China given key IMF role under Lagarde

By Alan Beattie in Washington

Zhu Min, former deputy governor of the Chinese central bank, was on Tuesday appointed to the top management of the International Monetary Fund, a signal of China’s growing power in the global economy.

Together with the appointment of David Lipton, a White House adviser, as the fund’s second-in-command, some former officials said the moves were payback for Chinese and US support for Christine Lagarde’s selection as IMF managing director.

William Murray, IMF spokesman, denied the suggestions. “Min Zhu’s appointment stands on its own merits. Let me remind you that the creation of a fourth DMD [deputy managing director] position was under discussion for some time within the Fund,” he said.

Mr Zhu had already been appointed a special adviser by Dominique Strauss-Kahn, Ms Lagarde’s predecessor. She created a fourth deputy managing director role to give him formal management responsibilities.

The other two deputy managing directors are Nemat Shafik, the former top civil servant at the UK department for international development who has Egyptian, British and US nationalities, and Naoyuki Shinohara, a Japanese.

IMF management jobs are traditionally given out in an informal spoils system, with the managing director being a European and the first deputy managing director an American. An Asian and a Latin American often fill the other two deputy managing director slots.

Eswar Prasad, former head of the IMF’s China division, said Mr Lipton’s and Mr Zhu’s widely predicted appointments “represent Christine Lagarde’s payback for the support she got from the US and China”. He said the grand bargain “may be one of the few instances where the three largest economic powers – China, Europe and the US – found their short-term interests closely aligned”.

Domenico Lombardi, who used to represent Italy on the IMF board, said the move might have occurred anyway given that China would soon overtake Japan as the fund’s third-biggest shareholder, but that the horse-trading for management jobs had accelerated it by perhaps a year.

Mr Lipton is a veteran of international economic policy, with stints at the US Treasury, Citigroup and Moore Capital, a hedge fund, before his appointment as a senior White House adviser under President Barack Obama.

Mr Lipton attracted controversy during the 1997-98 Asian financial crisis, when the US Treasury installed him at the same hotel in Seoul as the IMF mission to ensure that tough conditions were imposed on South Korea’s bail-out.

Mr Lombardi said the move also suggested that another American would be appointed as the next president of the World Bank, the traditional quid pro quo for the Europeans appointing the managing director of the IMF.

On Tuesday, Tim Geithner, the US Treasury secretary, who was also active during the Asian financial crisis, said Mr Lipton possessed “deep experience, personal integrity and a long-standing commitment to public service”. He praised John Lipsky, the outgoing second-in-command, but did not mention Mr Zhu.