

BUSINESS INSIDER

IMF'S LAGARDE: I Will Belly-Dance For Congress If I Have To



JEREMY TORDJMAN, AFP

NOV. 9, 2014, 3:09 PM

Washington (AFP) - International Monetary Fund chief Christine Lagarde might need to get to work perfecting her belly-dance.

The normally reserved head of the global crisis lender promised in October to perform for the US Congress if that would get it to endorse crucial, much-delayed reforms for the Fund.

"I will do belly-dancing if that's what it takes to get the US to ratify," she said.

But now the Republican victory in Tuesday's US elections has likely placed ratification further away -- and she will have to work harder to convince the IMF's largest shareholder.

"The change in the US political landscape is not a good omen for progress on IMF reforms," said Eswar Prasad, a former IMF official.

Since 2012, the Obama administration has sought to convince Republicans in Congress to formally endorse the reform -- decided in 2010 with US support -- that



REUTERS/Suzanne Plunkett

International Monetary Fund chief Christine Lagarde promised in October to perform a belly-dance for the US Congress if that would get it to endorse crucial, much-delayed reforms for the Fund

doubles its financial resources and increases slightly the voting power in the IMF of emerging economies like China, Russia and Brazil.

As the largest shareholder, the US endorsement is necessary to implement the reforms. All other major economies have ratified them already.

But the White House has repeatedly failed to get the ratification through Congress, against opposition from Republicans.

Some Republicans have said specifically they do not want to increase the influence of China and Russia in the Fund -- even though the US would remain the dominant IMF power after the reforms.

That leaves the emerging economies increasingly impatient. China, the world's second largest economy, only holds 4 percent of the voting rights, barely more than Italy, whose economy is one-fifth the size.

In reaction, in July Brazil, Russia, India, China and South Africa joined hands to create their own monetary fund for emergency needs.

They could take the opportunity at the coming G20 summit in Australia this month to pound the table over the issue, according to the Russian representative Svetlana Lukash.

"The most important thing for us is the reform of the IMF, a problem which has not yet been solved within the framework of the G20," she said Friday.

- Plan B -

The IMF, which declined to talk about the issue, is itself anxious. Already under attack over its legitimacy, it has to work with more limited resources as it awaits US action.

"The lack of approval will result in the weakening of the IMF as the main anchor of the international monetary system," said Domenico Lombardi, former advisor to the IMF board.

If the reform is not adopted by the end of this year, the Fund is to present a "Plan B" to its board, the specifics of which remain vague. That then would require new negotiations among its 188 member-states.

Some experts say the Fund should press for US ratification by the end of this year, while the current Congress remains in office and before the new one sits in January.

"The advantage is that it's not a new issue," said Ted Truman, former Treasury official.

"The current Republican representatives are now better informed about the IMF legislation. I'm not saying that they're perfectly informed, but they're better informed."

Douglas Rediker, a former US representative to the IMF board, said the opposition in Congress has mainly been part of "internal domestic political maneuvers that have little to nothing to do with the IMF reform itself".

"It's going to take a collaborative effort between the White House, the Senate, and the House to actually work together to understand how important this is."

To make that happen, Lagarde could very well have to gear up her belly dance.

* Copyright © 2014 Business Insider Inc. All rights reserved.