

IMF's Role in a Regionalizing World: A “Knowledge Fund”

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Main observations



- With the proliferation of regional financing arrangements (RFAs), IMF's role in providing contingent financing is being dwarfed despite the recent capitalization by the G20.
- IMF is expected to follow the journey of the World Bank and evolve to be a global "knowledge fund", which should be strengthened instead of weakened.
- Due to the criticism about IMF, informal rather than formal IMF-RFAs linkages could be better accepted so as to nurture a coherent global financial safety net.

Outline



- Regionalization at a different pace: trade, investment, development and finance
- IMF revived by crisis, but more proliferation of RFAs
- IMF is still indispensable: increasingly a “knowledge fund”
- Advantages and problems

Regionalizing at different paces



- **Trade and development: deepening regionalization**
 - Globalization(GATT)-regionalization(EU/NAFTA)-globalization(WTO)-re-regionalization (TTIP/TPP/RCEP)
 - World Bank-Regional MDBs-South-South MDBs(BRICS/SCO)
- **Investment: regionalizing too, but a different story**
 - Never globalized comprehensively
 - Bilateralism prevailed but losing momentum (3,164 IIAs by 2011)
 - Regionalization gets up(TTIP/TTP/RCEP/China-Japan-Korea Trilateral Investment Treaty)
- **Finance and monetary: regionalizing only recently**
 - globalization(IMF)-regionalization (FLAR/CMIM/BRICS-CRA)

Reasons behind

1. Power diffusion at different paces: Trade is more decentralized and diversified, while monetary world is more monopolized.
2. Demand for regional monetary cooperation only arose after the collapse of the Bretton woods system in early 1970s .





IMF revived by crisis...(after 2010 reform)

- Quota-based:
 - doubled to **SDR 476.8 billion (\$772.9)** (agreed Dec 2010, not effective as scheduled)
- Borrowing expanded
 - New Arrangements to Borrow(NAB) from members increased over tenfold to **SDR 367.5 billion (about \$560)(SDR 370.0, \$554)** (scaled back once the new quota resources available)
- 10 largest shareholders (after 2010 reform)
 - US 17.407%
 - Japan 6.464%
 - China 6.394%
 - Germany 5.586%
 - France 4.227%
 - GB 4.227%
 - Italy 3.161%
 - India 2.751%
 - Russia 2.706%
 - Brazil 2.316%

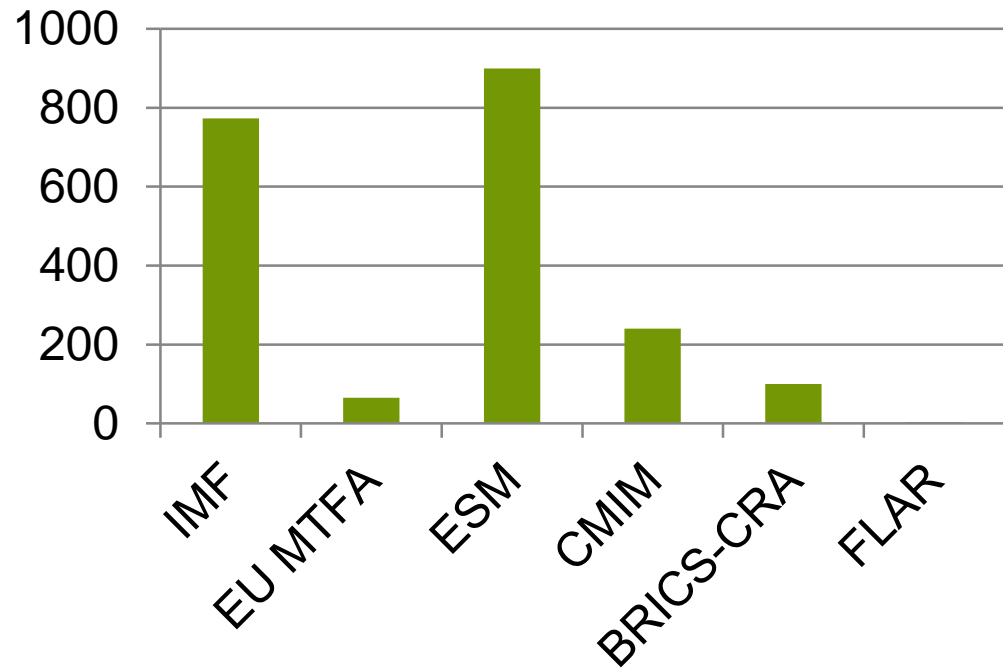
...but more proliferation of regional financing arrangements (RFAs)

- The Latin American Reserve Fund (FLAR) (1978)
- EU Medium-Term Financial Assistance (for non-Euro countries) (2002)
- AMRO-CMIM (originated 2000, multi-lateralized Mar 2010, institutionalized Apr 2011)
- ESM (inaugurated Oct 2012)
- BRICS-CRA (launched 2013)
- US Exchange Stabilization Fund and other bilateral swaps in local currencies





Resources of IMF and RFAs (\$bn)



- As the World Bank, IMF will probably be most relevant in Africa financially



Classic issues about IMF and RFAs relations



- CMI: formal linkage with IMF, but increasingly de-linked: 10% to 20%(2005), to 30% (2012), possibly to 40%(2014)
- ESM/FLAR: no formal linkage of IMF, but informal role important
 - ESM:“wherever appropriate and possible”
- BRICS-CRA: no formal linkage expected

Classic issues about IMF and RFAs relations

- IMF's bad reputation in policy prescription
- cohesion of different policy conditions between IMF-RFAs and loopholes of “global financial safety net”



From competition to cooperation, from distrust to mutual benefit

- Interplay relationship between WB and regional MDBs could be the model for IMF and RFAs (Ocampo, 2011)
 - Especially WB-AsDB relations is the example (Mason and Asher, 1973)
 - Personnel training and exchanges
 - Co-financing with generally coherent policy conditions



IMF is still indispensable...



- IMF's advantages:
 - global presence and global knowledge
 - top expertise and experiences, including mistakes and lessons
 - neutral decision-making (Volz, 2011)

- RFAs' advantages:
 - ownership and willingness
 - local knowledge (but staff very limited)
 - ESM-80 staffs
 - AMRO-11 staffs
 - FLAR-52 people
 - IMF-thousands
 - fast and flexible

Increasingly a “knowledge fund”



- IMF’s role at three levels:
 1. Monitoring and surveillance(knowledge and expert): need strengthening
 2. Providing emergency rescue(resources): declining
 3. Exchange rate coordination(politics): questionable

- IMF increasingly as a “knowledge fund”



- to transform IMF-RFAs linkage: From formal to informal
 - “less is more”
 - Gradually evolving from competition to coherence

**THANKS FOR YOUR ATTENTION AND ANY
COMMENTS ARE WELCOME**

