

IMF row reveals US-German tensions

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In what has been a fortnight of increasing tensions between the US and Germany over the choice of the next head of the International Monetary Fund, the Clinton administration has somewhat reluctantly accepted the European Union's second nomination for the post, Horst Koehler.

Earlier this month the first EU candidate, Cio Koch-Weser, stepped down after being effectively blackballed by the US.

Koehler, president of the European Bank of Reconstruction and Development and a former member of the German Finance Ministry, was unanimously endorsed by the EU last Monday after a less than warm response to his nomination by the US.

But amid reports that the EU was going to stick with its choice this time, whether or not he received American approval, Washington decided that it could not risk a major international crisis and agreed to Koehler's candidacy.

But in announcing the agreement, White House spokesman Joe Lockhart said that president Clinton and German chancellor Gerhard Schroeder had agreed that Koehler should come to Washington and meet with the IMF board, "particularly with the developing countries", and that Koehler would "retain the talented management team at the IMF."

The interpretation of this diplomatese is that the US made endorsement of Koehler conditional upon the retention of Stanley Fischer as deputy managing director of the IMF. Fischer, who was nominated for the post of IMF head by a group of African countries, is the point man for the US Treasury and the Wall Street finance houses within the IMF. He was the official chiefly responsible for designing the IMF rescue packages in the Asian financial crisis which insisted on restructuring the banking system and opening markets in Thailand, South Korea and Indonesia. Asked about his future Fischer said, "I intend to remain" in the

deputy's post.

While the crisis over the appointment of the IMF chief appears to have been resolved, the underlying conflicts that gave rise to it have not. The tensions in US-German relations were given vent by Schroeder's national security adviser Michael Steiner.

"It has been quite an experience trying to hit this moving target set by the Clinton administration. We have discovered that the superpower sees its global role not only in the military area but also in setting the rules of globalisation through the IMF," he said.

"The superpower in Washington grew stronger, but Europeans are also gaining consciousness of themselves and cannot share the view that the role of the IMF is simply to transport the philosophy of the superpower."

According to an article in the *New York Times* the row over the IMF appointment involved broader issues.

"Mr Schroeder's government has been at pains to make clear that it views itself as the initiator of a new phase in German history, one in which the period of postwar tutelage is over, a 'Berlin Republic' has been born, and the country is ready to drop all adolescent coyness and call itself 'a great European power'."

In a recent lead article headlined "The fight with America", which detailed German differences over US plans for a national missile defence system, the IMF and the European role in NATO, the paper *Die Zeit* declared: "Past are the times when one was afraid of one's own courage and rather hid differences under the carpet."

The Japanese government also has an axe to grind. After withdrawing its own candidate, former top financial official Eisuke Sakakibara, it denounced European domination of the IMF post. Akitaka Saiki, a spokesman for Prime Minister Obuchi, told reporters: "I think Sakakibara's candidacy had a positive impact from our point of view on the whole international

community—that Japan is not going to keep silent about the monopolisation of that position by a European candidate.”

Sakakibara clashed with Stanley Fischer over the IMF's handling of the Asia crisis in 1997. Japan put forward a proposal for a \$100 billion bailout fund only to find itself opposed by the US administration, which insisted that the resolution of the financial crisis be placed under the direct control of the IMF.



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