

Oct 9, 2010 - 15:41

Swiss defend their IMF seat



Merz (centre) was defending the Swiss position in Washington (Keystone)
by **Marie-Christine Bonzom in Washington**, swissinfo.ch

Pressure has been mounting on Switzerland over its seat on the International Monetary Fund (IMF) Executive Board.

Emerging countries and the United States want a wider distribution of seats, saying Europe has too many. Swiss Finance Minister Hans-Rudolf Merz has defended Switzerland's position.

At a press conference in Washington on Friday – when the two-day Annual Meetings of the IMF and the World Bank started with a joint G20 finance ministers and International Monetary and Financial Committee meeting – Merz called for Switzerland to maintain its board membership.

The country presently forms a constituency with seven other countries, mostly from central Asia.

But China, India, Brazil, Mexico, South Africa and Turkey have long coveted a seat on the board. Buoyed by the support of the US, and spurred on by the economic crisis, they argue that Europeans are overrepresented in relation to their economic power.

Merz said that non-European Union Switzerland's seat was not affected by any possible consolidation of EU representation. With the exception of Poland, the Swiss constituency is made up of non-EU countries.

"Switzerland's claim to a seat on the IMF Executive Board is justified in particular by the size and importance of its economic and financial centre, by the significance of the Swiss franc and by its role as a contributor to the IMF," a finance ministry statement underlined.

Big pressure

The Swiss comments illustrate just how much pressure is being applied to Switzerland, which is the 19th most important world economy, according to the IMF, and to other smaller European countries such as Belgium (20th) and Denmark (31st).

Switzerland and other European countries recognise that membership distribution is outdated and have suggested compromises which are not too damaging to their authority.

Germany has proposed that the EU gives up both two seats and the tradition of the IMF president being a European. Belgium wants to keep to a proposal for a five per cent transfer of voting rights to emerging countries.

Bern is open to a new distribution, but for the least-represented developing nations. This would seem to exclude China.

For its part, China wants more European concessions. As for the Obama administration, it "has clearly challenged the Europeans to make a change", said Daniel Hamilton, a former top US State Department official and now director of the Center for Transatlantic Relations at Johns Hopkins University in Washington.

Washington's impatience

The US showed its impatience in August when it blocked plans that would have kept Europe's long-running dominance over the 24-member board. This could end in the board being cut to 20 members from November 1, when its current mandate runs out.

"The US is concerned that if these emerging countries are not integrated into the IMF they will continue to be actors with no responsibility in the international financial system," Hamilton said.

For Ian Vasquez, director of the Cato Institute's Center for Global Liberty and Prosperity in Washington, there are two elements for the US.

"The Obama administration's attitude involves a certain view of the world, but perhaps there's also something which could be used as a negotiation tactic for getting concessions from China in other areas, such as trade and foreign policy," he explained.

If Switzerland's economic importance has diminished of late, the US's has not increased. There have been calls for Washington to get its own financial house in order before it targets the Europeans.

Credibility problem

Hamilton says both the US and Europe are suffering from a lack of credibility.

"A parallel measure to reducing the number of seats for Europe would be for the US to renounce its IMF veto," he said.

It has long been taboo to question the US's dominance at the IMF – its large vote quota allows it to veto important decisions – but even Belgium, which currently holds the rotating EU presidency, has suggested the US veto should go.

Vasquez and other intellectuals on the American right would like to see the IMF shut down, arguing it has become obsolete in today's globalised and liberalized economy.

But countries see it as economically and politically important. "Having a seat on the IMF is prestigious and influential," Hamilton said.

Vasquez does not disagree. "But the other reason everyone wants an IMF seat is that it's the richest its ever been, with untapped resources more than a trillion dollars. This is unprecedented in the IMF's history and is something governments and politicians can't help coveting."

Marie-Christine Bonzom in Washington, [swissinfo.ch](http://www.swissinfo.ch)
(Translated from French by Isobel Leybold-Johnson)

VIDEOS

One-man bank

Clients trust him more than big banks.

MUSICAL CHAIRS

There are 24 seats on the IMF Executive Board. In addition to Switzerland's seat, western Europe has a further 8 members.

The US has threatened to reduce the number of seats to 20 by November 1 this year.

The idea of reforming representation at the IMF was first mooted in 2008, following a plan submitted by its managing director Dominique Strauss-Khan of France.

A transfer of more than 2.5 per cent of the voting rights has already been carried out in favour of China, Turkey and South Korea. A second transfer of 5 per cent should take place in the coming weeks.

By Sunday, the end of the meeting, it was acknowledged by Strauss-Kahn that significant differences remained on the question of reforming the IMF.

Differences over currency management also persisted. It was agreed, however, that the IMF was the organisation best suited to deal with rising global currency tensions that risk overshadowing next month's G20 summit in South Korea.

"HELVETISTAN"

Switzerland's IMF constituency has been nicknamed Helvetistan.

Apart from Switzerland, it is made up of Azerbaijan, Kyrgyzstan, Poland, Serbia, Tajikistan, Turkmenistan, Uzbekistan and, more recently, Kazakhstan.

Overall the group has around 2.8 per cent voting share, which ensures Switzerland a place on the IMF Executive Board.

In comparison, the United States has a 17.5 per cent share, which gives it a veto right for important IMF decisions.

LINKS

[International Monetary Fund](#)

[World Bank](#)

[Swiss National Bank](#)

[IMF and Switzerland](#)

[Swiss Finance ministry statement](#)

URL of this article

http://www.swissinfo.ch/eng/business/Swiss_defend_their_IMF_seat.html?cid=28507972

[Close Window](#)

