

IMF could pick Lagarde as chief as soon as Tuesday

By CHRISTOPHER S. RUGABER, Associated Press – Jun 27, 2011

WASHINGTON (AP) — French Finance Minister Christine Lagarde is poised to become the next leader of the scandal-rocked International Monetary Fund, having received a major endorsement Tuesday from the Obama administration.

U.S. Treasury Secretary Timothy Geithner announced his support for her candidacy hours before the 24-member board was expected to select her as its managing director.

Lagarde would be the first woman to head the lending organization. She would replace Dominique Strauss-Kahn, who resigned last month after being charged with sexually assaulting a New York City hotel housekeeper.

Lagarde was opposed by Agustin Carstens, a Mexican central banker whose candidacy never caught fire, even among developing countries.

In a statement, Geithner says Lagarde's "exceptional talent and broad experience" will provide invaluable leadership for the bank at a critical time for the global economy. He said he is encouraged by the broad support Lagarde has among the fund's membership.

She has broad support in Europe, where she has spear-headed the region's battle against a vicious and stubborn debt crisis. She has also won support from China and Russia, according to reports in Beijing and the ITAR-Tass news agency in Moscow.

The United States, Europe, China and Russia hold a combined majority of votes on the IMF's board.

The executive board represents the 187 members of the IMF, which lends to financially troubled countries.

Lagarde's selection will likely provoke protests from developing countries. Under an informal arrangement dating to the end of World War II, a European has always lead the IMF and an American has run its sister organization, the World Bank. The United States also names the IMF's top deputy. Developing nations have pushed to open the positions to candidates outside the United States and Europe.

Analysts say Europe and the United States aren't willing to give up their privileges. And key developing countries, such as China, India and Brazil, tend to regard each other as rivals rather than allies. Carstens complained that he was at a disadvantage from the start because European officials moved quickly to close ranks behind Lagarde.

Jan Randolph, director of sovereign risk at IHS Global Insight, said that despite being a European, Lagarde might end up being a strong advocate for handing more power at the IMF to developing economies.

"She went out of her way on her road show to say, 'I'm actually your best candidate for change,'" he said.

Randolph said she could prove she's ready to shake things up by pushing for a deputy that comes from a developing country.

"We'll be interested to see whether the deputy positions will be released from this horse trading," he said. "We might see a loosening of this stitch-up."

Lagarde, 55, led the Chicago-based law firm Baker & McKenzie before entering French politics in 2005.

Her supporters have argued that a European should lead the fund because Greece, Ireland and Portugal are now among the IMF's biggest borrowers. Lagarde helped lead negotiations for a bailout package last year that combined European Union and IMF funds in a pool to aid highly indebted European countries.

Marchel Alexandrovich, an economist with Jefferies International Limited, said a nomination for Lagarde would reassure markets since it will ensure that the EU and the IMF will be "pulling in the same direction."

He added that Lagarde's familiarity with the European crisis would be an asset. "You're getting an insider," he said.

On the other hand, some experts argue that Europe's leaders have been too timid in responding to the crisis and have been discredited by their failure to solve it for good.

With Greece requiring a second rescue package a year after it received its first, Lagarde's leadership in handling the debt crisis may no longer be a selling point for her candidacy.

Eswar Prasad, an economics professor at Cornell University and a former IMF official, said

AP Associated Press



FILE - In this May 19, 2011 file photo, former International Monetary Fund leader Dominique Strauss-Kahn listens to proceedings in his case in New York state Supreme Court. French Finance Minister Christine Lagarde is expected to be chosen as early as Tuesday, June 28, 2011, to be the new leader of the International Monetary Fund. She would replace Strauss-Kahn, who resigned last month after being charged with sexually assaulting a New York City hotel housekeeper. (AP Photo/Richard Drew, Pool, File)

Map



Lagarde's biggest challenge will be to show that she doesn't favor European countries.

"She will have to assert her independence from the European position and advance a broader view," Prasad said. "Whether she can cast off the baggage she brings with her is an open and important question."

Greek officials are now calling for a second bailout package to be completed by the fall, even though Greece has failed to make promised deficit cuts.

If Lagarde is named, French President Nicolas Sarkozy is expected to name a replacement for her as finance minister as early as Wednesday, at the weekly Cabinet meeting.

DiLorenzo reported from London.

Copyright © 2011 The Associated Press. All rights reserved.

Related articles

Pranab Mukherjee congratulates new IMF
MD Christine Lagarde
Times of India - Jun 28, 2011

Summary Box: Lagarde chosen to lead
IMF
Forbes - Jun 28, 2011

France's Lagarde elected new IMF chief
Malaysia Star - Jun 28, 2011

[More coverage \(1\) »](#)



Add News to your Google Homepage