

Putting Friends in High Places

Tom Barry | July 10, 2007

President George W. Bush's decision to nominate Robert Zoellick as the new World Bank president continued the president's pattern of promoting loyalists to positions of power. Instead of relinquishing the U.S. government's traditional right to nominate World Bank presidents or selecting someone with a demonstrated commitment to alleviating global poverty, Bush stayed the course.

Since the mid-1980s, Zoellick has traveled the globe as a high-level government official representing three Republican administrations and as an international banker with Goldman Sachs.

It's unlikely that as the new World Bank president Zoellick will deviate from his views on the essential role of the United States in the global economy and international security. At a time when the global economy needs a new consensus about globalization and development, Zoellick brings to the world's largest development institution the standard formulas of the discredited Washington Consensus along with the baggage of U.S. national security doctrine.

Unlike his predecessor at the Bank, Paul Wolfowitz, Zoellick is not closely associated with neoconservatives. But he was an early supporter of the neocon project that combined the idealism of a foreign policy based on U.S. moral values backed by U.S. military superiority and unilateral action.

In 1998, along with Wolfowitz and many other future Bush administration officials, Zoellick signed two public letters from the Project for the New American Century (PNAC) that urged President Bill Clinton and congressional leaders to cast aside "a course of weakness and drift" and to militarily "remove Saddam Hussein and his regime from power."

When announcing his nominee, Bush described Zoellick as a "committed internationalist." While it is true that, unlike many other administration officials, Zoellick does not have a long record of bashing multilateralism and international institutions, the PNAC letter signed by this "committed internationalist" advocated that the U.S. government bypass the UN Security Council.

By 2000, the neocons and hardliners like Zoellick began coalescing around George Bush's candidacy. Zoellick was one of the "Vulcans," a small group of advisers led by Condoleezza Rice who charted their candidate's foreign policy positions. Other Vulcans included such prominent neocons as Wolfowitz and Richard Perle together with Dov Zakheim, Stephen Hadley, Robert Armitage, and Robert Blackwill.

Zoellick was often described as one of the most competent and pragmatic Bush administration officials, receiving high marks from the media for his record as U.S. Trade Representative (2001-2005) and his short stint as Secretary of State Rice's top deputy (2005-2006). A keen strategist rather than an ideologue, Zoellick was one of the first to outline the radical dimensions of the new Republican national security doctrine.

In a January 2000 *Foreign Affairs* essay, Zoellick argued for a foreign policy based on U.S. military preeminence and on “the appeal of the country’s ideas.” He outlined a Manichean foreign policy in which the forces of good would seek out and destroy “evil.”

“A modern Republican foreign policy,” wrote Zoellick, “recognizes that there is still evil in the world—people who hate America and what it stands for.” He warned that “people driven by enmity or by a need to dominate will not respond to reason or goodwill.” Zoellick, however, was not referring to non-state terrorists but to “enemies” like Iraq “who are hard at work to develop nuclear, biological, and chemical weapons.”

In his outline of a new Republican foreign policy, Zoellick argued for a more integrated national security strategy in which trade would have a central place in the 21st century. But he took issue with the Clinton administration’s expansive trade policy, contending that social and environmental issues had no place in trade agreements. Zoellick, who was a lead player in the North American Free Trade Agreement (NAFTA) negotiations during the elder Bush’s administration, called for an aggressive new trade policy led by a renewal of “fast-track” authority or trade promotion authority for the executive branch.

The 9/11 terrorist attacks gave the Bush administration the opportunity to fast-forward its foreign policy agenda, not only for regime change in Iraq but also for fast-track authority and free trade. Nine days after the attacks, in a *Washington Post* op-ed titled “Fighting Terror with Trade,” Zoellick wrote: “Our response has to counter fear and panic, and counter it with free trade.”

A few days later, in a speech at the Institute for International Economics, Zoellick extended his argument that trade is a weapon in the war against terrorism because it “promotes values at the heart of this protracted struggle.” To that end, Zoellick made the case that congressional approval of fast-track authority was essential not only to the administration’s newly launched war on terror, but also to U.S. leadership in the global economy.

As U.S. trade rep, Zoellick adopted a two-pronged strategy to reduce barriers to U.S. trade and investment—promoting multilateral economic liberalization through the World Trade Organization (WTO), while at the same time aggressively seeking new bilateral free trade agreements. He called this strategy “competitive liberalization” and aimed to forge a “coalition of liberalizers” that would set the pace for liberalization reforms.

Although Zoellick was instrumental in relaunching multilateral trade/investment negotiations in 2001 with the kick-off of the Doha Development Round of WTO negotiations, he was only partially committed to the round’s success. Prior to the critical September 2003 WTO ministerial in Cancun, Mexico, in a July 10 *Wall Street Journal* op-ed Zoellick warned that the U.S. government wouldn’t let the WTO’s consensus procedures block “America’s drive for global free trade.”

As it turned out, the negotiations in Cancun broke down largely because the United States, together with the European Union, wouldn’t accede to the developing countries’ demands that the United States liberalize its own economy by cutting trade-distorting farm subsidies. Although he postures as a free trader, Zoellick is really an “America firster” who as U.S. trade rep signed off on a subsidy-laden farm bill and protectionist tariffs for the steel industry.

Zoellick's patronizing attitude toward the less-developed countries that wouldn't bow to U.S. demands at the 2003 WTO meeting highlighted his dubious commitment to development. His view seems to be that what's good for the United States is good for the rest of the world. "The WTO's influence will wane if it comes to embody a new 'dependency theory' of trade, blaming developed countries," wrote Zoellick prior to the ministerial.

After the talks broke down at the last hour in Cancun, Zoellick blamed the failure on the "won't do" countries that obstructed the will of the "can do" countries. "We're going to keep opening markets one way or another," warned Zoellick.

As he takes over the helm of the badly fractured World Bank, Zoellick faces a growing Latin American backlash against the international financial institutions and the type of economic policies that he and the bank have long championed.

In a May 2002 speech at the corporate Council of the Americas, Zoellick outlined the standard conservative philosophy about Latin America development. He praised the "twin revolutions" of political and economic reform that were "sweeping through the region."

In Zoellick's view, unlike previous Latin American revolutions these were "revolutions of ideas" and were peaceful. The centerpiece of both revolutions was free trade, according to Zoellick. "Free trade is about freedom," he asserted, arguing that free trade is "about more than economic efficiency." It's also about political revolutions—"the right of individuals and associations of individuals to make choices." What is more, he said, "By diffusing economic decisions, free trade and free markets reduce

the ability of people in high places to use power to strengthen privilege."

Although it was not until February 2001 (when he became President George W. Bush's trade representative) that Zoellick began to promote free trade agreements throughout Latin America and the Caribbean, he was a principal player in sealing the NAFTA agreement with Mexico during the George H.W. Bush administration.

Zoellick was the standard-bearer of the campaign to wrap the Americas in U.S.-dominated free trade under a NAFTA upgrade called Free Trade Area of the Americas (FTAA). Zoellick initiated bilateral free trade negotiations with an array of Latin American nations eager to gain secured access to the U.S. market, and he signed free trade agreements (FTAs) with Chile, the Dominican Republic, and five Central American nations.

Along the way, however, Zoellick found that the economic liberalization policies that the U.S. government had fostered in the Americas were creating a backlash against neoliberal reforms and the political parties that had sponsored them. While some countries such as Colombia and Peru are still eager to cement FTAs with the United States, a surge of left-centrist governments have explicitly rejected the free trade revolution that Zoellick had predicted would sweep the entire continent.

At the end of Zoellick's tenure in late 2005, the FTAA was dead and the Doha negotiations remain stalled, as the industrial world continued to refuse to make concessions to the poor and developing nations.

Now, as he begins his new job at the World Bank, Zoellick not only faces skepticism about his theory of free trade revolutions but also a

widening rejection of the international financial institutions.

Several nations, notably Argentina and Brazil, have over the past couple of years intentionally distanced themselves from the International Monetary Fund by paying off their debts ahead of schedule. Signaling the discontent with World Bank's onerous conditionality, Ecuador's President Rafael Correa earlier this year declared the multilateral bank's country representative "persona non grata" in the Andean country. Another sign of dissatisfaction with the World Bank was the recent decision by Bolivia, Venezuela, and Nicaragua to withdraw from the bank's arbitration body. The withdrawing nations, echoing a widely shared observation, charged that the International Center for the Settlement of Investment Disputes favored the interests of the world's wealthiest nations.

In a move to chart financial and developmental paths independent of the World Bank and the IMF, several South American nations have recently created a new regional financial institution. Formed by Argentina, Brazil, Ecuador, Bolivia, Paraguay, and Venezuela, the upstart Banco del Sur is a project of a sector of Latin

American nations that are increasingly willing to buck U.S. control and join hands with Venezuela on regional projects. Other countries, such as Mexico and Colombia, dismiss Banco del Sur as a political project of oil-rich Venezuela.

Going into his new job as World Bank president, Zoellick urgently needs to establish a new consensus within the dispirited, directionless multilateral bank. But his conviction that U.S.-led coalitions of those who "can do" the American way will override those who "won't do" what Washington mandates doesn't bode well for the emergence of a new post-Wolfowitz consensus at the World Bank. In the end, Zoellick's instrumentalist approach to multilateralism, belief in U.S. exceptionalism, and his trade-centered philosophy of development are about all one could expect from the administration that appointed him.

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The Right Web

"Exposing the architecture of power that's changing our world"

Recommended citation:

Tom Barry, "Putting Friends in High Places," Right Web Analysis (Silver City, NM: International Relations Center, July 10, 2007).

Web location:

<http://rightweb.irc-online.org/rw/4369>

Production Information:

Writer: Tom Barry

Editor: Right Web

Layout: Chellee Chase-Saiz