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Africa calls on Brown to block IMF reforms

Gordon Brown was last night at the centre of a row over the future of the International Monetary Fund as it emerged that Africa was seeking to block reforms giving four leading developing countries a bigger say in the running of the Washington-based organisation.

African countries reacted furiously to proposals that would give priority to China, Mexico, South Korea and Turkey at next month's annual meeting of the IMF while delaying action to give the world's poorest countries greater influence over the body that often dictates their economic policies.

In a letter opposing the reform package, Africa's representatives on the IMF's governing board said the blueprint drawn up by the Fund's managing director, Rodrigo de Rato, would leave them in an even weaker position. They called on Britain and other developed countries to vote the proposal down. Mr Brown plays a pivotal role at the IMF as chair of its decision-making body, the International Finance and Monetary Committee, and has publicly backed calls for a greater voice for African countries at the Fund.

Sources close to Mr Brown said last night that he shared the concerns of Africa about the timing of the changes at the IMF and that he would be seeking to broker a compromise in the two weeks before the Fund holds its annual meeting in Singapore. "Britain supports reform of the IMF, but the chancellor's commitment to a stronger voice for Africa is very clear," one source said. "We share their concerns."

Mr Brown is in Norway today calling for a substantial increase in the UN's emergency assistance programme so it can respond more quickly and effectively to humanitarian crises such as the one in Lebanon. But he was last night considering how best to resolve the IMF dispute. Mr de Rato requires backing from 85% of the IMF for his two-stage reform programme, which could be blocked if Britain and another developed country sided with the Africans.

In the first phase, China, Mexico, South Korea and Turkey would receive recognition of their growing role in the global economy by seeing a small

increase in their shareholding at the IMF of just under 2%. This would increase their collective voting strength.

In the second phase, there would be a change to the formula by which shareholdings are allocated, providing a further shift in voting power towards the fast-growing countries of Asia. This would be accompanied by a proposal to give a greater voice to poor countries.

African countries said there was no guarantee that the proposal to give them more influence would be agreed by the IMF's members. They said the package lacked "the necessary firm commitment to protect the interest of low-income countries, including those in Africa".

A spokesman for Mr de Rato said the Fund was fully committed to both parts of the package. He added that the proposals to help the least developed countries would take time because they required changes to the IMF's articles of association, but that ad hoc increases to the quotas for China, Mexico, Turkey and South Korea could be agreed at once. "Just because something can be done at the beginning of the process doesn't mean it is more important than something that takes time," he said. "The alternative is to do nothing until everything can be achieved." The Fund wants its voting structure to better reflect the make-up of the new global economy rather than the world as it was when the IMF was set up at the end of the Second World War. But it accepts the need "to enhance the participation and voice for low-income countries, whose weight in the global economy may be small, but for which the Fund plays an important advisory and financing role".

Jeff Powell, coordinator of the Bretton Woods Project, a think-tank that specialises in the Fund and the World Bank, said foot-dragging by member states could mean that it would take years for Africa to increase its voice, and that Britain's influence would be critical. "We understand that the African executive directors are looking for the support of the UK, which has been vocal about the need for any resolution not to diminish the power of the small countries."

Source: The Guardian UK, 31 August, 2006

WTO sets up university headquarters in Fraser Valley

A major new international learning centre opens its doors next month in the Fraser Valley community of Chilliwack, as part of a new initiative by the World Trade Organization.

The new World Trade University will have 10 academic centres around the world, where students from emerging economies will study international trade and finance – with Chilliwack as the global headquarters. Chilliwack Mayor Clint Hames says the international trade organization sees the Fraser Valley as a good fit for its students. "They didn't want an urban setting because people were coming from nations who could be overwhelmed by an urban setting."

The site for the university is the former Canadian Forces base, which Hames says will eventually become home to a new campus of the University College of the Fraser Valley. He says it's part of a shift of focus for his city, "moving from an agricultural community with deep roots with the military to being seen more and more as a university town." About 600 students are expected to start at the university in September.

Source: WTO Geneva, 29 August 2006

China urged to step up to WTO plate

The United States has asked Beijing to help rescue deadlocked WTO trade talks, the top U.S. trade official said on Tuesday, courting China as a potential ally whose economy has soared due to trade liberalization. U.S. Trade Representative Susan Schwab said in Beijing that she had pressed China to help rescue the Doha round of global trade talks, which was suspended last month after key countries again failed to agree on how to cut tariffs and barriers.

China, she said, has benefited from joining the WTO in 2001 and now needed to show its commitment to trade liberalization by speaking up, rather than deferring to India and Brazil, the most vocal developing countries. "China has as much of an interest in an open world trading system as any country in the world," she told reporters. "My purpose here is to urge China to reflect that in its actions and rhetoric."

The World Trade Organization launched the Doha round nearly five years ago with the aim of boosting trade and fighting poverty in poor countries by lowering trade barriers. They are named after the Qatari capital where they started. But the tortuous talks have broken down, with the European Union blaming the United States for not offering enough in farm goods tariff cuts. Deep tariff cuts proposed later by the United States were not matched by other countries.

Schwab, named as U.S. Trade Representative in April, has been attending a series of trade meetings in Asia, Brazil and Australia, seeking to shore up dwindling

hopes for a breakthrough. She leaves Beijing on Tuesday. "If the countries that really have a stake in the outcome of the Doha round would speak up and really articulate that, that would help in terms of the negotiating dynamic," she said.

China is the world's third-largest trading economy, behind the United States and European Union. In 2005 China's trades grew to \$1.42 trillion, up 23.2 percent from a year earlier and nearly triple the figure in 2001, according to Chinese statistics. But while Beijing has promoted itself as a "bridge" between developed and poor countries, it has avoided entanglement in the complex negotiations, reluctant to make new trade concessions. When China joined the WTO, it accepted tariff cuts on farm goods that were deeper than many countries are now proposing. China's tariffs on farm goods now average about 15 percent.

Schwab said she had pressed Chinese commerce minister Bo Xilai on Monday to consider China's interests as a "trade powerhouse" and be willing to go beyond earlier commitments by opening its markets further. "China needs to be prepared to contribute accordingly, and that means market access," she said. "There is plenty of time for China to do significantly more than was in its accession agreement."

Bo told Schwab that China would "actively push for reviving the Doha negotiations," the Commerce Ministry said on its Web site (www.mofcom.gov.cn). But the statement made no mention of any specific initiatives from China.

Schwab also pressed Bo on trade complaints about intellectual property and market access. She said a potential rise of economic nationalism in China could undercut Beijing's implementation of World Trade Organization promises.

Source: Reuters, Beijing, 31 August 2006.

China Offers to Help Restart WTO Talks

China is willing to help restart WTO talks but wants to see developed countries make "substantial contributions" first, a state news agency on Tuesday quoted China's commerce minister as telling a top American envoy.

Commerce Minister Bo Xilai told U.S. Trade Representative Susan Schwab on Monday that negotiators "should give top priority to the issue of development," the Xinhua News Agency said. The WTO's Doha round talks aim to forge a global trade treaty that would boost economic growth in poor countries by lowering barriers to their exports. "China is willing to work with other parties to revive the Doha Round of global trade negotiations," Xinhua paraphrased Bo as saying. However, he added, "The developed members of the World Trade Organization should act first by making substantial contributions."

Schwab was in Beijing to press for help in restarting WTO talks that were suspended last month after the United States, the European Union and other major traders failed to agree to a plan to cut barriers to farm commerce. "Surely now is the time for China to play a bigger role in line with its status as the third-largest trading nation," she said Tuesday in a speech to a group of American business leaders.

Schwab didn't respond directly when asked at a news conference what steps Bo said Beijing wanted developed countries to take and how Washington might respond. "The conversation that Minister Bo and I had yesterday was, 'How can the lead players work together to develop an ambitious product that all of us can move ahead with?'" she said. Schwab said she didn't propose specific steps for Beijing during her three-hour meeting with Bo. But she said it would be expected to offer further market-opening, on top of concessions made when China joined the WTO in 2001.

Last week, Schwab warned that the WTO talks could be stalled for years without a breakthrough in coming months. Many WTO member nations want to complete negotiations this year so that a deal can be submitted to the U.S. Congress before July 2007, when U.S. President George W. Bush's "fast track" authority to propose a trade deal for a yes-or-no vote without amendments runs out. A key obstacle in the talks last month was a U.S.-EU dispute over how much to cut farm tariffs and subsidies.

Asked whether Washington wanted China to help rouse pressure from developing countries on the EU, Schwab said the United States is hoping for "more open-minded countries" to speak up. The Doha round, named for the Qatari capital where negotiations began in 2001, is meant to forge a global treaty to lower trade barriers, with emphasis on helping poorer countries boost exports. Schwab said she also presented U.S. concerns about China's controls on its banking, insurance and auto parts industries, as well as its thriving underground industry in unlicensed copies of movies, software and other goods. She said China and Russia are the two "most troublesome" countries on product piracy.

Schwab said Washington is watching whether Beijing meets a December deadline to open its banking, insurance and other financial industries to foreign competition under WTO commitments.

Source: Reuters, New York, 29 August 2006.

Switzerland May Block U.S. Beef Exports

American beef exports will be blocked from the Swiss market starting next year, as the non-EU country harmonizes its veterinary norms with those of the European Union, officials said Sunday.

Switzerland, which is traditionally neutral, committed to the regulatory reforms in an effort to cooperate more with the rest of Europe. The reforms threaten over 300 tons of U.S. steaks and filets sold annually in Switzerland because of EU restrictions on hormone-treated beef imports, the Zurich-based weekly *SonntagsZeitung* reported. "It's anticipated that the import of U.S. beef will no longer be allowed as of spring 2007," said Marcel Falk, spokesman for the Swiss federal veterinary office.

American beef currently accounts for only about 3 percent of all Swiss beef imports, the paper said. Brussels has banned hormone-treated beef imports, arguing the products pose a risk to human health, but Canada and the United States both have successfully challenged the EU at the World Trade Organization. The WTO ruled in 1998 that the EU's ban was illegal because of a lack of solid scientific evidence. It authorized sanctions by the United States and Canada, who together impose about \$125 million worth of duties each year on European products such as French Roquefort cheese, truffles, mustard and other delicacies.

In response to the WTO's ruling, the EU passed legislation and permanently banned the use of hormone oestradiol 17b in meat products for consumption, based on independent research. The EU's new rule, which came into force in October 2004, also provisionally banned five other growth-promoting hormones, including testosterone, progesterone and zeranol.

The EU is currently disputing the legality of continued U.S. and Canadian sanctions, arguing the penalties are now groundless. It claims to have complied with previous rulings by backing up its ban on the imports with solid scientific evidence of health risks posed by the meat. The United States and Canada reject the EU claims and say the sanctions remain valid. The WTO's arbitration panel is not expected to issue a decision until next year.

Switzerland currently allows the import of U.S. beef provided that all products from animals nurtured with hormones are declared as such and hormone residues are no longer traceable. "That could also be a solution in the dispute between the EU and the U.S.," Hans Wyss, director of Switzerland's.

Source: The Associated Press, Zurich, Switzerland, 27 August 2006.

U.S. Envoy Warns of Frozen WTO Talks

The U.S. trade chief warned Friday that WTO talks to liberalize global trade would be suspended for several years if there was no breakthrough over the next six to eight months.

"We are going to try very, very hard between now and the next 6-8 months to see if we can get a breakthrough. If we can't get a breakthrough (by) January, February, March...it's going to be several years before we get a breakthrough," U.S. Trade Representative Susan Schwab told reporters.

Negotiations in the five-year long World Trade Organization talks were suspended indefinitely last month largely due to an impasse over how much to cut barriers in farm trade such as tariffs and subsidies.

The entire process is rapidly running out of time because President Bush's authority to "fast track" the trade deal _ enabling U.S. envoys to negotiate an agreement that can be submitted to Congress for a yes-or-no vote without amendments _ runs out in mid-2007.

Schwab, speaking after bilateral talks with Malaysian Trade Minister Rafidah Aziz, said they both agreed that there was "no point in restarting the Doha Round unless there is something substantive, a serious outcome." She did not elaborate.

Named after the Qatari capital where negotiations began five years ago, the Doha round of WTO talks aims to forge a global trade treaty that will lower trade

barriers across all sectors, with particular emphasis on helping poorer countries develop their economies through export growth.

Schwab, who was in Kuala Lumpur this week to meet with trade ministers of the 10-member ASEAN, or the Association of Southeast Asian Nations, will attend next month's Cairns Group meeting of 18 agricultural exporting countries in Australia, a platform from which Australian Trade Minister Mark Vaile had proposed to restart the Doha round.

But a breakthrough seems unlikely as European Union Trade Commissioner Peter Mandelson, who has criticized Australia for taking the U.S. side in WTO talks, will not be attending.

Vaile acknowledged that progress at the Cairns meeting would be challenging.

"I haven't picked up any movement or indication of further flexibility in the key areas that remain to be resolved in the WTO process," he said in a telephone link with reporters at Parliament House in Canberra shortly after bilateral talks Friday with Schwab in Kuala Lumpur.

This doesn't "provoke a lot of confidence that there's going to be an early breakthrough but we need to keep pushing hard on trying to bridge that gap," Vaile said. "The Americans are actively engaging in trying to find and brokering a way forward from here but there still aren't any breakthrough answers on what needs to happen."

The EU says Washington derailed the Geneva talks by failing to offer deeper cuts in subsidies paid to farmers. The U.S., meanwhile, targeted Brussels' failure to ease access to its agricultural market for foreign goods.

In a joint statement following talks earlier Friday, the U.S. and Southeast Asian nations expressed their "readiness to make tangible contributions" to put the Doha round back on track before the end of the year. "Improved market access and creating new trade flows while ensuring the development dimension are effectively addressed will be the litmus test for success," the statement said.

Source: Associated Press, Kuala Lumpur, Singapore, 26 August 2006.

Schwab urges China to stick to reform path

The United States is worried that a potential rise in economic nationalism in China could undercut Beijing's promises to the World Trade Organization, the top U.S. trade official said on Tuesday.

A chorus of calls by Chinese officials for closer scrutiny of foreign investment, especially into key industries, has prompted concern among foreign businesses that Beijing may backtrack on free market reforms. "We'll be watching for substantive developments that would indicate a resurgence of economic nationalism," U.S. Trade Representative Susan Schwab told a news briefing, warning that such moves could retard China's growth.

U.S. companies have been "anticipating improvements that haven't necessarily been forthcoming", she said, citing long-running negotiations about U.S. investors' bids for a stake in Guangdong Development Bank. A Citigroup-led consortium is bidding against one led by Societe Generale for a controlling stake in the mid-sized bank. Schwab said Washington was especially anxious to see progress on opening up China's financial sector. When China joined the World Trade Organization in 2001, it promised to open up banking and insurance to foreign firms by December 2006. Schwab later told a business gathering that it was imperative that China implement its remaining WTO commitments.

While the United States wanted to see disputes solved through negotiations, it would bring WTO suits if necessary.

Source: Reuters, Beijing, 25 August 2006

Sri Lanka tries for duty free deal with Canada; apparel trade promised.

Sri Lanka is trying to clinch a free trade deal with Canada to push its apparel exports, with the industry also promised a government goodie bag like cheap land and electricity, to battle China and Vietnam. "We are working with the government for a duty free deal with Canada it is easier and faster than tackling the United States," Ashroff Omar, Chairman of Sri Lankan apparel giant Brandix, told an industry gathering.

Talks have already begun with Canada. The United States and Europe together take up about 90 percent of Sri Lanka's exports, with Canada and other countries taking up the balance.

Canada has been a hard market to break into, due to preferential trade deals competitors like Bangladesh have for being Least Developed Countries (LDC). Sri Lanka is hoping to sell on its top quality, very strong labour standards and its vulnerability to post-quota competition from countries like China, India and Vietnam. The global garment trade was governed by a system of quotas given by developed countries to developing producer countries, which ended in December 2004.

Last year, Sri Lanka's apparel exports to the US grew in five of about 35 categories like cotton underwear, which surged 100 percent and gains in other areas like men and boys cotton pants, women's blouses and knitted shirts. "These five categories consist of 60 percent of total exports to the US. So we have fairly decent growth that we can be proud of. But China has been restrained in these categories," Omar said.

In other categories where China has not been restrained, exports have dropped between six and 40 percent in some cases, while China has grown up to 348 percent. With China's accession to the World Trade Organisation (WTO) in 2008, and Vietnam joining the WTO next year, all quota restraints end. "China's restraint expires in December 2008 and Vietnam comes into the World Trade Organisation (WTO) in January 2007. Vietnam's exports are 5.3 billion dollars, which is targets to grow to 10 billion dollars by 2010," Omar said. "We have two monsters on our back looking to the future."

In the first six months this year, apparel exports grew four percent to 1.32 billion dollars, with 9.4 percent growth to Europe, as local manufacturers make use of tax breaks into the EU.

Countries like India and Pakistan have been very aggressive Omar says, with India growing 28 percent in April this year and Pakistan 9.67 percent.

Companies like Brandix are in India, with the government offering incentives like a guaranteed price for power for five years, concessionary land prices, workers paid during training and large investments in infrastructure. "These countries are reaping the benefits of what they invested in over the past four years when they were gearing up for the end of quotas."

The local industry has asked the government for some breaks like overdue Value Added Tax (VAT) refunds, less restrictive banking facilities, training, encouragement of backward linkages like setting up of fabric mills.

The government has said it will tackle industry needs in next year's budget, announced at the end of this year. "We have begun looking at these things so that the industry is not at a disadvantageous footing in relation to its competitors," treasury secretary P B Jayasundera said. "We are looking at a few major competitor countries that would be a concern in the near future and are trying to put you into a package that will allow you to compete."

The package could also include concessionary power, until Sri Lanka shifts to low cost generation from coal and maybe Liquid Nitrogen Gas (LNG) in the

short term. "Over the medium term we will shift to low cost power. During the transition, we will match or make suitable adjustments to place the apparel sector on a comparable footing to your competitors," Jayasundera said.

Source: Reuters, Sri Lanka ,August 26, 2006

WTO Membership Memo Presented to Council of Ministers

The Minister of Trade and Industry, Girma Biru, told the Reporter that a complete trade memorandum that enables Ethiopia to join the World Trade Organization had been presented to the Council of Ministers. According to Girma, the completed memorandum will be presented to the WTO in two months time for consideration and discussion.

The process involved in joining the WTO would not be easy, says Girma, noting that it took some countries about 15 years to become members of the WTO. After negotiations with member countries of the WTO are finalized, a protocol will be prepared and will be approved by the Ethiopian government and the parliament. Ethiopia's quest to join the WTO is not to get tariff reduction for market access into developed countries because the country already has tariff reduction from many countries.

According to Girma, among the benefits of joining the WTO are encouragements of investment in Ethiopia as a trustworthy member of the organization and the creation of a favorable atmosphere for member countries to come and invest in Ethiopia.

Source: The Reporter, Addis Ababa, Ethiopia, 26 August.

US is committed to Doha round objectives

The US remains committed to the successful conclusion of the Doha round of multilateral trade negotiations of the World Trade Organisation (WTO). Formal talks have been suspended, but the US will continue to work on the round's trade and development goals.

The US regards the Doha development agenda as an opportunity to lift millions of people out of poverty and create broad new economic opportunities through increased trade flows in agricultural and industrial goods and services.

As President George W Bush said: "We'll do everything we can to get Doha back

on track ... completing the Doha round is going to demand tough choices. We're willing to make those choices. And other nations should as well. This is a once-in-a-lifetime opportunity to jump-start global trade and create opportunities around the world. "The US is proud to have played a leadership role and will continue to push ahead for success in this historic endeavour.

The US will explore every opportunity that could lead to a breakthrough. US trade representative Susan Schwab visited Brazil in July. Later this month, she plans to meet with trade ministers from the Association of Southeast Asian Nations. In September, Schwab, along with US secretary of agriculture Mike Johanns, will visit with members of the Cairns Group in Australia. In November, Schwab will accompany secretary of state Condoleezza Rice to a meeting of trade ministers and other leaders of the Asia Pacific Economic Co-operation group.

As the US moves forward with these efforts, we will continue to be guided by fundamental principles about trade and development. The first is that there is no better way to alleviate poverty and spur development than to break down barriers to trade in all types of goods and services. Aid is important and the US contributes generously to countries around the world as they seek to build their economic infrastructure, but aid is no substitute for trade.

The World Bank estimated conservatively that there could be a \$142 billion (R1 trillion) income gain for developing countries from the elimination of barriers to trade in goods. That amount exceeds even the \$107 billion in 2005 foreign economic assistance from major industrialised countries and the recent group of eight initiative for up to \$60 billion in debt relief for the heavily indebted poor countries.

Another principle is that better market access, particularly in agricultural goods, is at the heart of efforts to spur development through increased trade flows. The World Bank estimated that 93 percent of the benefits to developing countries would come from reducing tariffs on agricultural products. The reduction of agricultural subsidies, especially those that distort trade, would contribute far less to improving the welfare of the world's poor. The disciplining of such subsidies should also be part of a balanced approach to improving trade flows. The US offered to make dramatic changes to its farm programmes ten months ago and we are willing to go even further. But our trading partners must be willing to bring down their tariffs and other barriers far more than they have proposed to date.

A third principle is that, in addition to rich countries further opening their markets, there must be more trade among developing countries for the development goals of the Doha round to be achieved. A successful Doha outcome must include market access openings from advanced developing countries, where vast potential economic benefits lie for so many other

developing countries. When 70 percent of the tariffs paid by developing countries are paid to other developing countries, there is clearly something amiss.

South Africa can expect to be among the main beneficiaries of a successful Doha round. A recent World Bank report said the potential benefits of unfettered trade for South Africa included an annual \$1.3 billion increase in national income by 2015. That translates into many more jobs in export industries, such as agriculture, and in sectors that benefit from rising wages, such as retail.

WTO members have made progress on many fronts over the past five years, but we still have a long way to go. The US is committed to achieving a robust, comprehensive and balanced final agreement and invites trading partners to join us in advancing the trade and development objectives of Doha.

Source: Reuters, New York, South Africa, 31 August 2006.

U.S. seeks bigger China role in IMF

In an effort to gain Chinese cooperation on international economic issues, the Bush administration is pushing for China and other developing nations to get more power in the global institution that has played a central role in easing myriad financial crises since the end of World War II.

But the American-led effort to increase influence at the International Monetary Fund for China and for South Korea, Turkey and Mexico, as well - is being resisted by several countries in Europe, which would lose power to those who would be gaining it. Administration officials argue that the IMF has to be restructured to reflect the strength of fast-growing countries in Asia, Latin America and parts of Europe so these countries have more of a stake in a 60-year-old international system that oversees potential problems from the huge global flows of currency and capital. "The IMF has been asleep at the wheel in an era when private capital flows have been growing at an unprecedented pace," said Timothy Adams, under secretary of the Treasury for international affairs. "The fund needs to get back to basics to deal with the

problems of the 21st century."

Adams said that China, like many other fast-developing countries, is "woefully underrepresented" at the IMF, with a smaller share of the total voting rights than other countries with smaller economies slower growth. The United States wants economic growth and the size of the economy to determine the scale of a nation's voice at the fund. The proposals are to be taken up at a meeting of the IMF and the World Bank late in September in Singapore, to be attended by the U.S. treasury secretary, Henry Paulson Jr.

At the same time, the administration is urging China to take on a greater role in promoting an open global trading system by helping restart the aborted trade talks sponsored by the World Trade Organization. The IMF, along with the World Bank and the General Agreement on Tariffs and Trade, the precursor to the WTO, grew out of meetings near the end of World War II at Bretton Woods, New Hampshire. They were set up as part of a postwar financial system aimed at avoiding a repetition of the economic crises of the late 1920's and 1930's that helped lead to the war.

China is a particular focus of American interests because of the Bush administration's uneasy relationship with the Beijing government and its desire for China to become a "stakeholder" in the international system, as American officials put it. The United States argues that China has been using its vast foreign exchange reserves, earned from trade surpluses with the United States, to intervene in the markets and keep its currency artificially low to increase its exports, contributing to the loss of American manufacturing jobs.

Critics of the Bush administration in Congress are calling on it to rebuff China's demand for more power at the IMF until Beijing revalues its currency in relation to the dollar.

But Adams and other American officials say that rather than limit China's influence at the IMF, they want to increase its role there and make the lending institution a more aggressive monitor of currency manipulation by member nations. "I would argue that by re-engineering the IMF and giving China a bigger voice," Adams said, "China will have a greater sense of responsibility for the institution's mission."

The initial proposed increases for China, South Korea, Turkey and Mexico in voting weight and quotas - which entitle members to more borrowing in emergencies - is viewed by Washington as a "down payment" for future changes increasing the power of many other countries, including oil-producing nations. But objections to the American proposal have come from Belgium, the Netherlands and Scandinavian countries, which might lose proportional voting shares in favor of Spain, Ireland and other rapidly growing nations of Europe. Britain is siding with these smaller countries in resisting the American proposals, officials said.

Europeans also fear that the overall weight of Europe at the fund, whose managing director has by tradition always been a European, could diminish. They want voting shares to

recognize the importance of other factors, like the openness of their economies and the volume of trade between European countries.

In addition, some poor countries in Africa and elsewhere fear that a reorganized IMF would further reduce their already limited power. So the administration wants to make sure that any changes do not diminish the voting rights these countries have now. The American approach on the IMF is seen as somewhat similar to the kind of changes officials want at the United Nations Security Council, where veto power is retained by the club of victors in World War II that are permanent members of the Council: the United States, China, Russia, Britain and France. Washington wants to expand the permanent membership to include Japan and at least one major developing country.

Voting at the IMF is determined in part by a quota system that calculates how much a country must contribute to the fund and how much it can borrow in emergencies. The United States has 30 percent of the world economy but only a 17 percent share of the quota system. Under the American proposal, China and the others would be given a small increase in voting share in the down payment phase and a larger share later. But neither the initial nor the future increases in the shares of these countries would reduce the American share by more than a fraction of a percentage point below the 17 percent level. That point is important because an 85 percent vote is required for many IMF matters, including amending bylaws and changing the quota shares. Europe's combined voting share is currently about 23 percent, roughly equal to its share of the world economy.

If more power were given to the big developing countries, Europe would lose overall voting share at the IMF by an unspecified amount.

Britain is supporting the concern of the smaller European countries because its chancellor of the Exchequer, Gordon Brown, is now the chairman of a committee of European economic and finance ministers and is trying to keep the coalition of European countries together as a bloc, European and American officials said. "The U.S. position is an honest and decent proposal, and everybody in the European community is prepared to step up to the plate," a European diplomat said. "But we need to have more flesh on the bones at the moment."

The IMF's managing director, Rodrigo de Rato, has called for an immediate increase in power for some countries, to be approved at the meeting in Singapore as part of a two-year restructuring program. Earlier this month, he said, "It is time now to recognize the rise in economic weight" of China and others. The fund has \$28 billion in loans outstanding to 74 of its 184 countries, given out over the years to avert defaults, bankruptcies and other crises. In the 1990's, the fund was involved in bailing out Mexico. Late in the decade, it helped rescue Thailand, South Korea and several other Asian countries from insolvency.

But since then, the fund has had no major crises to deal with, and many recipients of the 1990's bailouts are now sitting on large reserves that can be used to help other countries in the future.

The American approach is to enlist these countries in maintaining an international system rather than having them go their own way. But because the IMF has not recently had a major crisis, some economists joke that with little to do, board members have the luxury of squabbling among themselves for power over an organization with an ill-defined mission.

Adams said that the current benign period has led to complacency, even as global capital flows and the risk of future problems increase. "Conceptually we're pretty much there," he said of the talks on IMF governance. "But once you start negotiating the actual specifics, it's going to take a little time."

Source : New York Time, Washington, 31 August 2006