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Thursday, May. 14, 2009

Boutros-Ghali's Developing Vision for the IMF

By BOBBY GHOSH

His storied surname sits lightly on Youssef Boutros-Ghali's shoulders. "People recognize it, and my family is used to that because we've been in politics and government since the 1800s," says Egypt's urbane Finance Minister. The family name acquired international renown in 1991, when his uncle was elected Secretary-General of the United Nations. Then came ignominy. Denounced as divisive and incompetent by the U.S. and other Western nations, Boutros Boutros-Ghali became the first Secretary-General not to be re-elected for a second term.

Last fall, some of those same Western nations helped elect Youssef chairman of the International Monetary Fund's policymaking committee, giving him a powerful voice in determining the IMF's role in the global economic crisis. It's the first time a non-Westerner has held the job, and Boutros-Ghali knows he carries the developing world's expectations. His main task, he says, is to get the IMF to better understand its borrowers. "[I've] experienced the pointy end of IMF policies," he says. "I bring a view different from a G-7 Finance Minister. I am sensitive to different things — I can help to change the optics." (Read: "Can the G-7 Save the World from Financial Chaos?")

To get the rich nations to see things differently will require diplomatic skills that often eluded his uncle, a dour and sometimes acerbic figure who clashed publicly with the U.S. over the Balkan wars, the genocide in Rwanda and Washington's unpaid U.N. dues. "My uncle tends to more public display, he tends to be more blunt," Boutros-Ghali says. "[At the IMF] different things are at stake. I will pound my fists in a closed room; there's nothing to be gained from doing it in public."

That prudence was one of several qualities that won Boutros-Ghali the IMF job. His track record as Egypt's Finance Minister was another: under him, the notoriously sclerotic Arab nation has grown at an annual rate of 7%. "He's seen as a facilitator, somebody who can generate progress," says Eswar Prasad, professor of trade policy at Cornell University and former head of the IMF's China division. "In Egypt, he's been able to operate under significant institutional and political constraints — that's valuable experience when you're dealing with the IMF."

For all his tact, however, Boutros-Ghali is not averse to holding up a mirror to the rich nations every once in a while. On the eve of last month's G-20 summit in London, he warned that giant stimulus plans like those announced by the U.S. and the U.K. could lead to a humanitarian catastrophe in the developing world, because borrowing by rich countries would divert funds from the poor. "People are going to die, babies are not going to get the proper nourishment," Boutros-Ghali said. "Poverty is at the doorstep, something needs to be done." (See pictures of poverty and prison in Thailand.)

The warnings, echoed by prominent economists, were heeded. At the London summit, the rich nations, wrangled by U.S. Treasury Secretary Tim Geithner, decided to triple the IMF's resources to $750 billion. After nearly a decade on the sidelines, it was suddenly a player again. "The IMF is back," crowed IMF managing director Dominique Strauss-Kahn. Boutros-Ghali is more cautious: "Now we need to make sure the money shows up, that it wasn't just pious words." (See pictures of the global financial crisis.)

In the current crisis, the IMF faces a familiar dilemma: Should borrowers be required to undertake wholesale reforms in order to win loans? In the past the IMF has imposed tough conditions on borrowers, requiring them to prioritize economic and financial reforms ahead of political and social considerations. It's an issue that must be addressed anew, says Boutros-Ghali. "You want a minimum set of policies to make sure things don't get worse," he says. "[But] do we tell them to adjust right now, when it's most difficult? Or do we just give them the money?"

The policymaking committee's other critical task is to reform the IMF itself. Its 24-member executive board is dominated by Western nations, and doesn't take into account the rise of new powers like Brazil, Russia, India and China — the "BRIC" nations. Under a complex system of voting rights, Italy has greater clout than Russia or India. "Belgium and the Netherlands have one seat each, the same as Brazil, which is totally absurd," says Cornell's Prasad.

Geithner has said he'd like to see the board reduced to 20 seats, with more say for the BRIC bloc. Although that makes economic sense, it will be very hard to achieve, warns Prasad: "It's a zero-sum game: for someone to gain a bigger role, someone else has to lose theirs."

Egypt is not a BRIC nation, which may make Boutros-Ghali the ideal man for the position, says Desmond Lachman, an expert on multilateral lending institutions at the American Enterprise Institute: "If the Chinese wanted [the chair of the policy committee], there would have been friction with other emerging economies, like India. Boutros-Ghali, coming from a smaller country, can be even-handed."

Boutros-Ghali will also need to keep a close eye on his country's own economy: the global downturn has hit Egypt's growth. "The big problem is that it will slow job creation, and we can't afford that," Boutros-Ghali says. But, he adds, there's no reason to panic just yet: "We have a comfortable balance of payments and reserves." With a little luck, Egypt may escape the "pointy end" of the IMF's policies this time.

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