

# FINANCIAL TIMES

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## Brics nations threaten IMF funding

By James Fontanella-Khan in New Delhi



Leaders of the world's most powerful emerging economies have threatened to withhold additional financing requested by the International Monetary Fund to fight the European sovereign debt crisis unless they gain greater voting power at the Fund.

Meeting in India on Thursday, the heads of state from Brazil, Russia, India, China and South Africa expressed frustration at the slow pace of reform at the Washington-based multilateral lender, historically dominated by Europe and the US.

In a joint statement, the so-called Brics nations said there was an urgent need to “better reflect economic weights” and “enhance the voice and representation of emerging market and developing countries” at the IMF.

“We stress that the ongoing effort to increase the lending capacity of the IMF will only be successful if there is confidence that the entire membership of the institution is truly committed to implement the 2010 reform faithfully,” the said. The Fund’s shareholders agreed in 2010 to shift more of its voting weight towards emerging markets nations, but the US has not passed enabling legislation.

The leaders also criticised western countries for their poor handling of the global economy in the aftermath of the financial crisis.

Dilma Rousseff, Brazil’s president, accused western countries of causing a “monetary tsunami” by adopting aggressive expansionist policies such as low interest rates, which are making emerging economies less competitive globally.

“This crisis started in the developed world,” Ms Rousseff said. “It will not be overcome

simply through measures of austerity, fiscal consolidations and depreciation of [labour costs], let alone through quantitative easing policies that have triggered what can only be described as a monetary tsunami, have led to a currency war and have introduced new and perverse forms of protectionism in the world.”

Despite uniting over reform of the IMF, the Brics failed to coalesce around one of the two non-US candidates seeking the presidency of its sister organisation, the World Bank. Ngozi Okonjo-Iweala, the Nigerian finance minister, and José Antonio Ocampo, the former Colombian finance minister, are both vying for the job, which traditionally goes to an American.

Barack Obama, US president, has nominated Jim Yong Kim, the president of Dartmouth College and a former head of the HIV/Aids programme at the World Health Organisation.

Speaking to the Financial Times, Mr Ocampo said Mr Kim lacked the appropriate experience for the job. He also said he would be open to discussions with Ms Okonjo-Iweala on whether one of them should pull out of the race at some point so that the developing world can back a single candidate.

“I think in terms of development expertise it is quite clear to everyone that the finance minister of Nigeria and myself stand above the US candidate, who has very narrow expertise in development,” Mr Ocampo said. “He is an excellent physician, nobody denies that, but we’re talking about a development institution.”

Separately, the Brics, which represent about 45 per cent of the world’s population and a quarter of the global economy at \$13.5tn, set up a finance minister-led working group to consider formally creating a common Development Bank for the grouping.

This is the first step towards an emerging market bank and comes as the five countries have demanded greater financing support from the World Bank for infrastructure development.

Robert Zoellick, the outgoing president of the World Bank, told Reuters that a Brics-backed bank would have a hard time getting off the ground and would struggle to match the World Bank’s expertise.

The criticisms by the Brics reflected their growing confidence as well as frustrations about the skewed governance structure of multilateral organisations. Eswar Prasad of

the Brookings Institution, a former senior IMF official, said the emerging nations see the IMF, the World Bank and other organisations as being unfairly stacked in favour of advanced economies.

“They see the policies of advanced economies and the present structure of the international monetary system as significant threats to their own economic stability,” he said.

*Additional reporting by Robin Harding in Washington*

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