

Opinion Development

Asian Development Bank: Time for new leadership

Canada could play a role in pushing for electoral reform.

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Japan recently decided it wanted a new governor for its central bank. So it recalled Haruhiko Kuroda, the Japanese president of the Asian Development Bank, to do the job.

Fair enough, if a little rushed, asking their man to resign in just three weeks after a decade away.

But there's no rule that says Japan should automatically provide the next president of the ADB, a key regional multilateral development bank. Even the new pope is having a proper election, albeit in private with smoke signals to indicate the voting is over.

Just last summer, after a bit of hesitation, the board of the World Bank, comprising representatives of most of the world's governments, decided it would be good practice to allow for some competition for their new president.

Competitive elections have indeed become the practice in all the other regional development banks. Those same governments form the ADB Board, so will the same practice apply there?

Perhaps surprisingly, many expect no change this time around. The region is seen as more conservative. Japan does not seem keen on a change. There is no reason to break the cozy tradition.

Then again, there is no reason not to either. Japan only contributes 12.8 per cent of the capital, so it doesn't necessarily deserve the permanent privilege. Another Asian country could easily provide a strong president for Asia's own multilateral financial institution.

Even if the ADB's board has been a bit slow to modernize its share allocation to catch up with new global power realities, there are obvious Asian countries with great leadership candidates waiting in the wings.

One is China, which in recent years passed Japan to become the second-largest trading nation; another is India, closing in fast economically on Japan and full of world-class expertise in the ADB's core business of development and poverty reduction. Other Asian countries such as South Korea, Singapore, Indonesia, and Thailand are also not lacking talented leaders.

What was good enough for the World Bank and the United States might be good enough here too. There was a little reluctance at first, but after a few days of hesitation the US felt it would be just too embarrassing to refuse an open election for the World Bank presidency.

In the end there were three candidates including two non-Americans. The American was finally the winner, but only after Obama ignored his own bureaucrats and their shortlist of safe, if uninspiring, candidates to choose a renowned development practitioner.

Other shareholding countries such as Canada can now discreetly start to raise the same idea for leadership at the ADB. The Asian Bank's image will certainly be



Asian Development Bank president Haruhiko Kuroda, pictured here shaking hands with Vietnamese schoolchildren in Tu Son district, Vietnam, steps down on March 18 after being nominated to run the Bank of Japan.

enhanced if its board promotes a true election, rather than being dragged into one.

Moreover both Japan and its donor partners have recently signed up to an international agreement in Busan, South Korea, placing a special emphasis on engaging emerging economies as development partners. Many argue now is the time for these countries to share in global leadership beyond the economic sphere.

What sort of process might work? The ADB rule book formally provides for a competitive process, but other countries so far have been too polite to suggest anything but a nominal vote in a Japanese coronation.

Meanwhile Japan has already announced its candidate, Takehiko Nakao, a finance ministry official specializing in currency issues—not obviously the optimal skill set for the head of a development bank fighting for poverty reduction.

The more cynical say that in the past, regional governments feared that Japan would stop funding the Bank. But in today's world, with many countries anxious to improve their relations with Asia's new powerful economies, it is hard to believe that

Japan would be so impolite, so un-politic, as to actually walk away from a democratically-selected Asian candidate?

Of course, those same cynics will say Japan will just follow the US example and lobby very hard to ensure its candidate ultimately has enough votes, including those of fellow Western donors.

Fair enough, and Japan might fairly win. But there should be an open process for all in Asia to see, creating an irreversible principle of open competition.

Maybe in this case, donor country support may not be so solid, especially if the voting process is formally secret. After all those same Western donors, Canada included, would not wish to offend the emerging economies by favouring a possibly weaker Japanese candidate against one from the South, be they Indian, Chinese or Indonesian.

The South may be being strategically coy about yet seeking the leadership, but once engaged they will for sure lobby hard and deliver. Japan itself, preoccupied as it is with its own economic recovery, might even welcome passing this particular baton to a neighbour.

What is Canada's possible role? We lead an often-influential board constituency, shared with the Nordics. We could choose G8 clubiness or G20 global engagement. We could see electoral reform as part of building a re-energized institution for the new Asia, working with the nations we see as future trading and investment partners.

Or we could remain silent, picking up the Asian habit of avoiding confrontation.

The next two to three weeks will be crucial. Critically, somebody, probably the Americans, will need to quietly and persuasively present the idea to Japan.

The ADB board will have to set a new tone and formalize transparent rules for a competitive election. Developing Asia, if still hesitant, may even need to be prodded into participation. However, a do-nothing approach is not optimal.

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