

G20 nations side against U.S. on IMF changes

Paul Davidson, USA TODAY [\(/staff/1098/paul-davidson\)](/staff/1098/paul-davidson) 9:32 p.m. EDT April 11, 2014



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WASHINGTON — Finance chiefs from the world's largest economies lined up against the U.S. on Friday, stepping up pressure on the International Monetary Fund's most powerful member to sign off on a long-stalled pact to boost the IMF's ability to rescue countries in economic trouble.

The Group of 20 nations' finance ministers and central bankers laid bare their frustration over Congress' failure to ratify a 2010 agreement that would increase the IMF's lending authority and give emerging markets such as China and Brazil a bigger voice in the fund.

"We are all very disappointed by the ongoing failure to bring these reforms to conclusion," G20 Chairman and Australian Treasurer J.B. Hockey said after the G20 meeting in Washington. "They have consistently been blocked by the U.S. Congress."

The Obama administration strongly supports the changes, but Republicans in Congress have held up their implementation since 2010 because of concerns they could weaken U.S. influence at the IMF.

Hockey said that if Congress doesn't ratify the reforms by year-end, the IMF's largest members will "examine alternative options." He would not be more specific.

"This is quite significant," says Eswar Prasad, a professor of trade policy at Cornell University. "It's implying there's not going to be an indefinite waiting process. I think it's still a threat, but a threat increasingly backed up by something substantive."

In remarks at the IMF's annual spring meetings here, Treasury Secretary Jack Lew said: "The fact is, the IMF is indispensable, and the United States has an immense stake in the strength and effectiveness of this institution." He added, "There is important bipartisan support for taking action and we will continue to work with Congress to get legislation passed this year."

The changes require approval by 85% of the IMF's voting shares and the U.S. is the fund's largest member with 16.7% of the vote.

One possibility is that the U.S. Treasury could agree to eliminate the 85% requirement, effectively removing U.S. veto authority for certain critical issues, says Edwin Truman, a senior fellow at the Peterson Institute for International Economics and a former assistant Treasury secretary.

"It (would have) an impact of significance on (the IMF) if the world's largest economy is on the sideline," Prasad says.

The IMF promotes global growth and lends money to the governments of troubled nations. It provided billions of dollars in loans to countries such as Greece, Portugal and Ireland in the aftermath of the 2008 financial crisis.

Along with raising the voting shares of emerging markets such as China, Brazil and Turkey to 44.7% from 42.1%, the changes before Congress would transfer \$63 billion of the U.S. contribution to the fund from a temporary account to a permanent one. That would restrict Congress' ability to block loans to struggling nations.

IMF officials say that change is needed to solidify the fund's ability to respond to crises, as it's currently doing by moving to lend Ukraine as much as \$18 billion as that country grapples with massive debt and Russian incursions.

"We need a permanent strengthening of the fund," Tharman Shanmugaratnam, chairman of the IMF's international monetary and finance committee, told reporters.

Emerging markets generate about two-thirds of global economic growth but their representation at the fund has not kept up with their rising influence. Shanmugaratnam said the impasse threatens the fund's credibility.

In an interview, IMF First Deputy Managing Director David Lipton said the deadlock makes the emerging markets less likely to approach the fund for emergency aid and could prompt them to drop out of the IMF and form their own regional organizations.

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