Battle commences for top job at IMF
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Dominique Strauss-Kahn’s legal troubles may just be starting but so too is the battle over who will succeed him as chief of the International Monetary Fund.

Mr Strauss-Kahn’s arrest on sex charges at the weekend prompted some commentators to declare it may be an opportunity for emerging market countries to take charge of the multilateral lender. But European officials on Monday asserted their case for keeping the top job for a European, as is customary, with Angela Merkel, the German chancellor, leading the charge. Ms Merkel told reporters on Monday that finding a replacement for Mr Strauss-Kahn was “not a question for today”, but given the sovereign debt crisis on the eurozone periphery there were “good reasons” to propose a European candidate.

A spokeswoman for José Manuel Barroso, European Commission president, went further, saying the European Union would put forward a candidate if Mr Strauss-Kahn left the job.

Mr Strauss-Kahn was expected to step down this summer to contest France’s presidential election, so jockeying for the IMF managing director’s job had already begun, but his arrest on charges of attempted rape has dramatically increased that speculation. “This is the opening salvo in what is going to be a pitched battle,” said Eswar Prasad, former head of the IMF’s China department and now a senior fellow at the Brookings Institution in Washington.

An American has traditionally headed the World Bank while a European heads the IMF.

Didier Reynders, the Belgian finance minister, argued on Monday that “it would be preferable if we continued to hold these posts in the future”.

The comments by Ms Merkel and Mr Reynders suggest that Europe will fight to maintain the tradition at the two institutions. The number two job at the IMF, held by an American, will also become vacant soon when John Lipsky, who is running the fund in Mr Strauss-Kahn’s absence, steps down at the end of August.

Emerging market countries argue that it is unacceptable for Europe and America to continue to stitch up the top jobs even as developing nations take a growing share of the global economy.

However, even European countries that were willing to consider an emerging markets candidate for the IMF this time are having second thoughts now that the fund is central to short-term European interests. Ms Merkel said that developing countries had a right to the top jobs in the “midterm”.

The highest profile European candidate for the IMF is Christine Lagarde, the French finance minister. Gordon Brown, Britain’s former prime minister, still believes he is a contender for the IMF job despite opposition from David Cameron, his successor in Downing Street.

Mr Brown organised the G20 summit in London in 2009 – seen as a highwater mark in international financial co-operation – but Mr Cameron says his record in presiding over Britain’s ballooning deficit should disqualify him from the IMF post.

A leading candidate who might be able to bridge Europe and emerging markets is Kemal Dervis, a former Turkish economy minister and head of the United Nations Development Programme.

Mr Dervis is seen as having the right technical background and close relationships with counterparts such as the Greek finance minister, George Papaconstantinou, but his disadvantage is that the Turkish government is unlikely to back him.

Jean-Claude Juncker, the Luxembourg prime minister and head of the eurozone group of finance ministers, reacted angrily to speculation about who might succeed Mr Strauss-Kahn.

“It’s indecent that some governments this morning already started that debate. This is a debate that has no place,” Mr Juncker said after a meeting of eurozone finance ministers in Brussels.

A visibly moved Mr Juncker also expressed sorrow at the treatment of his friend. “I have to say that I’m very sad and upset,” he said. “I didn’t like the pictures I’ve seen on television this morning. It was deeply sad and traumatic. Mr Strauss-Kahn is in the hands of the American justice. It is not up to us to comment on this, but it makes me deeply, deeply sad.”
The US is yet to make its position clear and a factor will be whether it fights to maintain the status quo at the World Bank and the IMF.

On Monday, the White House said it was confident Mr Strauss-Kahn’s arrest would not affect the IMF’s ability to handle the European debt crisis.

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