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When Trump robs a bank

Why Trump drives a wedge between Latin American nations to have his candidate lead the Inter-American Development Bank

Read this article in German.

'Bank robbery' was the headline chosen by Latin American news outlet *Connectas* to cover the upcoming election of the new president of the Inter-American Development Bank (IDB), while Michael Shifter of the Inter-American Dialogue think-tank, writing in *Foreign Policy*, placed it in a broader context: 'For the Trump administration, there seem to be only two options in dealing with multilateral institutions: withdraw (...) or take them over.'

To date, beyond numerous studies, regular statistics and funding various controversial mega-projects, the Washington-based lender (which is part of the World Bank Group) has produced little by way of controversy – true to its nature as one of a clutch of somewhat greyscale international institutions more renowned for bureaucracy than scandals.

As such, the election of the bank's executive was generally about as exciting as the process for choosing the head of Fifa inasmuch as the preferred candidate had already been agreed on via the usual behind-the-scenes diplomatic channels. This time, however, US President Donald Trump broke with convention and nominated Mauricio Claver-Carone for the role two months ago – and suddenly, a generally sluggish Latin American diplomatic scene, at that point focussed primarily on potential treatments for and vaccinations against Covid-19, was thrown into top gear.

The conventions of the IDB

It should be noted that, since it was founded in 1959, the IDB has had no more than four presidents: a Chilean, a Mexican, a Uruguayan, and – from 2005 to now – Luís Alberto Moreno, a Columbian. This year, Argentinean political and legal figure Gustavo Béliz and former Costa

Rican president Laura Chinchilla had their hopes of succeeding Moreno, although both of them were lacking financial expertise and were certainly not clear favourites.

In view of the Latin American voting majority, there has to date been an unofficial convention that the president should come from the region, but be flanked by a vice-president from the US; Washington has also held informal vetoes on a number of issues. In his article, Michael Shifter describes this set-up as 'not mere ritual. Rather, it is a way in which Republican and Democratic administrations alike have strengthened the IDB's legitimacy and effectiveness.'

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In Claver-Carone, however, Trump has selected a candidate who has absolutely no financial experience, a lawyer of Cuban descent, who happens to be one of his national security advisors and have a reputation as an ideological hardliner: he sees the socialist states of Cuba and Venezuela as abominations that must be brought to their knees as a matter of priority. As such, he is the perfect representative for Trump's 'Big-Stick Policy', which seeks to reactivate Theodore Roosevelt's approach to expanding American influence by very public displays of military power coupled with economic blackmail where required.

If elected to the role, Claver-Carone would doubtlessly aggravate the polarisation of Latin America. 'His job will be to drive Trump's security agenda,' writes Maria Camila Hernández in *Connectas*, adding that Trump is also looking to gain brownie points in Claver-Carone's home state – and potential swing state – of Florida ahead of the election this November. The price, of course, is to deepen divisions inside the financial institution at the worst possible moment for a Latin American continent whose public health and economy have been ravaged by the Coronavirus pandemic.

Latin America doesn't give in without a fight

In the post-Covid era, the IDB and its credit lines will play a not insubstantial part in the region's recovery: as the largest lender for development projects in Latin America, it has an average portfolio volume of USD 37bn of its reserves and another USD 2bn of external

funds. In interviews he has given, Claver-Carone has left little doubt about the fact that, for him, this fiscal heft is a geopolitical tool that can be instrumentalised in order to rein in Chinese influence. What is more, the region's diplomats fear that he could start coupling credits to political conditions in a way that would punish left-leaning progressive governments.

In ideological terms, Latin American countries have been drifting in different directions for some time. After the 'pink tide' of left-wing administrations across the continent earlier in the new Millennium broke in August 2016 with the impeachment of Brazilian president Dilma Rousseff, the region has seen an ultra-conservative backlash as, from Guatemala and Honduras to Bolivia, Colombia, and Brazil, new heads of government have come in with programmes to reverse the course of history. Legislation enshrining equal rights for indigenous peoples, homosexuals and women is being diluted or hollowed out, as are quotas for minorities at universities and environmental regulations; the legalisation of cannabis, too, is on the list.

Yet 'Latin America won't give in to Trump without a fight', as Shifter writes. According to the Argentinean media, Buenos Aires has started a counter-offensive, where left-wing Peronist Alberto Fernández has recently come into office as president. *Infobae* reports that he has spoken to his Mexican counterpart Andrés Manuel López Obrador, with whom he is in regular contact and who, for instance, mediated between Argentina and US investment firm Blackrock. The two consider themselves an axis of progressive democracy in Latin America.

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Once they had reached agreement, Fernández placed a call to the EU's chief diplomat Josep Borrell to get him on board; he was soon followed by Chile's conservative president Sebastián Piñera, and then Costa Rica and Peru came into the fold. Working together, they suggested delaying the elections from 12 September to March 2021, the official argument being that the pandemic would require a fundamental reappraisal of the IDB's role and orientation (and the unofficial consideration being that Trump might lose the election this November, taking Claver-Carone back off the table).

Crunching the numbers

This move doesn't seal the deal, though, as, in order to be elected, an applicant needs the backing of at least 15 of the 28 states with subscribed capital stock in the bank and an absolute majority of votes (which are proportional to the percentage of shares the state holds). Claver-Carone has 16 countries on his side which are either ideological bedfellows of the current US administration or are economically dependent on the US: Colombia, Honduras, Brazil, Guyana, Guatemala, Haiti, Bolivia, Ecuador, Paraguay, Uruguay, El Salvador, Panama and Jamaica; even Venezuela, which holds 6 per cent and is represented by an envoy of conservative opposition leader Juan Guaidó, supports Claver-Carone.

Claver-Carone also looks likely to secure a sufficient share of the votes, too, as the US alone accounts of 30 per ent for voting power; its allies make up 23.9 per cent, leaving only 22 per cent to his opponents. Their only hope can be that the election committee is not quorate – 75 per cent of the subscribed capital stock needs to be present – and that the US delegation therefore agrees to delay the vote. This is where Canada (4 per cent), Japan (5 per cent), and Europe come into play: the EU has urged for the elections to be pushed back, but is an institution, not a subscriber, and so has no say. Rather, its members who are non-borrowing members – Italy, Spain, Germany, France, and Portugal, all holding between 1 per cent and 2 per cent – would need to act in concert. At present, the governments of the member states have yet to position themselves publically.

Both sides are playing hardball. Claver-Carone is dangling a potential capital increase – and thus a potential for higher credit volumes – as a carrot for countries willing to support him and is also promising that re-shoring by US corporates withdrawing from China will send new investment in the direction of Latin America. For their part, Mexico and Argentina, both working with AstraZeneca to develop a Covid-19 vaccination, are offering the prospect of preferential access to it once it is ready; the president of Peru is also trying to get Canadian prime minister and personal friend Justin Trudeau, on board. Traditionally, Canada has voted with the US in IDB elections, but there is no love lost between the Trudeau and Trump administrations.

Whatever the outcome of this diplomatic arm-wrestling – and it remains quite open – collateral damage is unavoidable. 'If Trump is unable to get Claver-Carone into post, he'll come out of it with a black-eye with his influence clearly waning,' says Benjamin Gedan, the director of the Argentina Project at the Wilson Center in Washington, 'and if Claver-Carone is put in place, but Trump loses the election, then the IDB will

find itself headed by someone on a five-year term with absolutely no political backing.'



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