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World News: Lagarde, on Visit to Brazil, Vows Speedy IMF Reforms

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Abstract (summary)

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Full Text

BRASILIA, Brazil -- French Finance Minister Christine Lagarde, the front-runner candidate to take over leadership of the International Monetary Fund, said she is committed to speedy and continued overhauls to give emerging nations greater say in the management of the institution.

As she kicked off a tour of developing countries to garner support for her candidacy, Ms. Lagarde told leaders in Brazil's capital that she would press ahead with the changes that in recent years have enabled Brazil, China, India, and other big developing countries to have greater say in the IMF's management.

"I believe that the fund must serve its entire constituency," she said, "that the fund doesn't belong to anyone in particular, not to any group of countries."

Given the rapid pace of change in today's global economy, she added, a fund under her management could even seek to speed up the reviews that occasionally recalculate the weight member countries have in IMF management. While such reviews at present occur every five years, she said, "on occasion [it] has to be accelerated. The world is changing faster than every five years."

Ms. Lagarde's comments follow calls by Brazil and other emerging countries in recent weeks that any new leader at the fund continue shifting more weight at the institution toward fast-growing developing regions. Her effort to win over Brazil comes on the heels of growing enthusiasm for her candidacy elsewhere.

In addition to backing by the European Union, Ms. Lagarde appeared to gain the support of Russia last week, after Prime Minister Vladimir Putin called her a suitable candidate. The U.S. has also called her a good candidate, though Washington has refrained from making any official statement of support.

Combined, the momentum behind Ms. Lagarde makes it unlikely that other countries would rally behind Mexico's Agustin Carstens, the only other declared candidate, or other possible contenders that could emerge before a final vote by fund officials expected at the end of June. "It's difficult to see any scenario where Lagarde doesn't get the job," said Eswar Prasad, an economist at Cornell University and a former IMF official.

Brazil stopped short of endorsing Ms. Lagarde, but Brazilian Finance Minister Guido Mantega said her commitment to continued overhauls was the sort of reassurance the country would need to throw its weight behind a candidate. "What's important for Brazil is that the IMF maintains the trajectory of reforms begun over the past three years," he said.

Mr. Mantega is scheduled to meet with Mr. Carstens, the president of Mexico's central bank, on Wednesday, but Mr. Carstens's reputation as an orthodox market economist makes him unlikely to win the support of Brazil's left-leaning government.

In a recent interview, Mr. Mantega said Brazil wouldn't oppose Ms. Lagarde just because she is European. Brazil and other emerging countries have long pressed for a break in the tradition that historically puts a

European at the helm of the IMF. Dominique Strauss-Kahn, who resigned from the fund May 19 following his arrest for allegedly attempting to rape a New York chambermaid, was well regarded by developing countries because he helped push through reforms that in recent years have empowered them at the fund. Mr. Strauss-Kahn, according to Mr. Mantega, had even promised to back a successor from an emerging country whenever he stepped down from the job.

After her stop in Brazil, Ms. Lagarde is scheduled to visit countries including China, India, and Saudi Arabia.

Credit: By Paulo Prada and Gerald Jeffris

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