



Australian Government

The Treasury

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

- Matt Crooke, Australian Treasury

# A summary

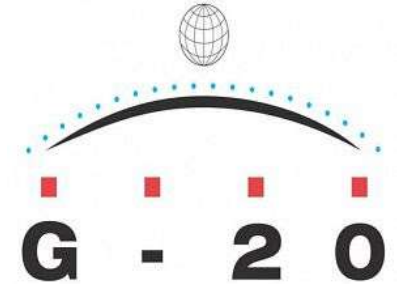
- The IMS isn't broken...
- ...but in certain key respects, its evolution hasn't kept up with changes in the global economy.
- The IMS comes under pressure from national policy choices that haven't been optimally coordinated...
- ...and it operates in an environment of seemingly ever-increasing interconnectedness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

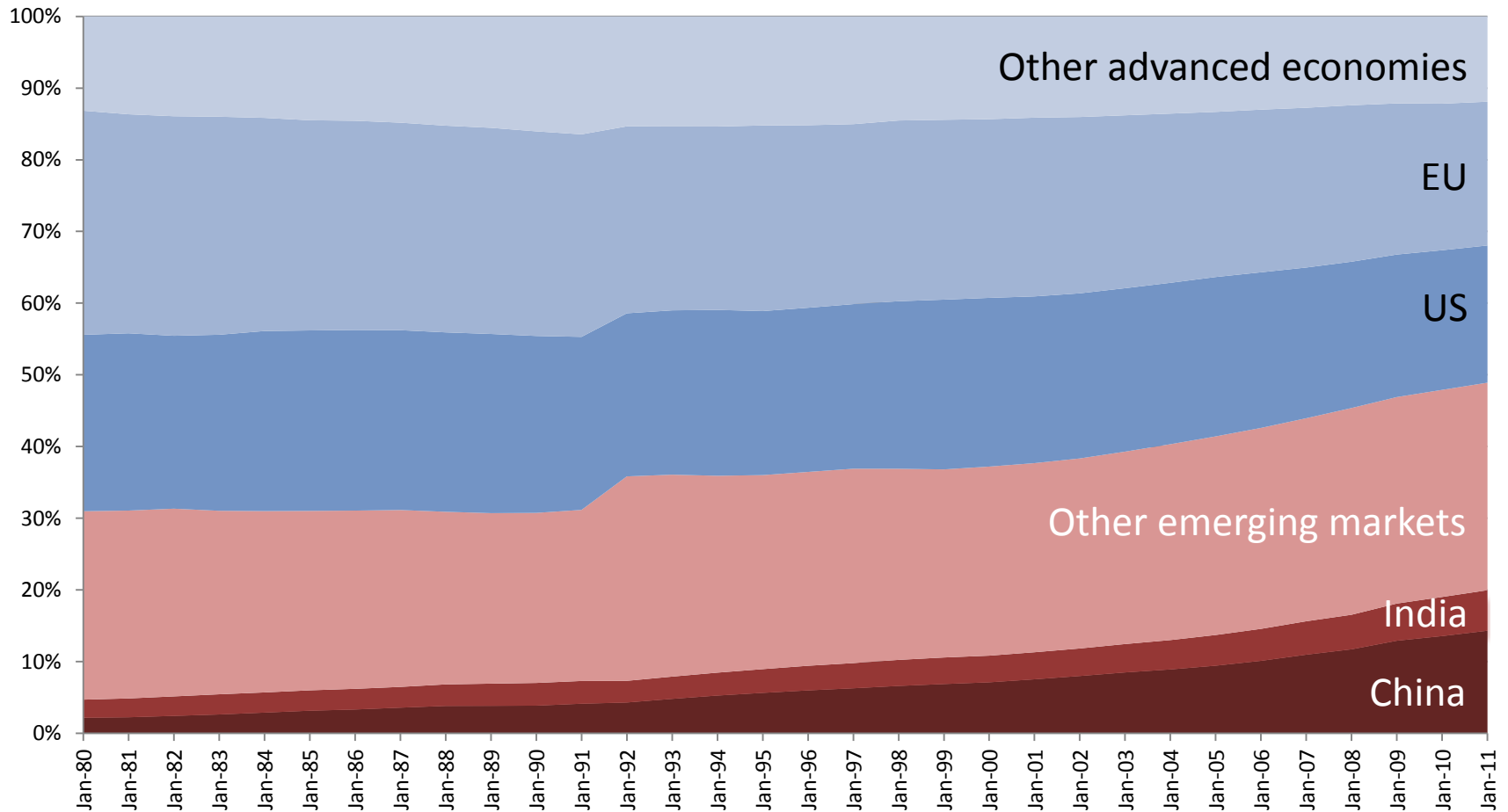


# Role of the G20



- 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

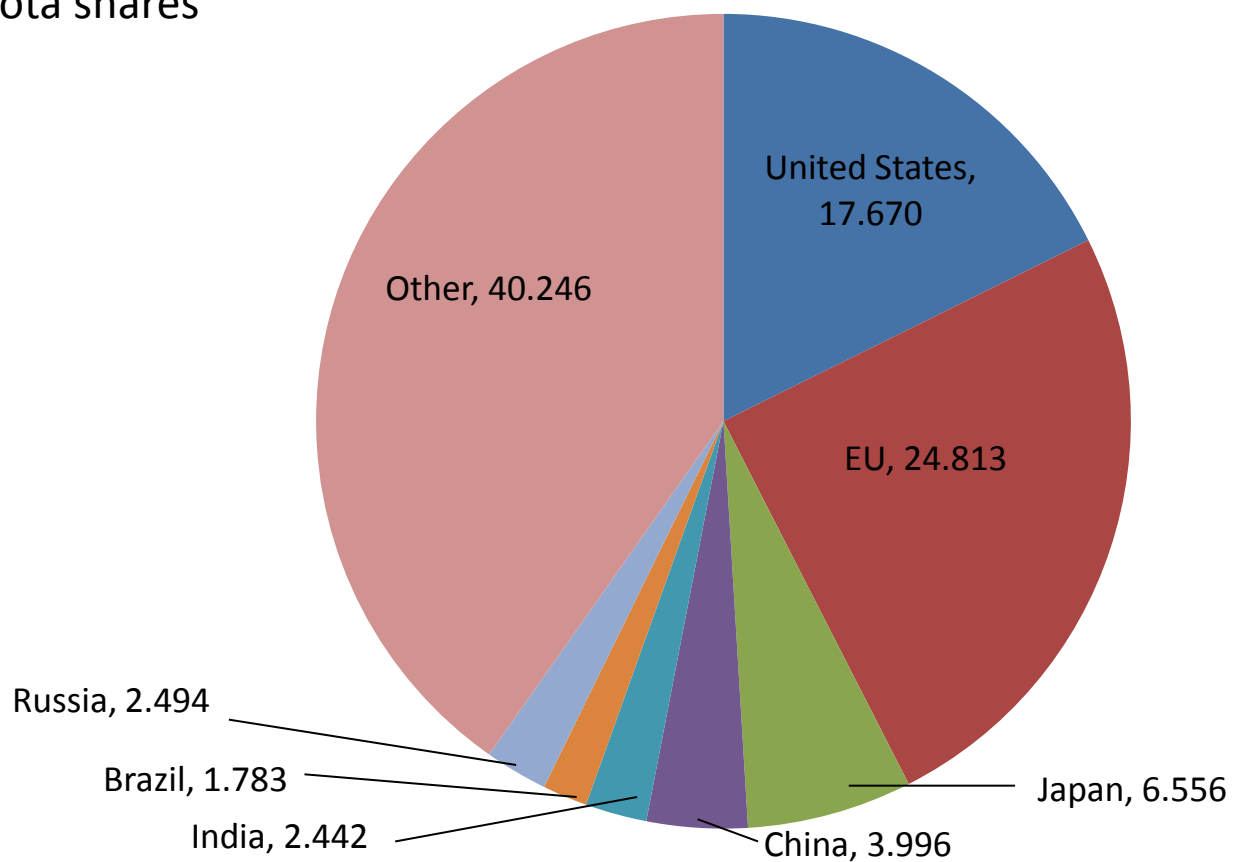
# The rise of EMEs



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)



# 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

## Elements of agreement

- ✓ **Increase** – doubling of quota with a corresponding NAB rollback
- ✓ **Shift in shares** – over 6 per cent shift to under-represented members, and over 6 per cent shift to EMDCs
- ✓ **Quota formula** – review to be completed by January 2013 and the 15<sup>th</sup> General Review of Quotas to be completed by January 2014



# 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

# 2012: International Financial Architecture Working Group

- 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



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