There may be a "breakthrough" in the long-running battle to reform the governance of the International Monetary Fund at the G20 meeting next week, the head of the IMF said on Thursday, reports Sarah O’Connor in Washington.

Dominique Strauss-Kahn, the IMF’s managing director, said he expected progress at Pittsburgh in the push to give developing countries greater representation at the fund. He also suggested the G20 should think about how to include poorer countries in its decision-making process.

Mr Strauss-Kahn said the meeting in Pittsburgh would test whether countries would act together as the crisis
global recovery strengthens, creating the risk of instability.

“The deep irony is that the recovery is setting the stage for a resurgence of global macroeconomic imbalances, which contributed to getting us here in the first place,” said Eswar Prasad, a professor at Cornell University and former IMF official.

While China is committed to shifting its growth model over time so it is less reliant on exports and more based on domestic demand, it is wary of a global push on imbalances, apparently due to fears it could become a way of bashing Beijing over its trade surplus.

Imbalances were “certainly not the root cause of the problem”, Mr Zhou said. “The root cause of the crisis is the lack of supervision and abuse of the openness of the market, very risky levels of leverage and too much speculation.”

He said China wanted to see moves to improve global financial supervision, strengthen bank capital and create global early warning systems to identify threats.

“China intends to play an active role in international efforts to revive the global economy but the responsibility for causing the crisis is not ours,” said a senior official in Beijing on Thursday.

China is likely to argue that it is already doing a substantial amount to rebalance its economy. Although imports and exports have both slumped this year, imports have fared less badly as a result of demand for commodities created by the government’s fiscal stimulus programme.

China’s current account surplus, which reached nearly 10 per cent of gross domestic product last year, is forecast to fall to about 5 per cent of GDP this year.

Li Rongrong, head of the government body that runs state-owned companies, said that a proposal of 20 policies to boost the private sector had been submitted to the State Council.

“If these pro-private investment policies can be formulated and implemented successfully, they will potentially have a game-changing effect on China’s private-sector economy,” said Li Wei, an economist at Standard Chartered in Shanghai.

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