

IMF elevates China to No. 3 on governing board

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WASHINGTON — The International Monetary Fund says China and other major emerging economic powers will get a bigger role on the fund's governing board.

IMF chief Dominique Strauss-Kahn announced the structural reforms after a Friday meeting of the IMF's board.

It elevates China's voting power above traditional major IMF European powers such as Germany, Britain and France.

China would become the third most powerful IMF member of the international lending institution, outranked only by the U.S. and Japan.

"New changes in the global economy will now be reflected in changes in the Fund," Strauss-Kahn told reporters.

[Story: Chinese leader tops Forbes most powerful list](#)

Developing countries have long criticized the voting system of the IMF, which was established after World War II to stave off a reprise of the Great Depression.

"This historic agreement is the most fundamental governance overhaul in the Fund's 65-year history and the biggest ever shift of influence in favor of emerging market and developing countries to recognize their growing role in the global economy," said Strauss-Kahn, the IMF's managing director.

The U.S. retains a 17 percent voting stake in the IMF, effectively giving it veto power because major decisions require an 85 percent majority to pass.

The IMF also announced reform of the governing board's membership, expanding its top tier to 10 from five.

Currently, there are five countries that essentially make up the top group in the IMF's 24-member Executive Board as they are always represented: the U.S., Japan, Britain, France and Germany. This group is now expanded to 10 with the addition of China, India, Brazil, Italy and Russia.

[Story: Chinese find development has big downside](#)

All the board's proposed reforms will have to be approved by the full 187-nation membership, and ratified by the U.S. Senate and other countries' parliaments.

Poorer nations have long attacked the system for giving too much weight to the U.S. and its allies in Europe, and noted the traditional power-sharing arrangement that put a European at the head of the IMF and an American atop the World Bank, its sister institution.

China and others have long sought to challenge the U.S.-European understanding.

The proposed reforms represent a shift of about 6 percent of the IMF's share assessments from the traditional Western powers to developing nations, reflecting the growth and influence of China and other rising powers.

Strauss-Kahn said that about half of the IMF's proposed budget of some \$755.7 billion would come from the "advanced" economies, about 30 percent would come from the oil-producing nations, and the remaining 20 percent from developed countries.

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