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## Brazil Open to Europe-Led IMF

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### Abstract (summary)

The threshold of acceptance for emerging markets seems to have fallen to a more realistic sense of what they can achieve, which is trying to at least secure the reforms that have been put in place and build on them. Since the IMF's founding after World War...

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### Full Text

Brazil's finance minister said his nation is open to backing a European candidate to lead the International Monetary Fund, breaking the momentum of other emerging-market leaders who insist that one of their own should lead the fund for the first time.

Emerging-market nations have for years called for an end to Europe's traditional hold on the IMF's top job. But Finance Minister Guido Mantega's comments suggest their prospects for coalescing around their own candidate appear to be fading. "There could be good emerging-market candidate, or a good candidate from an advanced country," he said in an interview Friday. "There should be no vetting based on nationality."

The Brazilian's comments broke with the tenor of remarks the day before by several emerging-economy finance chiefs, who argued that countries with a growing share in the world economy be given a shot at leading the globe's last-resort lender. The position came open abruptly when Dominique Strauss-Kahn resigned late Wednesday amid sexual-assault allegations that he has denied.

Mr. Mantega praised French Finance Minister Christine Lagarde, an emerging favorite among European nations, which insist on one of their own to lead the fund. But he suggested that she or any other leader would need to pay attention to emerging economies' concerns--such as giving them a bigger voice in crafting the fund's policies--to win Brazil's support. He also praised a possible Indian candidate, Montek Singh Ahluwalia.

Europe's cautious support for Ms. Lagarde continued Friday, with German Chancellor Angela Merkel praising her, while stopping short of openly backing her as a candidate. "Among the names that have been mentioned and which all have a high reputation, I have high regard for the French finance minister," Ms. Merkel said. She added that "this is no announcement of a candidate, it's just a general remark."

The U.S. is trading carefully, trying to appear neutral to avoid alienating emerging economies. "We are consulting broadly with the fund's shareholders from emerging markets, as well as advanced economies," Treasury Secretary Timothy Geithner said Friday. "We are prepared to support a candidate with the requisite, deep experience and leadership qualities, and who can command broad support among the fund's membership."

The statement indicates the U.S. could conceivably support an emerging-market candidate who also received backing from advanced economies. But that remains unlikely because no other potential candidates have garnered widespread endorsements from world leaders.

The IMF board late Friday agreed to a selection process that largely resembles prior practices. The board plans to accept nominations beginning on Monday, through June 10, then create a short list of three candidates to be disclosed publicly.

The board's dean said the group would make decisions "without geographical preferences," and that it intended to use its usual "consensus" approach, but noted that it "may" choose a managing director

based on who receives a majority of votes. The selection process is designed to end by June 30, the board said.

Some emerging-market countries had pushed for a more transparent voting process.

Mr. Mantega acknowledged that the pace of the process since Mr. Strauss-Kahn's arrest has been too fast for emerging countries to build a consensus on a candidate from their region. "We would need time to discuss and establish a common candidacy," he said. "The problem is all this is happening too fast."

Rather than insist on an emerging-market candidate, Brazil may be staking out a position of seeking to extract a commitment that the new director keeps alive the process of giving developing economies a larger role in IMF policy and lending decisions.

"If one interprets Minister Mantega's statement that the battle is already lost, it signals a significant retrenchment in the emerging-market position," said Eswar Prasad, a Cornell University professor and former IMF official. "The threshold of acceptance for emerging markets seems to have fallen to a more realistic sense of what they can achieve, which is trying to at least secure the reforms that have been put in place and build on them."

Since the IMF's founding after World War II, the U.S. government has backed a European nominee for the managing director post--particularly if the candidate also carried some support outside of Europe--while looking to maintain an American in the leading deputy position.

The IMF's managing director ultimately is responsible for naming the No. 2 official, though the IMF chief--who has always been a European--consults with the U.S. on that pick.

Brazil in recent years has been increasingly active in negotiations that have given big, emerging economies a greater say at the fund. Mr. Strauss-Kahn was especially supportive of such efforts, Mr. Mantega said, and had pledged to back a successor from the developing world when his leadership at the fund came to an end.

Mr. Mantega, a 62-year-old former economics professor, has made a name for himself as an outspoken critic U.S. and European economic policies, such as keeping interest rates near zero, which he says are creating economic problems for the emerging world.

In the interview, he called for a slower and more thorough vetting process than is currently under way. He said candidates should declare themselves officially and present policy platforms. The risk is that a candidate is chosen in a back room by "half a dozen fund members."

At least one potential candidate has pulled himself out of the running. Kemal Dervis, a former World Bank official and onetime Turkish economy minister, Friday said he wouldn't put himself forward for the job. "Speculation about succession at the IMF has included me in the group of persons with relevant experience," Mr. Dervis said. "But I have not been, and will not be, a candidate."

Some outside analysts have suggested the IMF could name an interim managing director to carry out Mr. Strauss-Kahn's term, which runs to late 2012. But the U.S. and other leading countries don't support that approach. Mr. Geithner, the U.S. Treasury secretary, said the process must be "one that moves quickly to select new leadership for the IMF."

Bernd Radowitz and Marc Champion contributed to this article.

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