The International Monetary Fund, the Search for a New International Economic Order

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Abstract

The continuous search for New International Economic Order has created an opportunity for the emerging economies to join the “table” where global economic policy is decided. While it is true that the appearances of the emerging economies on the “table” are new to the extent that such economy never existed or represented when the International Monetary Fund was established in 1944; however, developing countries were present at the negotiations that led to the creation of Bretton Woods Institutions. This paper is set to give account of the evolution of developing and emerging economies’ voice at the various global economic and financial decision-making fora, focusing primarily on IMF. The paper will also address the role of developing countries in the establishment of the Bretton Woods Institutions in 1944. In this paper, focus will also be placed on New International Economic Order (NIEO): an unsuccessful post-decolonization movement that sought to give developing countries a meaningful voice in international economic matters, including demands to give developing countries more influence in the Bretton Woods Institutions. The rise of IMF Structural Conditionality in the 1980s will also be examined as a tool the Fund used to impose Neoliberal reforms on developing and transitioning countries. A section of this paper explains how the global financial crisis of 2008 has finally given “emerging economies” an opportunity to acquire what could become a significant voice in international monetary and financial law and policy. In concluding this paper, it is noted that the global financial crisis provides the emerging economies (and to a lesser extent the developing economies) an important opportunity to develop a voice in global economic and financial matters.
1. Introduction

The global financial crisis of 2008 has had a profound impact on the conceptions that have informed economic and financial frameworks on the national and global level. Policymakers now believe that unregulated financial innovation is highly suspect. Economic and financial deregulation no longer enjoys an exalted status. The efficient market hypothesis has come under fire. The flaws of global standard setting, such as the capital adequacy standards promulgated by the Basel Committee on Banking Supervision, have been exposed.

The crisis has also ruptured the global economic order. The United States and Europe, the rulers of the global economic order since World War II, have struggled to recover from the crisis. By contrast, most emerging and developing economies rebounded relatively quickly over the past year. More importantly, the continuous search for New International Economic Order has created an opportunity for the emerging economies to join the “table” where global economic policy is decided. This opportunity is about “voice” i.e. effective and meaningful representation of emerging and developing economies at the various fora that discuss and agree upon global economic and financial policies.

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The difference between emerging and developing economies is often blurred. For purposes of this Paper, an emerging economy differs from a developing country to the extent that the former has undertaken significant economic reforms that are transforming it into a fast-growing, dynamic economy with a regional and even global economic presence.
While it is true that the voices of the emerging economies are new to the extent that no such voices existed or represented when the International Monetary Fund⁵ was established in 1944; developing countries were present at the negotiations that led to the creation of Brett on Woods Institutions.⁶ Moreover, developing countries were the instigators of the push for a New International Economic Order (NIEO) in the 1970s. Thus, prior to the global financial crisis, industrialized countries heard the voices of developing countries. But they ignored them.⁷ So to the extent that developing and emerging economies lacked effective and meaningful voice in the global economic order.

This paper is set to give account of the evolution of developing and emerging economies’ voice at the various global economic and financial decision-making fora, focusing primarily on IMF. The paper will also address the role of developing countries in the establishment of the Bretton Woods Institutions in 1944, at the Bretton Woods Conference, noting that the main players at the conference, the UK and the USA, marginalized development issues. In this paper, focus will also be placed on New International Economic Order (NIEO): an unsuccessful post-decolonization movement that sought to give developing countries a meaningful voice in international economic matters, including demands to give developing countries more influence in the Bretton Woods Institutions. The rise of IMF Structural Conditionality in the 1980s will also be examined as a tool the Fund used to impose Neoliberal reforms on developing and transitioning countries. Absurdity of IMF Structural Conditionality Reform in Asia in 1990s attracted criticism that countries borrowing from the IMF lack ownership over the reforms.

A section of this paper explains how the global financial crisis of 2008 has finally given “emerging economies”—which did

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⁵ Hereinafter referred to as IMF or Fund

⁶ The Bretton Woods Institutions are the World Bank and International Monetary Fund. They were set up at a meeting of 43 countries in Bretton Woods, New Hampshire, USA in July, 1944. See : www.brettonwoodsproject.org/2005/08/art-320747 (accessed on 25/03/2015)

not exist in 1944—at least an opportunity to acquire what could become a significant voice in international monetary and financial law and policy. This is reflected in the debate during the crisis over whether emerging economies have “decoupled” from developed economies\(^8\)—i.e., that the plight of emerging economies is no longer tightly linked to what may happen in the economies of developed economies.\(^9\) Moreover, the crisis gave emerging economies a platform to build upon the “governance and accountability” movement that resulted in proposed IMF voice–related reforms in April 2008.\(^10\) As the crisis worsened in the fall of 2008, the leaders of the G-20 embarked upon a series of summits that resulted in promising voice reforms.\(^11\)

Specifically, the IMF announced that it would rely on ex-ante conditionality where appropriate, which is reflected in a new lending instrument called the Flexible Credit Line.\(^12\) It also announced that it is discontinuing the use of structural performance criteria in all Fund arrangements, a decision that may give countries borrowing from the Fund more “ownership” over reform programs.\(^13\) At the London Summit, the G-20 leaders agreed, among other things, to triple the resources available to the IMF to $750 billion, and to support a new Special Drawing Rights (SDR) allocation of $250 billion. They also agreed to expand them membership of the Financial Stability Forum (later renamed the Financial Stability Board) to include emerging economies, giving them an opportunity to play an important role in strengthening the global financial system.\(^14\)

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8 Emerging Market: The Decoupling Debate, (as America’s economy struggles to stay aloft, the developing world is learning to spread its wings). Available at: www.economist.com/node/20809267 (accessed on 26/03/2015)

9 Ibid


11 Reform of IMF Quotas and Voice: Responding to Changes in the Global Economy; available at:

12 IMF FACTSHEET on IMF’s Flexible Credit Line; available at: www.imf.org/external/np/exr/facts/fcl.htm (accessed on 26/03/2015)

13 Ibid

At the Pittsburgh Summit, the leaders agreed that the G-20, which includes emerging economies, will be the “premier forum” for international economic cooperation. Moreover, they pledged to modernize the IMF’s governance by, among other things, implementing a shift in quota share to emerging and developing countries of at least five percent, addressing changes to the composition of the Executive Board, and committing to a merit-based process for selecting the head of the IMF and World Bank. The Seoul Summit resulted in further advances in IMF governance reform via commitments to increase the quota shift to over six percent, a doubling of quotas, lowering the European representation on the IMF Executive Board by two seats, and moving to an all-elected World Bank Board Members.

While concluding this paper, it is worthy of note that the global financial crisis provides the emerging economies (and to a lesser extent the developing economies) an important opportunity to develop a voice in global economic and financial matters. As the change in the global economic order remain incremental, certain questions remain unanswered, especially question relating to how emerging economies will take advantage of this opportunity.

2. DEVELOPING COUNTRIES’ DEMANDS AT BRETON WOODS

The primary purpose of the Bretton Woods Conference in July 1944 was not, of course, to improve the plight of developing countries. Instead, it was to fashion institutions that would supervise a

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17 An indirect presidential election was held on 16th April 2012 to choose a new president of the World Bank Group to replace Robert Zoellick, whose term expired in June, 2012. Although the organization has always had presidents from, and nominated by, the United States, this election featured the nomination of two non-United States candidate for the first time – Ngozi Okonjo-Iweala from Nigeria and Jose Antonio Ocampo from Colombia.
“transition from a war-time economy to a peace-time economy in the United Nations.”\textsuperscript{18} The U.S. Treasury Secretary, Henry Morgenthau Jr. captured the essence of the task when he spoke at the inaugural plenary session of the conference:

\textit{We are to concern ourselves here with essential steps in the creation of a dynamic world economy in which the people of every nation will be able to realize their potentialities in peace; will be able, through their industry, their inventiveness, their thrift, to raise their own standards of living and enjoy, increasingly, the fruits of material progress on an earth infinitely blessed with natural riches. This is the indispensable cornerstone of freedom and security. All else must be built upon this. For freedom of opportunity is the foundation for all other freedoms.}\textsuperscript{19}

Accordingly, “an International Monetary Fund and possibly a Bank for Reconstruction and Development”\textsuperscript{20} would be created in order to advance liberalism’s twin goals of postwar peace and prosperity. The IMF would promote international monetary cooperation and stability by enforcing a rule-based system of fixed but adjustable exchange rates (the “par value system”), promoting currency convertibility, and providing members with temporary (short-term) resources to cope with balance-of-payments adjustment.\textsuperscript{21} In addition to coordinating private investment, the World Bank would provide (long-term) loans,


initially for use in postwar reconstruction of war-torn Europe.\textsuperscript{22}

The main players at the conference were the United States and the United Kingdom. The U.S. delegation faced isolationist sentiments in the U.S. Congress. In the United Kingdom, many feared the proposed system would jeopardize U.K. ties with the Commonwealth as well as import future U.S. deflation (1930s-style). Thus, both the U.K. and U.S. delegations concentrated on creating an international monetary system that would be acceptable in their respective domestic political arenas.\textsuperscript{23} The deliberations focused almost exclusively on complicated matters that were vital to such a system—e.g., rules relating to an international currency and multilateral clearing mechanism, drawing rights, par values, a transition period during which restrictions could be maintained on current account transactions, and the governance of the IMF.\textsuperscript{24}

Not surprisingly, then, the Conference treated development issues (e.g., structural impediments facing developing countries) “peripherally,” at best.\textsuperscript{25} The slight treatment of development and developing countries was not due to inattentive participants from developing countries—a good number of them attended the Conference.\textsuperscript{26} The Indian delegation, for


\textsuperscript{23} Gardner R. N., \textit{ibid}, footnote 19, at 64 - 66


\textsuperscript{25} James, H., \textit{International Monetary Cooperation Since Bretton Woods}, (1996), Oxford University Press: New York, p. 120. [Electronic preview of this book is available at: www.amazon.com/International-Monetary-Cooperation-Since-Bretton/dp/019510448x (accessed on 26/03/2015)]

\textsuperscript{26} Developing countries constituted a numerical majority at the Conference. The bulk of such
instance, led a campaign to include references to developing countries throughout the IMF’s Charter. Its efforts culminated in an unsuccessful attempt to add a phrase to the IMF’s purposes that would have required the IMF “to assist in the fuller utilization of the resources of economically under-developed countries.”

The compromise limited development to an indirect purpose, making it a consequence of the IMF’s direct purpose to “facilitate the expansion and balanced growth of international trade . . . .”

The Mexican delegation experienced a similar result when it urged the drafters of the Bank’s charter to consider “development” as well as “reconstruction.” The Mexicans offered an amendment to the proposed language for Article III, Section 1 that would have required the Bank not only to “give equal consideration to projects for development and to projects for reconstruction” but also to “always” make “its resources and facilities . . . available to the same extent for either kind of project.”

The drafters ultimately adopted a softened version of the amendment, requiring the Bank to give “equitable consideration to projects for development and projects for reconstruction alike.”

Brazil also attempted to stress developing country concerns at the conference. Because

The phrase “and to contribute thereby” converts the remaining portion of the clause into indirect consequences of growth in trade. See: Gold J., ibid, footnote 28, at 275 – 276.

Brazil also attempted to stress developing country concerns at the conference. Because
erratic commodity prices caused havoc with developing countries’ balance-of-payments, the Brazilian delegation pressed for a conference “to promote stability of prices of raw materials and agricultural products and to formulate recommendations for attainment of a more balanced growth of international trade.” The Brazilian’s resolution, though adopted, took a back seat to the central issues identified above.

The treatment of development issues at the Bretton Woods Conference suggests that success was achieved in part by marginalizing the interests of developing countries. By doing so, the IMF and World Bank treaties clearly enshrined a “universal” proposition that motivated the conference in the first place—that an open international economy was the best prescription for global prosperity, which, in turn, would help maintain international peace. Economic growth was at the heart of postwar liberalism. The Bretton Woods Institutions (BWIs), along with the General Agreement on Tariffs and Trade (GATT), were charged with promoting growth via

33 Campos R., “Fifty Years of Bretton Woods”, in THE BRETTON WOODS-GATT SYSTEM: RETROSPECT AND PROSPECT AFTER FIFTY YEARS, ibid, footnote 19, at 100
34 U.S. Department of State, Proceedings and Documents of the United Nations Monetary and Financial Conference, ibid, footnote 20, at p. 941 (Resolution VII: INTERNATIONAL ECONOMIC PROBLEMS)
35 Campos R., ibid, footnote 34, at 100
36 Marginalization could be described another way: the refusal to distinguish formally between member countries—i.e., developing versus developed countries. See Gold J., ibid, foot note 28, at 277–82 (discussing “formal equality” embodied in the IMF’s charter).

37 The following is illustrative: “The proposal for the establishment of the first of these bodies, the Fund, was based on the premise that international financial cooperation and the establishment of conditions conducive to international trade are imperative to the economic welfare of the peoples of the world and to world peace. . . . Proposals for the establishment of the Bank were based on the premise that postwar reconstruction and development are essential to the general economic interest and that a program for reconstruction and development would aid political stability and foster peace among all nations.” See: Introduction to U.S. Department of State, Proceedings and Documents of the United Nations Monetary and Financial Conference, ibid, footnote 20, at p.viii.
international economic law governing trade and investment.\textsuperscript{39} 

3. THE CALL FOR NEW INTERNATIONAL ECONOMIC ORDER

Decolonization after World War II raised expectations among developing countries that industrialized countries would recognize the importance of, and financially support, development in the South.\textsuperscript{40} Assistance from the North was not forthcoming, however.\textsuperscript{41} Increasingly frustrated, developing countries claimed the prevailing global order perpetuated economic inequality among nations.\textsuperscript{42} They therefore called for a New International Economic Order (NIEO), a highly controversial effort to effectuate the principle of sovereign equality of States by reforming international economic law and policy.\textsuperscript{43} In May 1974, the U.N. General Assembly adopted two resolutions that would form the basis of the NIEO: the “Declaration on the Establishment of a New International Economic Order,”\textsuperscript{44} and the “Programme of Action on the Establishment of a New International Economic Order.”\textsuperscript{45} In December of the same year, the General Assembly adopted a re-articulation of the Declaration and Programme of Action in a resolution titled, “Charter of Economic Rights and Duties of States.”\textsuperscript{46} It passed by a vote of 120 for, 10 abstentions, and 6 against—Belgium, Denmark, the German Federal Republic, Luxembourg, the United Kingdom, and the United States.\textsuperscript{47} The NIEO called for negotiations with industrialized countries to modify the philosophical, juridical, and institutional structures of the

\textsuperscript{39} Dam K. W., \textit{ibid}, footnote 39 at p. 3 (“International rules today arise largely out of international organizations.”).

\textsuperscript{40} Laszlo E., (et. at.), \textit{The Objectives of the New International Economic Order} (1978), Pergamon Press, p. xv, xviii

\textsuperscript{41} Laszlo E., (et. at.), \textit{Ibid}, footnote 41, p.xix


\textsuperscript{44} United Nations General Assembly Resolution 3201 (S-VI), adopted on the 1\textsuperscript{st} May, 1974

\textsuperscript{45} United Nations General Assembly Resolution 3202 (S-VI), adopted on the 1\textsuperscript{st} May, 1974

\textsuperscript{46} United Nations General Assembly Resolution 3281 (XXIX) adopted on the 12\textsuperscript{th} December, 1974

prevailing international economic order.\textsuperscript{48} Among other things, the Charter, which elaborated on the Declaration and Programme of Action\textsuperscript{49} stated that: 

\textit{All States are juridically the equal and . . . have the right to participate fully and effectively in international decision-making process in the solution of world economic, financial and monetary problems, inter alia, through the appropriate international organizations in accordance with their existing and evolving rules and to share in the benefits resulting therefrom.}\textsuperscript{50} Every State has the sovereign and inalienable right to choose its economic system as well as its political, social and cultural systems in accordance with the will of its people . . .;\textsuperscript{51} every State has and shall freely exercise full permanent sovereignty including possession, use and disposal, over all its wealth, natural resources and economic activities.\textsuperscript{52}

\textit{It is the right and duty of all States, individually and collectively, to eliminate colonialism, apartheid, racial discrimination, neo-colonialism and all forms of foreign aggression, occupation and domination, and the economic and social consequences thereof} . . .\textsuperscript{53}

Monetary and financial issues were important items on the agenda. Developing countries demanded effective participation in the decision-making of international financial organizations and greater access to financial resources from the North to meet their development needs.\textsuperscript{54} With respect to quotas, the NIEO stressed the need “to take fully into account the requirements of developing countries for, and their ability to contribute to, balance-of-payments finance\textsuperscript{55}; and to increase the over-all participation of developing countries in the decision-making process of the Fund.”\textsuperscript{56}

\textsuperscript{48} Ferguson T., \textit{The Third World and Decision making in the International Monetary Fund: The Quest for Full and Effective Participation} (1988), Pinter Publishers: London, p.46
\textsuperscript{49} Charter of Economic Rights and Duties of States; footnote 47
\textsuperscript{50} Article 10 of Charter of Economic Rights and Duties of States
\textsuperscript{51} Article 1, \textit{ibid}
\textsuperscript{52} Article 2, \textit{ibid}
\textsuperscript{53} Article 16, \textit{ibid}
\textsuperscript{54} See: Article II (1)d of the United Nations General Assembly Resolution 3202 (S-VI); see also Iqbal K., \textit{The Right to Development in International Law: the Case of Pakistan}, (2009), Routledge Research in Human Rights Law, p. 26
\textsuperscript{55} See: Article (14)a of United Nations General Assembly Resolution 3347 (XXIX) (Reform of the International Monetary System
\textsuperscript{56} Article (14)c, \textit{ibid}
Manila Declaration by the Group of 77 stated that “the system of voting in the IMF and the World Bank should be reformed so as to accord developing countries greater representation and weight in decision making in these institutions.” The Group of 77 also argued that “the conditionality attached to drawings from the IMF by developing countries should take fully into account the structural problems of economies of the developing countries.”

The NIEO Programme of Action called for increased liquidity in the international monetary system through an additional allocation of SDRs and it also stipulated that there should be an “early establishment of a link between special drawing rights and additional development financing in the interest of developing countries.” Noting the IMF’s “zeal for universalism,” Albert Fishlow called upon the IMF to establish an international bankruptcy court for debtor developing countries. Heal so argued that a NIEO should require the IMF to adopt “sets of conditionality rules appropriate to different classes of countries depending, among other factors, on their financial structure, the composition of trade and its price responsiveness, and the flexibility of internal production and factor prices.”

There is no doubt that developing countries acquired a loud, even strident, voice through the NIEO agenda. However, the rich countries would not listen. This is not surprising in light of the dispute over the legal significance of the NIEO. In response to claims that the NIEO reflected customary international law, critics argued the nonbinding resolutions were merely moral or political statements, at best constituting “soft law.” The deep divisions between the North and South left much of the NIEO’s

58 Laszlo E., (et. at.), Ibid, footnote 41, p. 228
59 See: Section II(f) of the United Nations General Assembly Resolution 3202 (S-VI), ibid, footnote 46
60 Fishlow A., “International Monetary and Financial Issues from a National Perspective: a

61 Fishlow A., ibid, footnote 61, at p. 47
63 Shalakany A. A., ibid, footnote 63
business unfinished. It met a quiet death (or lapsed into a coma) after the late 1970s.\textsuperscript{64}

4. THE RISE OF IMF STRUCTURAL CONDITIONALITY

In the wake of the NIEO’s death came the rise of neo liberalism in the 1980s, a global phenomenon that promoted a development paradigm based on free markets. In most cases, developing countries did not initiate the neoliberal transformation of their economies—i.e., unlike the NIEO, the voice of the South did not articulate the neoliberal agenda. Instead, in a mockery of the NIEO principles, the IMF imposed neoliberal reform via conditionality, particularly structural conditionality.\textsuperscript{65}

The collapse of the Bretton Woods fixed exchange rate system in the early 1970s set the stage for the IMF’s role in implementing market-based reforms globally. Until President Nixon closed the “gold window,” in 1971,\textsuperscript{66} the IMF’s principal function was to ensure global financial stability by overseeing fixed exchange rates that were tied to the U.S. dollar (with the dollar tied to gold at thirty-five dollars an ounce).\textsuperscript{67} After the system’s collapse, the IMF’s relevance came into question. With the adoption of the Second Amendment to the Articles of Agreement in 1978, IMF members were free to choose their own exchange arrangements, and the IMF sought to maintain its relevance by assuming surveillance powers.\textsuperscript{68}


\textsuperscript{65} Conditionality is based on various provisions of the IMF’s Charter. See: Articles of Agreement, Article I (v) of International Monetary Fund, \textit{ibid}, footnote 30: (“To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards); See also: Article V, Section 3(a): (“The Fund shall adopt policies on the use of its general resources . . . that will establish adequate safeguards for the temporary use of the general resources of the Fund.”); Article V, Section 3(c): (“The Fund shall examine a request for purchase to determine whether the proposed purchase would be consistent with the provisions of this Agreement.”).


\textsuperscript{68} Barnett R. M., “Exchange Rate Arrangements in the International Monetary Fund: The Fund as
It was not long thereafter that the IMF found its new mission: neoliberal transformation of developing countries involved in the debt crisis of the 1980s.\(^\text{69}\) The IMF’s transformational tool was conditionality, which refers to the policies and adjustments borrowing member countries must follow in exchange for Fund loans.\(^\text{70}\) Traditionally, Fund conditionality involved short-term stabilization measures that addressed aggregate demand via budgetary and monetary adjustments.\(^\text{71}\) However, in the 1980s the Fund’s conditionality increasingly addressed longer-term structural reforms.\(^\text{72}\) Structural conditionality evolved into a range of measures that included, \textit{inter alia}, reforms of the financial sector and capital markets, privatization of public enterprises, trade liberalization, restructuring of the labour market and civil service, pension reform, as well as corporate governance reform.\(^\text{73}\) The structural approach to conditionality was applied with special vigor in “transitioning economies” i.e., centrally planned economies transitioning to free markets, such as the former Soviet Union and the communist

\begin{enumerate}
\item Carrasco E. R., \textit{ibid}, footnote 70, at 261
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\(^\text{69}\) Carrasco E. R., \textit{ibid}, footnote 70, at 261


\(^\text{71}\) Carrasco E. R., \textit{ibid}, footnote 70, at 261


\(^\text{73}\) Independent Evaluation Office, \textit{Structural Conditionality in IMF-Supported Programs} (2007), pp. 8 -11
bloc countries of Europe. The Fund’s market-based structural reform mission emphasizing privatization and deregulation became so pervasive that it was labelled the “Washington Consensus.”

Structural conditionality reached a crescendo in the Asian financial crisis of the late 1990s. For instance, at the height of the crisis, IMF arrangements with Korea, Thailand, and Indonesia included staggering 94, 73, and 140 structural conditions, respectively. The structural conditions for Indonesia included removing VAT exemption arrangements, introducing a single taxpayer registration number, providing autonomy to state banks to adjust interest rates on credit and deposit liabilities, requiring all banks to prepare audited financial statements, lifting restrictions on branching by foreign banks, closing non-viable banks and transferring weak banks to a newly formed Indonesia Bank Restructuring Agency, drafting legislation to enable privatization of state banks, abolishing local content requirements on dairy products, abolishing export taxes on leather, cork, ores and waste aluminum products, removing restrictions on foreign investment in palm oil plantations, and taking action to allow “free competition in: (i) importation of wheat, wheat flour, soya beans and garlic; (ii) sale or distribution of flour; and (iii) importation and marketing of sugar.”

Of course, the IMF’s use of structural conditionality was controversial. NGOs argued that structural conditionality prevented borrowing countries from developing a sense of ownership of the adjustment programs which ultimately

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76 Buira A., ibid, footnote 73, p. 9

77 Goldstein M. (et, al.), ibid, footnote 73


79 World Bank and IMF Conditionality: A Development Injustice, (June 2006) Eurodad Report,
resulted in significant program failure rates. Moreover, borrowing countries gained conditionality by complying with the conditions during the program and thereafter dropping or reversing the reform policies. Critics also claimed that structural conditionality reflected ideology without addressing the actual conditions in the borrowing countries. Furthermore, the agreed adjustment programs suffered from a democratic deficit in that key sectors of society were not consulted or included in program negotiations.

The proliferation of structural performance criteria led to a streamlining initiative that commenced in 2000 and led to revised conditionality guidelines in 2002. Those guidelines sought to rein in structural conditionality by requiring “parsimony” when setting conditions and by requiring that such conditions be “critical” to the achievement of the program’s goals. The

Available at www.actionaid.org.uk/sites/default/files/money_talks.pdf (accessed on 27/03/2015). See also: World Bank and IMF Conditionality: A Development Injustice, ibid, footnote 80, p. 3


International Monetary Fund Guidelines on Conditionality, ibid, footnote 85, pp. 8 -9
revisions, however, had little effect on the IMF’s use of structural conditionality.

This led to an evaluation of IMF conditionality by the Independent Evaluation Office (IEO) in 2007. The report found that despite the Streamlining Initiative, IMF loans continued to be plagued with structural conditions—an average of seventeen per program year—that were “very detailed, not obviously critical, and often felt to be intrusive and to undermine domestic ownership of programs.” Among other things, the IEO recommended a notional cap on the number of structural conditions per program-year, which would force the Fund to justify the “criticality” of the conditions.

In sum, after the demise of the NIEO, advanced economies that controlled the IMF used structural conditionality to fundamentally restructure developing and transitioning economies. Although certain constituencies in some borrowing member countries favoured structural conditionality, the Independent Evaluation Office report confirmed that the borrowers had little ownership in the adjustment programs. Put another way, developing and transitioning countries had little voice within the IMF, and, therefore, little voice with respect to the economic restructuring of their economies.

5. GLOBAL FINANCIAL CRISIS

Just one year after the Independent Evaluation Office issued its report on structural conditionality, the world experienced the worst financial and economic crisis since the Great Depression. Throughout history, calls for reform have followed in the wake of major financial or economic crises. The extent and nature of reforms depend, of course, on the players that control the discourse over establishing the new order. In 1944, in Bretton Woods, New Hampshire, the controlling players were the United States and the United Kingdom. Developing countries were on the sidelines and “emerging economies” did not exist. The global financial crisis of 2008 occurred in a vastly different world, a world where the economic power of Americans and Europeans is being challenged by non-

86 Independent Evaluation Office, Structural Conditionality in IMF-Supported Programs, *ibid*, footnote 74, p. vii
87 *Ibid*, p. 20
88 Buira A., *ibid*, footnote 73, p.31
89 Buira A., *ibid*, footnote 73, pp. 4 - 5
Western countries such as China and India. Consequently, as this Part will show, in the Summits that occurred during the crisis, new players demanded to be included in the discourse regarding the post crisis financial and economic order. The impact of the crisis on emerging economies will be addressed briefly.

5.1. Emerging Economies and the Crisis

The global financial crisis was triggered by subprime loans in the United States and, due in part to lax or no regulation over certain financial instruments and institutions, spread throughout the world via securitization. At the outset of the crisis, most observers believed that emerging economies would not be significantly affected by the crisis, which appeared to be concentrated in the United States and Europe. This is because most emerging economies did not hold toxic assets. Moreover, after the economic/financial crises in the 1980s and 1990s, many emerging economies engaged in significant reform of their financial sectors, including significant increases in foreign exchange reserves, which would make them less vulnerable to external shocks. Thus, they were becoming “decoupled” from developed countries’ economies and not dependent on them for economic growth and stability. Indeed, in the midst of the financial crisis in the summer of 2008, it appeared that growth in emerging economies, amounting to half of all global economic growth in a given year, could help avert a global meltdown.

Nevertheless, emerging economies were not immune from the crisis. Despite their progress, they still depend greatly on foreign capital and investment, which is problematic when, during a crisis, foreign investors withdraw their money to perceived safer investments. Moreover, much of the double-digit growth seen throughout the developing

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world has depended on the availability of foreign credit, a stable currency, and sustainable global demand for exports, all of which were put in jeopardy because of the crisis. Thus, emerging economies experienced decreased capital and investment flows, currency depreciation, stock market crashes, and drops in exports and commodity prices.93

Still, while emerging and developing countries were not spared from the global financial crisis, for the most part their economies recovered more quickly in 2009 than the economies of the United States and Europe.94 Therefore, the concept of decoupling cannot be summarily dismissed, and the possibility of it has at least one very significant impact: it has given emerging economies a voice that, unlike the NIEO of the 1970s, is capturing the attention of the developed world.

5.2. The Drumbeat for Governance and Accountability Reform

Even prior to the global financial crisis and the decoupling debate, there was a post-NIEO “governance and accountability reform” movement to give developing and emerging economies greater voice in international monetary affairs. The movement’s roots can be traced to 1994, when the World Bank and the International Monetary Fund marked the fiftieth year of their existence. The anniversary prompted hundreds of religious, labour, human rights, and environmental organizations across the globe to declare that “Fifty Years Is Enough.”95 Critics claimed the two institutions contributed to human rights abuses, social injustice, and environmental degradation in developing countries.96

Only a few years following the controversial anniversary, the IMF and the World Bank had to cope with the outbreak of the Asian financial crisis. The Fund’s handling of the


94 Carrasco E. R., ibid, footnote 94, p. 207-208


96 ibid
crisis gave critics yet another opportunity to
denounce it. Among other things, critics
claimed the Fund was an opaque institution
that suffered from a “democratic deficit”
i.e., that member countries most affected by
the Fund’s programs had little voice in an
institution controlled by a handful of
industrialized countries. In particular, the
Fund’s Board of Directors has been
dominated by members of industrialized
countries. Moreover, its quota-based
weighted voting system has given the G-7
countries approximately forty-five percent
of the voting power in the
Fund. Industrialized-country domination
of the Fund has also been reflected in the
tradition that has allowed the Europeans to
name the institution’s managing director
(whereas the United States has traditionally
named the president of the World Bank).

The Fund responded to its critics with a
number of limited measures. Among other
accountability-related measures, in July
2001, it established the Independent
Evaluation Office to perform “objective and
independent” evaluations of issues relating
to the Fund’s mandate. As to voice-
related governance measures, in 2006 the
Fund made an ad hoc quota adjustment for
China, Turkey, Korea, and Mexico. In
April 2008, it proposed a series of voice-
related reforms, which included, inter alia,
adopting a revised quota formula, a
second round of ad hoc quota increases for
“dynamic economies,” and a tripling of

97 Bernstein E. M., ibid, footnote 22, p.101
98 Head J. W., “The Asian Financial Crisis in
Retrospect-Observations on Legal and Institutional
Lessons Learned After a Dozen Years”, (2010) East
Asia Law Review, Vol. 5, p. 63
99 Head J. W., ibid, footnote 99, p. 77
100 Head J. W., ibid, footnote 99, p. 77
101 Head J. W., ibid, footnote 99, pp. 88 -89
102 Head J. W., ibid, footnote 99, p. 84
103 Ro J. and Sarabia M., “Governance and
Accountability at the International Monetary Fund”,
in ISSUES ON INTERNATIONAL FINANCE &
development. Electronic copy is available at:
http://www.uiowa.edu/ifdebook/issues/accountability
/Governance & Accountability-IMF.pdf. (accessed
on 27/03/2015); see also: Guinigundo D. C., “The
IMF and Its Governance: Focus on Practising and
Available at: www.bsp.gov.ph/downloads/publications/2003/BSR2
003_05.pdf (accessed on 22/03/2015)
104 International Monetary Fund, “Reform of Quota
and Voice in International Monetary Fund—Report
of the Executive Board to the Board of Governors”
(March 28, 2008), p. 2. Available at
(accessed on 22/03/2013)
105 The Executive Board recommended a second
round of ad hoc quota increases to enhance quotas for
underrepresented countries under a revised quota
basic votes intended to increase the voice of low-income countries. As to the selection of the IMF’s Managing Director, a consensus has developed that the Fund should abandon the tradition of allowing the Europeans to choose the Managing Director behind closed doors and instead adopt a process of appointment that is “open, transparent, and merit-based.” The G-20 endorsed this proposition in the summits held during the global financial crisis.

5.3 The Summits
A key voice that arose during the global financial crisis was the G-20, a forum created in the wake of the Asian financial crisis in which finance ministers and central bank governors from systemically important industrialized and developing countries discuss issues relating to the global economy. In November 2008, April 2009, September 2009, and November 2010, the G-20 held summits in Washington, D.C., London, Pittsburgh, and Seoul respectively, to address the global crisis. The summits resulted in a number of decisions that reflected the increased voice of emerging and developing countries within the IMF and in global financial governance generally.

106 A member country is entitled to have 250 “basic votes.” See: “Reform of Quota and Voice in International Monetary Fund—Report of the Executive Board to the Board of Governors”, ibid, footnote 105, at p. 1.
109 G-20 is an informal forum made up of finance ministers and central bank governors created in the wake of the Asian financial crisis to address the lack of emerging and developing economy membership in the Group of Seven leading economies (G-7).
110 The G-20 countries are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Republic of Korea, Turkey, the United Kingdom, and the United States. The European Union is the twentieth member.
111 The G-20 held a summit in Toronto in June 2010, but, other than endorsing the World Bank shareholders’ agreement to increase the voting power of developing and transitioning countries by 4.59% since 2008, the summit leaders made no major decisions relevant to the focus of this paper. Though, it was seen as a stepping stone to the Seoul summit in November 2010.
5.3.1. The November Summit

On November 15, 2008, leaders of the G-20 met in Washington, D.C., to address what had become the worst global financial and economic crisis since the Great Depression. There was some initial anticipation that the meeting, dubbed by some as “Bretton Woods II,” would produce a framework of fundamental reforms of the global financial system created in July 1944 during a three-week conference in Bretton Woods, New Hampshire. However, while G-20 leaders took “immediate steps” to stabilize the financial system, to use fiscal measures as appropriate to stimulate domestic demand and to help emerging and developing countries gain access to finance; reform efforts were limited to agreement upon a set of principles that would guide future reform of the financial markets.

One of the principles was reforming international financial institutions. The summit’s leaders declared they were committed to reforming the Bretton Woods Institutions in order to give emerging and developing countries greater voice and representation. Moreover, the FSF (as well as other major standard-setting bodies) had to be expanded “urgently to a broader membership of emerging economies.”

The leaders also called upon the IMF, in collaboration with the expanded FSF and other bodies, “to better identify vulnerabilities, anticipate potential stresses, and act swiftly to play a key role in crisis...”

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115 G-20, Declaration: Summit on Financial Markets and the World Economy, ibid, footnote 113, at p. 2

116 G-20, Declaration: Summit on Financial Markets and the World Economy, ibid, footnote 113, at p. 3.

The other principles that would guide policy implementation were: 1) strengthening transparency and accountability, 2) enhancing sound regulation, 3) promoting integrity in financial markets, and 4) reinforcing international cooperation.

117 G-20, Declaration: Summit on Financial Markets and the World Economy, ibid, footnote 113, at p. 3.

118 G-20, Declaration: Summit on Financial Markets and the World Economy, ibid, footnote 113, at p. 3.
response." The Action Plan accompanying the Declaration set forth measures to be implemented by March 31, 2009, as well as in the medium term. With respect to reforming international financial institutions, the Action Plan, inter alia, called upon the FSF and the IMF to conduct “early warning exercises” by the March deadline.

The Declaration’s reference to the FSF was an important one. Created in 1999 in the wake of the Asian financial crisis, the FSF mandate was to address vulnerabilities in the international financial system, identify and oversee action needed to address these vulnerabilities, and improve cooperation and information exchange among authorities responsible for financial stability.

The FSF’s initial members consisted of the finance minister, central bank governor, and a supervisory authority from each of the G-7 countries, as well as representatives from the IMF, World Bank, Bank for International Settlements, Organization for Economic Cooperation and Development, Basel Committee on Banking Supervision, International Accounting Standards Board, International Association of Insurance Supervisors, International Organization of Securities Commissions, Committee on Payment and Settlements Systems, and Committee on the Global Financial System. After its creation, the FSF added the European Central Bank, and additional national members Australia, Hong Kong, the Netherlands, and Switzerland.

A persistent criticism of the FSF was that it excluded developing or emerging economies. FSF’s chairman Crockett’s explanation for this lack of representation was that the FSF could be more effective if

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119 G-20, Declaration: Summit on Financial Markets and the World Economy, ibid, footnote 113, at p. 3.
120 G-20, Action Plan to Implement Principles for Reform (November 15, 2008). Available at: www.g20.org/Documents/g20_summit_declaration.pdf (accessed on 23/03/2015)
121 G-20, Action Plan to Implement Principles for Reform, ibid, footnote 121, p. 5
123 Walker G., ibid, p. 129
it was “homogeneous.” While that explanation was arguably defensible in 1999, it clearly lacked legitimacy nearly a decade later in the context of a global crisis that emanated from the United States and significantly affected emerging and developing economies. Thus, the November summit’s leaders understood that emerging economies could no longer remain voiceless in matters relating to the international financial system.

5.3.2. The London Summit

Like the November summit, participants had high hopes during the lead up to the London summit. Former U.K. Prime Minister, Gordon Brown claimed the summit would launch a “grand bargain” among countries that would help end the global recession and set in motion reforms that would prevent future crises. However, after a reality check, particularly with respect to differences between the United States and Europe over additional stimulus measures, participants lowered their expectations.

Nevertheless, participants concluded the London summit with great fanfare, with a number of “announceables” of significance to emerging and developing countries. Through a creative use of numbers, the summit leaders declared that, in addition to a fiscal stimulus of $5 trillion, they had agreed upon “an additional $1.1 trillion programme of support to restore credit, growth and jobs in the world economy.” Recognizing that global recovery must include emerging and developing economies—the engines of recent world growth—the leaders agreed 1) to triple the resources available to the IMF to $750 billion, 2) to support a new SDR allocation of $250 billion, 3) to support at least $100 billion of additional lending by the multilateral development banks, 4) to ensure $250 billion of support for trade finance, and 5) to use additional resources

126 Liberi J, *ibid*, p.573
129 Committee on IMF Governance Reform, Final Report 4, *ibid*, footnote 108, p.11
130 Committee on IMF Governance Reform, Final Report 4, *ibid*, footnote 108,p.11
from agreed IMF gold sales for concessional finance for the poorest countries. The leaders also reiterated that they were “determined” to reform international financial institutions, such as the IMF, to ensure that emerging and developing economies have greater voice and representation. The declaration, however, lacked any newly agreed upon reforms.

By contrast, with respect to strengthening financial supervision and regulation, the leaders agreed to establish a new Financial Stability Board (FSB) as a successor to the FSF.

The purpose of the change was to give the FSF “a stronger institutional basis,” so that it could more effectively assist and collaborate with national authorities, standard setting bodies, and international financial institutions in addressing vulnerabilities and implementing strong regulatory, supervisory, and other policies in the interest of financial stability.

Importantly, the membership of the FSB’s Plenary, the decision making organ of the body, includes the current FSF members, in addition to the rest of the G-20, Spain, and the European Commission. This means that in addition to the FSF’s mandate to assess vulnerabilities affecting the financial system, identify and oversee action needed to address them, and promote coordination and information exchange among authorities responsible for financial stability, emerging economies that are members of the FSB will:

- Monitor and advice on market developments and their implications for regulatory policy;

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132 Committee on IMF Governance Reform, Final Report 4, ibid, footnote 108, p.20

133 Committee on IMF Governance Reform, Final Report 4, ibid, footnote 108,p.15


136 Committee on IMF Governance Reform, Final Report 4, footnote 108, p.15
• Advise on and monitor best practice in meeting regulatory standards;
• Undertake joint strategic reviews of the policy development work of the international standard setting bodies to ensure their work is timely, coordinated, focused on priorities, and addressing gaps;
• Set guidelines for, and support the establishment . . . of . . . , supervisory colleges;
• Support contingency planning for cross-border crisis management, particularly with respect to systemically important firms; and
• Collaborate with the IMF to conduct Early Warning Exercises.  

Thus, emerging economies now have the potential to play an integral role in strengthening the global financial system in the context of international cooperation (e.g., developing a framework for cross-border bank resolution arrangements), prudential regulation (e.g., working with accounting standard setters to implement recommendations to mitigate pro-cyclicality), and broadening the scope of regulation (e.g., developing effective oversight of hedge funds).  

5.3.3. The Pittsburgh Summit
At the Pittsburgh summit held in September 2009, the participants declared that, because of the globally coordinated efforts to stem the crisis, the world’s economy was in the “midst of a critical transition from crisis to recovery.” Accordingly, the summit’s leaders agreed to a number of measures of importance to both developed and developing countries. They ranged from “a Framework for Strong, Sustainable and Balanced Growth,” to “Strengthening the International Financial Regulatory

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137 G-20, Declaration on Strengthening the Financial System, p. 1
138 Committee on IMF Governance Reform, Final Report 4, ibid, footnote 108, p.15
139 The G-20 Pittsburgh Communiqué, Leaders’ Statement, the Pittsburgh Summit, (September. 24–25, 2009), p. 1 Available at: www.g20.org/Documents/pittsburgh_summit_leaders_statement_250909.pdf (accessed on 23/03/2015)
140 The G-20 Pittsburgh Communiqué, Leaders’ Statement, the Pittsburgh Summit, ibid, footnote 140, p. 2
System,“141 to “Energy Security and Climate Change.”142

They also agreed to measures specifically intended to increase the voice of emerging and developing countries international financial and economic matters. First, in recognition of the multipolar economic world that has developed since the collapse of the Bretton Woods system, the leaders agreed to abandon the G-7/8 as the principal forum for discussion global economic and financial issues. Henceforth, the G-20 will be the “premier forum” for international economic cooperation.143

Second, in response to the drumbeat for governance reform at the IMF, the summit leaders made the following statement:

Modernizing the IMF’s governance is a core element of our effort to improve the IMF’s credibility, legitimacy, and effectiveness. We recognize that the IMF should remain a quota-based organization and that the distribution of quotas should reflect the relative weights of its members in the world economy, which have changed substantially in view of the strong growth in dynamic emerging market and developing countries. To this end, we are committed to a shift in quota share to dynamic emerging market and developing countries of at least five percent from over-represented to underrepresented countries using the current IMF quota formula as the basis to work from. We are also committed to protecting the voting share of the poorest in the IMF. On this basis and as part of the IMF’s quota review . . . we urge an acceleration of work toward bringing the review to a successful conclusion. As part of that review, we agree that a number of other critical issues will need to be addressed, including: the size of any increase in IMF quotas, which will have a bearing on the ability to facilitate change in quota shares [and] the size and composition of the Executive Board . . . . As part of a comprehensive reform package, we agree that the heads and senior leadership of all international institutions should be appointed through an open, transparent and merit-based process. We must urgently

141 The G-20 Pittsburgh Communiqué, Leaders’ Statement, the Pittsburgh Summit, ibid, footnote 140, p. 7
142 The G-20 Pittsburgh Communiqué, Leaders’ Statement, the Pittsburgh Summit, ibid, footnote 140, p. 13
143 The G-20 Pittsburgh Communiqué, Leaders’ Statement, the Pittsburgh Summit, ibid, footnote 140, p. 19
implement the package of IMF quota and voice reforms agreed in April 2008.144

This is a significant statement. But it does not represent a revolution in IMF governance. As to the quota shift, the BRIC (Brazil, Russia, India, and China) countries pushed for a seven percent shift, which would have given developing countries, currently holding about forty-four percent of the quotas, a majority share.145 The proposed shift hardly indicates that the United States and European nations have agreed to cede control of the IMF. Changing the composition of the Executive Board is key to giving emerging and developing countries greater voice in the Fund’s governance, but actually accomplishing a change, such as reducing the over representation of European countries on the Board,146 is easier said than done. And while it is significant that there is now a consensus that choosing the leaders of the IMF and World Bank should be accomplished in a transparent and merit-based procedure, it is not clear how the process will work in practice.147

5.3.4. The Seoul Summit

In November 2010, leaders of the G-20 summit went to Seoul to tackle global trade imbalances, currency values, particularly the value of the Yuan, and financial regulation. The summit took place amid observations that global cooperation to solve economic problems had weakened considerably since the first summit and that the G-20 was in

144 The G-20 Pittsburgh Communiqué, Leaders’ Statement, the Pittsburgh Summit, ibid, footnote 140, p. 11. The leaders also “stressed the importance of adopting a dynamic formula at the World Bank which primarily reflects countries’ evolving economic weight and the World Bank’s development mission, and that generates an increase of at least 3% of voting power for developing and transition countries, to the benefit of under-represented countries.”

145 “Five Per Cent Share in IMF is a Compromise Figure”, Economic Times (India) of September 26, 2009. Available at: www.economictimes.indiatimes.com/5-share-in-IMF-compromise-figure/articleshow/5059158.cms.

146 Grajewski M., “Update 3-Euro Zone Ministers Disagree Over Single IMF Seat”, REUTERS of July 6, 2009. Available at: www.reuters.com/article/idUSL621322220090706 (accessed on 23/03/2015). However, “Euro zone finance ministers disagree over whether they should have a single representation at international financial institutions despite being increasingly willing to speak with one voice.”

“serious difficulties.”

Not surprisingly, then, the leaders made little progress with respect to the first two issues, which are particularly important to emerging and developing countries. The United States sought to reach agreement on numerical limits for current account deficits and surpluses (no more than four percent of gross domestic product), but the most the leaders could agree on was to formulate “indicative guidelines” to measure “large imbalances that require preventive and corrective actions to be taken.”

Regarding currency values and the United States’ view of the undervaluation of the Yuan, the leaders made the tepid commitment to move “toward more market-determined exchange rate systems,” enhance exchange rate flexibility, and avoid competitive devaluations. As to the last issue, however, the leaders claimed success in endorsing a “landmark agreement reached by the Basel Committee on Banking Supervision on the new bank capital and liquidity framework . . . .”

Dubbed “Basel III,” the framework addresses the weaknesses of Basel II that became evident as a result of the global financial crisis. Although Basel III is not currently of great significance to the Global South, the rules on capital adequacy and liquidity will become increasingly important as the banking sectors of emerging and developing countries become more sophisticated.

Although giving emerging and developing economies greater voice in global economic

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150 The G20 Seoul Summit Leaders’ Declaration, ibid. footnote 150. The United States, in fact, was on the defensive because of the U.S. Federal Government’s attempt to stimulate the economy by engaging in a $600 billion quantitative easing program. China and other nations blamed the stimulus program for downward pressure on the dollar, resulting in destabilizing capital flows to emerging economies.

151 The G20 Seoul Summit Leaders Declaration, ibid, footnote 150, p.29

and financial affairs was not high on the agenda, the Seoul summit resulted in what appeared to be further gains on this critical issue, especially with respect to IMF governance. The gains included:

1. a shift “in quota shares to dynamic emerging market and developing and to under-represented countries of over 6% while protecting the share of the poorest,”

2. a “doubling of quotas, with a corresponding rollback of the New Arrangements to Borrow (NAB) preserving relative shares,”

3. “greater representation for emerging market and developing countries at the Executive Board through two fewer advanced European chairs, and the possibility of a second alternate for all multi-country constituencies,”

4. “Moving to an all-elected Board, along with a commitment by the IMF’s membership to maintain the Board size at 24 chairs . . . .”

Dominique Strauss-Kahn, the IMF’s Managing Director, declared that summit leaders’ commitments constituted “the most important reform in the governance of the institution since its creation.” Heal so stated: “We put an end to a discussion which has been in the headlines for decades about the legitimacy of the institution.” India’s finance minister was more circumspect: “The legitimacy of the IMF is increasing.” The increased legitimacy is reflected in the voting power of important emerging economies. China will become the third largest shareholder, behind the United States and Japan. Russia, India, and Brazil will be among the top ten shareholders.

Although the reforms are important, one must be cautious about claiming that a profound change in favor of emerging economies is about to occur at the IMF. The United States, with approximately seventeen

153 The G20 Seoul Summit Leaders’ Declaration, *ibid*, footnote 150, p.16
154 *Ibid*
155 *Ibid*
156 *Ibid*
percent of the IMF’s voting power, still retains the veto over key decisions, which require an eighty-five percent vote. Moreover, two-thirds of the six percent quota shift comes from developing countries, resulting in only a two percent shift to developing countries.\textsuperscript{162} Ultimately, the proof will be in the pudding. The question remains whether the IMF’s operations will reflect the voices of emerging and developing countries, even when decisions may run contrary to the interests of the United States and other developed member countries.\textsuperscript{163}

6. CONCLUSION

As a result of the global financial crisis, emerging economies are on the verge of acquiring voice i.e., meaningful and effective representation in discourse at key “table[s]” relating to global economic and financial affairs. This has led some to exclaim that we are at the threshold of a new New International Economic Order.\textsuperscript{164}

Part of this new NIEO envisions a reformed IMF. Prior to the crisis, the IMF took steps to improve its governance and accountability vis-à-vis emerging and developing economies. The measures were limited, however. Consequently, the Fund’s clients abandoned it. The Fund was once again on the brink of irrelevance. In August 2008, IMF lending totaled SDR 11.65 (approximately $16.65 billion) as compared to SDR 76.84 (approximately $116 billion) in September 2003, resulting in a significant drop in income (because of a drop in interest payments).\textsuperscript{165} The crisis not only revived the IMF, but it also created an opening for emerging economies to demand greater voice within the institution. Moreover, emerging economies demanded and

\textsuperscript{163} Chan S., \textit{ibid}, footnote 158
obtained representation in for a that determine global economic and financial policy, as reflected in the shift in global economic policymaking from the G-7 to the G-20 and the expansion of the Financial Stability Forum (FSF) membership to include emerging economies.

These developments must not be overblown, however. As this Article has demonstrated, change in favor of emerging and developing countries has come only incrementally. Much work remains for the IMF to achieve governance reforms that will persuade its borrowers (and many critical observers) of its legitimacy.166 Moreover, not all observers believe the reforms are in the best interests of emerging and developing countries.167 Even if the reforms are worthy, we have yet to see whether they will be effective in practice. For instance, will emerging economies and the G-20 generally be able to articulate economic policy coherently or is the forum too unwieldy?168 And even if emerging economies such as China and India exercise their newfound voice, will they represent the interests of developing countries or will they be co-opted by the rich countries in the club? Only time will tell.

