due to India’s calculation that calling for the democratising of global governance sounds noble and is thus likelier to bring results than bluntly calling for one’s weight to be increased. India’s rhetoric may show that India still sees itself as part of the ‘Global South’, but this may increasingly be overshadowed by a sense that India deserves a special place in the world, as is evidenced by India’s desire to become part of the Security Council. While the expression is not as common as in the American context, there is some sense of Indian exceptionalism in the global context, a concept entirely absent in Brazil. Analysing US-Indian relations, Raja Mohan, one of the country’s leading foreign policy analysts, wrote in 2008 that:

*These basic changes could not have been possible without Washington’s acceptance (...) of India’s exceptionalism. The admiration of Clinton and Bush for India’s democracy, the prospect of a rapid economic transformation of one billion people, and a recognition of India’s potential to emerge as a great power on the world stage contributed to Washington’s willingness to treat India differently (Mohan 2008).*

India’s role in the development architecture is evolving. The official development assistance to India is now very small in relation to its economy, and while Indians still think of themselves as a “developing country”, India is no longer a principal aid recipient country. In 2003, India made the rare move to allow only five major donors to continue providing aid to India. All the other agencies could continue their current projects, but would have to channel future assistance through non-governmental organisations (NGOs), the UN or other multilateral agencies. This was explained by increasing efficiency, but it also revealed that India is no longer willing to engage in a donor-recipient relationship with smaller countries, as small amounts of aid are deemed unworthy of a global player (Price 2005).

Nothing has been more symbolic of India’s new role than the reaction to the Tsunami in 2004. Despite international offers of extensive financial aid in the aftermath of the catastrophe, the Indian government rejected any bilateral aid (Price 2005; Manning 2006).<sup>53</sup> As Rowlands writes, “*India came to see its receipt of assistance as antithetical to its vision of itself as an emerging, self-reliant nation with global ambitions and influence. Consequently, the country has been increasingly less welcome to offers of assistance – even in the face of humanitarian disasters*” (Rowlands 2008). Its rejection of bilateral aid may be the product of national pride, while its continued rhetoric reminiscent of an antiquated Third World identity may be the product of Southern solidarity or simply a remnant of the past (Hurrell 2006). This is more than ever the case since the United States acknowledged India as a legitimate nuclear power in 2006, an event that had a tremendous impact on the way India perceives itself in the world. While leftist fringe parties criticised what they saw as desperately seeking approval of an imperialist America, the majority of Indians approved of the deal and interpreted it as India’s ascendance to global stardom. India’s decision to become a lender to the IMF is another step that will undoubtedly contribute to a growing acceptance in society and among academic cir-

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53 It did, however, allow the United Nations to play a coordinating role in the region.

cles that India is becoming a world power that leverages power in the development game. Despite widespread agreement that UN Security Council Reform is a distant dream, the Indian government is determined to bring up the issue at every moment possible to ‘register its presence’.

India embraces its transition from aid recipient to donor more wholeheartedly in the regional context, where it clearly seeks to define its role as regional hegemon and donor. In the global context, however, India does not see itself join the global league of donor countries, possibly because it would cause others to call for higher financial contributions.

In contrast to Brazil, where the population is quite oblivious of foreign policy in general, Indians are somewhat more willing to pay the price for a more prominent India in the world to the extent that it serves the national interest. This may be tied to the notion that India is under constant threat by aggressive neighbours, principally Pakistan, but also China. There is a strong sense that India, being one of the oldest civilisations in the world, has a natural right to be one of the great powers. This sense of entitlement also explains, to some degree, the fear Indian trade negotiators have to reach a compromise that may be interpreted as “giving in” to the other side (Narlikar 2006a).

Finally, India’s worldview has evolved from an idealist, Nehruvian perspective to a more manageable and pragmatic realpolitik-driven attitude. Nehru sought to project Gandhian ideals in international relations. This pacifist strategy was dealt a significant blow when China invaded parts of India’s northeast in 1962, meeting little resistance from an ill-equipped Indian army. Today, Indian foreign policy makers still use Nehruvian rhetoric and have multilateral ideals, but they are more and more preoccupied with India’s national interests. This may partly explain India’s reluctance to play a constructive role in the debate about climate change. In a similar vein, India is slowly moving away from its unconditional commitment to multilateralism, another of Nehru’s convictions. As it is gaining hard power, bilateral negotiations prove increasingly attractive. While India can be expected to work through the international institutions with regard to international development and climate change, the next decades will see India engaging in bilateral negotiations to achieve its objectives. Bilateral aid flows from India to developing countries, principally in Africa, are set to increase, but they are unlikely to cause conflict with Western aid practices due to their small volume and because Western donors are keen to collaborate with non-Western players to increase their legitimacy. India’s diplomatic staff, for example, is so small that rather than opening embassies in each African country, it was forced to work through the African Union.

It remains to be seen whether India’s developmentalist rhetoric will remain if India continues to grow at the current rate, becoming ever further removed from other developing countries and their perspectives and interests. One can expect the current generation of leaders, who entered politics during the Cold War, to maintain ties to the developing world in rhetoric only. Also, despite its global ambition, India’s current leaders tend to be focused on dealing with Pakistan. The new generation, symbolised by young leaders such as Rahul Gandhi, has a more globalised view; this also includes changing focus to more regional and global challenges, such as the rise of China and climate change. New young leaders are likely to confront a contradiction India and other emerging powers such as Brazil are facing. On the one hand, India wants to be part of global decision making forums such as the UN Security Council. On the other hand, India is unwilling to step on smaller countries’ toes. Yet, as several Indian scholars have pointed out, taking difficult decisions often involves just that. For example,

India's possible involvement in the Middle East Conflict would be constrained by a large Muslim population at home and its rivalry with Pakistan, which most Arab states support.<sup>54</sup>

With regard to multilateral institutions, India consistently presses for more weight in virtually all development institutions. This claim is not always consistent with the financial commitments, particularly in case of the United Nations, where its contributions remain marginal.

#### 4 Conclusion

This overview of both Brazil's and India's position on how to respond to global development challenges shows that emerging countries are in period of transformation. First, their economic and diplomatic weight is increasing, and they are consequently asking for a larger share in global governance. Their conception of economic cooperation also differs from the standards established by the major Western donor countries (de Sousa 2010). For example, rather than reproducing traditional donor-recipient hierarchies, they emphasise partnership and South-South cooperation, stressing mutual benefits. This is not unproblematic, as both countries are very unequal in comparison to their development partners. In addition, both Brazil and India spend little time on impact analysis, so it is difficult to verify their claims about mutually beneficial partnerships.

Both countries seem to use bilateral cooperation to strengthen their claim for regional leadership. In Africa, commercial interests seem to dominate (Rowlands 2008). The relative swiftness of their rise and the fact that a portion of the country essentially remains a developing nation creates identity dilemmas that cannot be easily solved. As inequity and a lack of social cohesion remain in both Brazil and India, the question about whose interest is the national interest becomes increasingly difficult to answer.

In both Brazil's and India's case, old allegiances to other developing countries need to be reviewed as the emerging powers' interests change as a reaction to their newfound economic prominence (Hurrell 2006). Despite their stark differences, Brazil and India have several similar ideas of how to approach global development challenges, and where the problems in the current system lie. The creation of IBSA in 2003, a forum for dialogue established by India, Brazil and South Africa, is a case in point. Yet, while IBSA may become a useful, if limited, platform, both Brazil and India do not seek to create a counter-hegemonic, anti-Western alliance to better deal with today's development challenges. Rather, they are intent on preserving today's established institutions while reforming them so that their perspectives can be sufficiently taken into account.

Furthermore, there remain fundamental differences between the Western model of economic cooperation and the way Brazil and India envision their development aid. While it would be wrong to assume that they will gradually adapt the rich Western nations' perspective, some of Brazil's and India's conceptions are likely to be temporary. Brazil is unwilling to call itself a donor country, and India is itself not always comfortable with the term. This has a multitude

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54 Israel is a major arms supplier to India. India's rivalry with Pakistan complicates its relationship to the Arab states, which usually side with Pakistan. Still, some political leaders in the Middle East, such as Syria's Bashar al-Assad, have called on India to "*bring balance to the Middle East process*" (Varadarajan 2008).

of reasons. First, both countries are still fighting poverty at home, which sets them apart from traditional donor countries (though OECD countries have social problems of their own). They therefore have less leeway to openly finance development projects abroad as they have to fear a domestic political backlash. Secondly, both countries have a strong traditional allegiance to the developing world, and they are understandably unwilling to appear to leave their former allies in the G77 and Non-Aligned Movement behind. While these reasons are likely to remain valid in the near term, they are likely to recede if India and Brazil achieve continued growth and if their economic circumstances grow increasingly similar to those in OECD countries.

Even then, they will retain some distinctiveness. Neither India nor Brazil are fully Western. While they do not promote any particular ideology like “Asian values”, they will attempt to modify the international institutions’ behaviour according to their experience, which is a unique mix of developed country and developing country. Despite the differences, European diplomats and development professionals have underlined that Brazil and India are strategically too important for European donors to forgo cooperation with them (see also Gratius 2007).<sup>55</sup>

With regard to emerging powers and development institutions, there has been a debate among scholars about whether Brazil would adapt to the existing norms and align with the status quo and the Western-dominated system’s institutions (Ikenberry 2009), or whether “*we may see emerging powers using their newfound status to pursue alternative visions of world order*” (Narlikar 2006b), joining hands with other rising powers to create new institutions and strategies. Despite often confrontational rhetoric, Brazil’s foreign policy strategy indicates that Brazil is likely to take the first path. Its rhetoric about the necessity to reform the existing development institutions shows its commitment to these very institutions. Both countries believe that even though they would like to see development cooperation based on “different values”, it is more likely to succeed by reforming existing institutions than by creating entirely new ones. This may also be the result of the realization that the South-South alliance promoted by Lula suffers from radically different interests among emerging countries, as can be seen from their failure to align during the Doha Trade negotiations.

There are thus several areas of convergence between Europe and Brazil and, to a lesser degree, Europe and India. Despite their occasional anti-Western rhetoric, Brazil and India are by no means able or interested in forming an anti-hegemonic alliance, or to invent a fundamentally new type of economic cooperation. The difficulty to establish a common agenda at the BRIC summit shows that the dichotomy rich world vs. poor world no longer reflects the complexities of international relations. Both Brazil and India are liberal democracies that respect human rights, which, in principle, ties them to Europe rather than autocratic Russia and China (de Sousa 2008). Furthermore, both countries support multilateral cooperation to achieve the MDGs (Puri 2009), and there is an emerging consciousness in both Brazil and India that global ills such as climate change and poverty require their efforts as well, particularly because both India and Brazil are likely to suffer disproportionately from climate change. However, it is difficult to predict how much emerging powers such as Brazil and India are willing to contribute to global public goods and global well-being. Under President Lula, environ-

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55 Phone interviews, German foreign ministry (May 13th 2010), German representation in New Delhi (April 1st 2010), and *Deutsche Gesellschaft für Technische Zusammenarbeit* (GTZ) (March 8th 2010).

mental concerns played such a minor role that then-Environment Minister da Silva quit the government and decided to run against Lula as the green candidate in the 2010 presidential election.

Brazil's involvement in Haiti may serve as a template for further collaboration between Brazil and Europe in the context of development cooperation. Brazil has led the UN peacekeeping force MINUSTAH in Haiti since 2004, and positioned itself as an emerging donor by not only assuming financial, but also operational responsibility. Trilateral aid projects show that Brazil can successfully collaborate with European donors, although emerging donors are sensitive about the so-called "donor hierarchy", in which Northern donors are positioned above Southern donors. Established donors can also learn a lot from collaborating with emerging donors, as they often employ techniques successfully tested at home. Furthermore, in places like Paraguay, Brazilians often have better local knowledge and may operate more effectively due to higher cultural proximity with the local population. Collaboration between European and Indian donors will be more difficult, but not impossible. However, European donors need to be aware of the fact that Brazil is worried that trilateral relationships re-establish traditional hierarchies and relegate Brazil to a subordinate role. European actors therefore may consider allowing emerging donors to assume leadership to reduce such fears. In India, this fear is even more pronounced, and it is reticent about collaboration with Western actors, although this may change over time (Rowlands 2008). As Price (2005) notes, however, there is also evidence that India may take a more collaborative stance in the future.

On the other hand, India's willingness to collaborate may even decrease further as its regional preponderance and ambition to become a global and independent actor grows.<sup>56</sup> Following this line of argument, India may move away from, rather than towards, Western-style standards of economic development cooperation. In this context, it is worth noting that during interviews, both Brazilian and Indian diplomats rejected the idea that their respective countries one day should access the DAC. Predictions of that kind are not necessarily representative, but they imply a sense of pride of emerging donors' policy independence.<sup>57</sup>

Some other general frictions certainly remain. As mentioned above, in both Brazil and India, the process of providing funds for development cooperation is quite unstructured. This makes collaboration with Western donors difficult, as Western agencies often have trouble to identify a Brazilian or Indian counterpart who has the mandate to take decisions. In addition, India's development priorities tend to differ from the priorities of established donor countries. While India often focuses on infrastructure development and productive sector investments, Northern donors concentrate more and more on achieving the MDGs through social sector support. Different environmental standards, especially with regard to infrastructure projects, may complicate collaboration between Northern and Southern donors. Furthermore, the concept of Monitoring and Evaluation of development projects, highly important for Western donors, does not always have the same importance for emerging donors. It will be crucial to find an effective platform to openly discuss such potential roadblocks that may complicate future collaboration. The DCF may be the right place to foster such dialogue and possibly develop a common definition of Official Development Assistance (ODA). Further topics to be

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56 Phone interview, GTZ (March 8th 2010).

57 Phone interview, Brazilian representation to the UN, New York, July 1, 2010, Phone interview, Indian diplomats in New Delhi, April 26th 2010.

discussed there could be the creation of a global reporting system and global environmental standards (ECOSOC 2008).

While India and Brazil believe liberal and human-rights abiding democracies are the best regime type, they have almost no missionary zeal to promote such a system abroad. As Venezuela's Hugo Chavez is turning his country into an autocracy, Brazil has at no point voiced any concerns about the problems in Venezuela, including jailed opposition figures, a lack of freedom of the press, large scale arms purchases or ties to the FARC guerrillas that seek to undermine the Colombian state. In a similar vein, India has been unwilling to promote democracy in Myanmar. Quite to the contrary, it has recently strengthened ties to the military junta in Rangoon (Twining 2008). As India's Permanent Representative to the United Nations pointed out in 2009, "*while integrating human rights in the work of the UN, we should ensure that the development agenda pursued by the UN should not be undermined by way of introducing new conditionalities in provision of development assistance*", further noting that "*the responsibility to protect should in no way provide a pretext for humanitarian intervention or unilateral action*" (Puri 2009). That does not mean that Southern assistance mostly goes to countries with poor human rights records. Except for Myanmar, the largest beneficiaries of Southern development assistance also feature in the top-ten recipients of aid from OECD /DAC countries (ECOSOC 2008).

European nations are overrepresented in several international institutions, such as the IMF, which is traditionally led by a European. European governments have thus far held on to the tradition that a European should lead the IMF, which caused several developing countries to conclude that European governments were opposed to IMF reform. India and Brazil will continue to push for further reforms in the World Bank and the IMF, and while the United States may lose its veto power, it will mostly be European nations who have to adjust their ambitions. European nations will increasingly face demands to give up their seats and occupy a single EU-seat, an unwanted side effect from an ever more unified Europe.

India's and Brazil's entrance into Africa is noteworthy, but emerging powers' importance as a percentage of total aid flows is still very small. India and Brazil are "new kids on the block" in Africa, but they are likely to confront the same problems such as corruption and political instability that established Western donor countries do (Alden 2005). Neither is Brazil's or India's reluctance to criticise other governments for their domestic policies a particularly non-Western attitude. France's involvement in Africa, for example, is marked by the conspicuous lack of interest in human rights, favouring strongmen who provided political stability (Alden 2008). India will increase aid to Africa over the next years, but its presence will be much smaller than that of China. Brazil may attempt to spur trade with Africa, but it is not yet able to provide significant financial assistance to African nations. Brazil's and India's engagement and impact in their respective region is likely to better reflect their growing power.

The entrance of emerging powers like India into the field of international development aid is unlikely to be conflictual as long as Western donors and international institutions such as the World Bank are keen to incorporate the new players and their potentially innovative practices (Manning 2006). This includes granting them more decision-making power in international institutions like the IMF, which both Brazil and India seek to embrace. Both emerging donors seek greater legitimacy, and they will try to adhere to many Western norms. At the same time, they will attempt to alter some of the norms where they feel the established donors can learn

from them. If established Western actors are flexible enough to adapt to new global realities, development cooperation can only win with the emerging powers' participation.

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