Reforming the International Monetary System:
*The Need for a New Framework*

- Matt Crooke, Australian Treasury
A summary

- The IMS isn’t broken...
- ...but in certain key respects, its evolution hasn’t kept up with changes in the global economy.
- The IMS comes under pressure from national policy choices that haven’t been optimally coordinated...
- ...and it operates in an environment of seemingly ever-increasing interconnectedness and complexity.
How can the IMS be encouraged to further evolve?

- Will fundamental changes in the global economy drive the IMS to become more multipolar?
- Will governance reforms, boosting IMF resources and tracking externalities be enough to sustain the IMS’ legitimacy and support its ongoing evolution?
- Will the market itself deliver more durable solutions than policymakers might?
- What supporting structures are required?
  - mechanisms for dealing with inevitable system failures and crises
  - emergency liquidity arrangements; swap facilities; regional safety nets; reserve pooling etc.
Role of the G20

• Sustain confidence in the global economy and financial systems
• Strong, sustainable and balanced growth: underpins system stability, supports jobs
• Enhancing global governance, policy coordination and surveillance frameworks
• Driving a stronger commitment by members to multilateral and national reforms
The rise of EMEs

Source: International Monetary Fund, April World Economic Outlook database, and IMF World Economic Outlook July 2012 Update.
Not keeping pace: IMF quota shares

Current quota shares (per cent)

- United States, 17.670
- EU, 24.813
- Other, 40.246
- Japan, 6.556
- China, 3.996
- India, 2.442
- Brazil, 1.783
- Russia, 2.494
- Other, 40.246

Source: International Monetary Fund, pre-2010 quota shares
2010: IMF Quota and Governance Reform Working Group

- In 2010, Australia and South Africa co-chaired the G20’s IMF Working Group.
- Laid the groundwork for the 2010 IMF Quota and Governance Reform endorsed by G20 Leaders at the Seoul Summit.
## The 2010 IMF Quota and Governance Reforms

<table>
<thead>
<tr>
<th>Elements of agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ <strong>Increase</strong> – doubling of quota with a corresponding NAB rollback</td>
</tr>
<tr>
<td>✓ <strong>Shift in shares</strong> – over 6 per cent shift to under-represented members, and over 6 per cent shift to EMDCs</td>
</tr>
<tr>
<td>✓ <strong>Quota formula</strong> – review to be completed by January 2013 and the 15th General Review of Quotas to be completed by January 2014</td>
</tr>
</tbody>
</table>
2011: IMS Reform Working Group

• In 2011, the G20 took steps to build a more stable and resilient IMS

• A key focus was to enhance the capacity for crisis prevention and response

- Co-chaired by Australia and Turkey.
- Four key goals in the first half of 2012:
  - Ensure that the IMF has sufficient resources to meet the needs of all its members;
  - Encourage implementation of the 2010 IMF Quota and Governance Reform and progress on the quota formula review;
  - Help strengthen IMF surveillance; and
  - Supervise progress on implementation of the G20 Action Plan to Support the Development of LCBMs.
- IMF governance reform continues to be a priority in the second half of 2012.
- Work has also commenced on the factors affecting infrastructure investment.
Australian perspectives on reform

- Reform should be ongoing reflecting key transitions in the global economy
- Effective multilateral cooperation is essential
- Build on existing strengths of the IMS
- Better reflect global economic realities
- Pragmatic and implementable
- Political will is a key ingredient
- Australia to host G20 in 2014
Reforming the International Monetary System: The Need for a New Framework

Matt Crooke, Australian Treasury