Emerging Nations Warm to Lagarde for I.M.F. Role

By LIZ ALDERMAN and KEITH BRADSHHER

PARIS — As the race for a new leader at the International Monetary Fund moves toward a pivotal deadline this week, the global charm offensive by the French finance minister, Christine Lagarde, appears to be paying off.

Despite their alarm over efforts to put yet another European in one of the most powerful positions in global finance, China, Brazil and other fast-growing nations appear to be concluding that it would be in their interest to support Ms. Lagarde over her main rival, the Mexican central bank governor, Agustín Carstens.

For now, some of the biggest developing nations seem to see Ms. Lagarde as their best bet for increasing their power at the I.M.F. as their economies gain status in the global financial order.

With a deadline looming Friday for nominations to the I.M.F. directorship, Ms. Lagarde has mounted an energetic campaign — including sending messages via Twitter of her impressions of meetings with country leaders at each stop, and promising to give developing nations more sway at the fund.

On Tuesday, Ms. Lagarde sought to broaden her appeal in India. There, officials have fumed about the European arrogance they perceive in pushing her to succeed the former I.M.F. chief Dominique Strauss-Kahn, who resigned last month to fight charges in New York of attempted rape and sexual assault.

Ms. Lagarde vowed Tuesday at a news conference in New Delhi to represent the needs of emerging markets so thoroughly that “a little part of me will become Indian.”
Ms. Lagarde plans to go to China on Wednesday. Her campaign could gain even more momentum if leaders there decide that supporting her could pave the way for a Chinese citizen to be named as one of the I.M.F.’s three deputy managing directors, three people with ties to Beijing’s decision makers said.

Mr. Carstens is on his own international tour and plans stops in India, China and Japan to seek support.

Although I.M.F. representatives from Brazil, Russia, India, China and South Africa have condemned the “obsolete, unwritten convention” of reserving the top job for a European, they have not displayed similar solidarity for one candidate of their own.

Instead, officials in Brazil, Russia and China have already privately conceded that Ms. Lagarde may have more ability than Mr. Carstens, or another candidate, to increase their own influence at the I.M.F.

“I think that it will be very difficult to compete with Christine Lagarde,” said Sergei A. Storchak, a Russian deputy minister of finance. “The countries with the most votes in the I.M.F. stand behind her.”

Ms. Lagarde and Mr. Carstens began their campaign swings through emerging economies in Brazil. But after the meetings, Brazilian government officials privately said they were leaning toward Ms. Lagarde. Argentina was also not willing to commit to Mr. Carstens.

On Tuesday, before her news conference in New Delhi, Ms. Lagarde met with the prime minister of India, Manmohan Singh, and the finance minister Pranab Mukherjee. Mr. Mukherjee later told reporters that India had not decided to back Ms. Lagarde, and that it would like to be part of a consensus of nations that chooses a new managing director for the fund.

Europeans and the Group of 8 wealthy economies have backed Ms. Lagarde to address concerns that a debt crisis in the euro monetary union, where most of the I.M.F.’s rescue programs are focused, could become more unwieldy if a European did not run the fund. The I.M.F. has lent about 100 billion euros to Greece, Ireland and Portugal to prevent a wider crisis.

“It would be a mistake at this point to give up the European leadership of the I.M.F.,” said a
senior fund official, who would not be identified because the selection process was not complete. “The sovereign debt problems in Europe are still so severe that the international community doesn’t have one or two years for a new candidate to learn on the job,” the official said.

In an interview Monday, Mr. Carstens, whose résumé includes four years as a senior I.M.F. official, played down concerns that he would not be able to manage Europe’s debt crisis, saying he would bring a “pair of fresh eyes” to the situation.

He pledged to take new steps to improve the representation of emerging markets and developing countries at the I.M.F., calling those taken so far too “timid.”

With both candidates campaigning on similar platforms, the outcome may hinge as much on personalities as on what each nation thinks it can leverage politically from the new I.M.F. managing director.

China’s could be a crucial swing vote. China holds the sixth-largest share of voting rights at the I.M.F. — after the United States, Japan, Germany, France and Britain.

And yet, as Ms. Lagarde heads to Beijing for talks, Chinese officials find themselves in a difficult diplomatic position.

Zhou Xiaochuan, China’s central bank governor, has for several years led an international campaign to grant emerging economies a bigger role at international financial institutions. Now, though, Chinese officials, according to people with ties to the decision makers, may perceive that their own national interest is best served by seeing Ms. Lagarde hold the top job — even though she would be the 11th consecutive European to lead the I.M.F. since it went into operation in 1947.

A government adviser in Beijing who insisted on anonymity because he was not authorized to discuss the issue said the Chinese government did not yet feel ready to play a more central role in complex global financial negotiations by having a Chinese hold the top job — particularly as the European debt crisis unfolded.

China leans toward supporting Ms. Lagarde because she appears better positioned to persuade fellow European officials to continue giving up some of their influence at the I.M.F., said Eswar
S. Prasad, a former head of the China section at the I.M.F. who is a senior fellow at the Brookings Institution in Washington and a professor at Cornell.

The selection of Ms. Lagarde would also strengthen the argument for someone from an emerging market to replace John Lipsky, one of the three deputy managing directors of the I.M.F., after he retires in August. While China does not have a natural candidate for the top job, managing director, it does have a candidate to become a deputy to the I.M.F.’s next leader.

Two years ago, China sought, unsuccessfully, the creation of a fourth deputy managing director slot for one of its top economists, Zhu Min. Mr. Zhu was named instead as the only special adviser to the managing director, a rung below deputy managing director.

Chinese officials and state media have avoided any talk of individuals for the top job. The foreign ministry has called for the I.M.F.’s “senior management” to include representatives from emerging markets, a choice of wording widely viewed as hinting that Mr. Zhu should be promoted to deputy managing director.

None of this has stopped Mr. Carstens from pressing his case, although he acknowledged in the interview that he faced a struggle. “What introduces noise to the process is the very open support that Ms. Lagarde has from the European countries,” he said.

At this point, the biggest cloud over Ms. Lagarde’s candidacy is the possibility of a judicial inquiry into whether she once abused her authority as finance minister. A French court is to decide on Friday, the same day the I.M.F. nominations are due, whether to investigate her role in a lucrative arbitration award in 2007 to Bernard Tapie, a French businessman. Any investigation would start before the I.M.F. is scheduled to select the next managing director on June 30.

For Mr. Carstens, long-shot chances are no reason to forgo seeking the position. “It’s essential to take the risk,” he said. He cited a Mexican expression, “There is no worse struggle than the one that is never fought.”

Liz Alderman reported from Paris and Keith Bradsher from Hong Kong. Reporting was contributed by Heather Timmons in New Delhi, Elisabeth Malkin in Mexico City, Andrew E. Kramer in Moscow and Alexei Barrionuevo in São Paulo.