

IMF head's arrest hits debt talks

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Talks on the [Greek sovereign debt crisis](#) and French presidential politics were both thrown into disarray after Dominique Strauss-Kahn, managing director of the [International Monetary Fund](#), was escorted off an aircraft in New York over the weekend to face sex charges.

Mr Strauss-Kahn was expected on Sunday to appear before a New York court and plead not guilty to charges of committing a criminal sexual act, attempted rape and unlawful imprisonment, according to his lawyers.

The charges resulted from an alleged incident at the Sofitel Hotel in Manhattan on Saturday afternoon involving a 32-year-old maid who said that she had been sexually assaulted in a \$3,000 per night suite in which police found the IMF managing director's mobile phone. Police said on Sunday night that the maid had picked Mr Strauss-Kahn out of a line-up. Sofitel said the maid had worked for them for three years.

The former French finance minister was – until news of the charges emerged on Sunday – a [favourite for the opposition Socialist party's presidential nomination ahead of 2012 elections](#) in which the unpopular incumbent, Nicolas Sarkozy, faces re-election.

Martine Aubry, leader of the Socialist party, said she was "totally stupefied" by the news and asked "Socialists to remain united and responsible". Mr Strauss-Kahn's wife, the independently wealthy broadcast journalist Anne Sinclair, said she did not "believe for a single second the allegations".

His personal relationships with European leaders and ability to push through IMF support made him a crucial figure in arranging bail-outs for Greece, Ireland and Portugal.

"He showed himself to be a good manager of the IMF during the financial crisis by winning backing for his convictions and getting people to agree," said one European official involved in the talks on Greece. "This is not at all a trivial affair."

"There was a strong feeling that with DSK at the helm the IMF would not turn its back on Europe," said Eswar Prasad, senior fellow at the Brookings Institution in Washington and a former IMF economist. Some emerging markets resent what they see as favouritism in the IMF's handling of bail-outs for peripheral European nations.

A meeting on Sunday between Mr Strauss-Kahn and Angela Merkel, German chancellor, was cancelled. A different official will represent the IMF at meetings of eurozone leaders that Mr Strauss-Kahn was due to attend in Brussels on Monday.

No crunch negotiations on the eurozone are currently under way. The terms of a €78bn (\$110bn) joint EU-IMF bail-out for Portugal have already been agreed and it is likely to be some weeks before officials must decide whether or not to adjust the Greek loan terms.

In 2008, Mr Strauss-Kahn was reprimanded by the IMF's executive board for a "serious error of judgment" after he had an affair with a colleague.

The IMF said it would be run via a protocol for times when the managing director is travelling. John Lipsky, its first deputy managing director, was in temporary charge during Mr Strauss-Kahn's absence and has been involved in the eurozone bail-outs. The IMF executive board was expected to convene an informal session later on Sunday to be briefed on developments. Mr Lipsky was on Sunday night named stand-in managing director.

The IMF may face a difficult question over Mr Strauss-Kahn's **diplomatic immunity from prosecution**. Its rules state that staff enjoy diplomatic immunity when they are on IMF business, but it is left to the managing director and the IMF's executive board to decide whether to invoke or waive immunity in any given case.

The IMF declined to comment on whether they believed Mr Strauss-Kahn had immunity or not, although some insiders suggested that it is unlikely to be invoked.

In France, where Mr Strauss-Kahn was seen as a leading contender to run against president Nicolas Sarkozy in elections next year, **the reaction was bewilderment**.



Additional reporting by Barney Jopson in New York and Joshua Chaffin in Brussels



A New York Police Department crime scene unit van sits outside the Sofitel hotel

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