

# The fate of IMF chief Kristalina Georgieva hangs in the balance

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The International Monetary Fund goes into its semi-annual meeting, together with the World Bank, starting in Washington today, with the fate of its managing director Kristalina Georgieva still unresolved.

The *Financial Times* has reported that the IMF's 24-member executive board is split in two camps with the US and Japan wanting her out while European powers, including France, Germany, Italy and the UK, have aligned themselves with China and Russia on the issue.

China is at the centre of the controversy. Last month a report commissioned by the high-powered US law firm WilmerHale claimed that while she was chief executive at the World Bank, prior to her appointment as IMF chief in 2019, Georgieva intervened in the preparation of the bank's *Doing Business* report in 2018 to give China a higher ranking.

The claim is that the intervention was carried out because the bank was seeking additional funds from members, including China.

The investigation was ordered by World Bank president David Malpass, a Trump nomination for the position, well known for his anti-China views.

The WilmerHale report went to the IMF executive board to rule on Georgieva's fate. It held a long meeting on Wednesday and another meeting on Friday but, amid growing divisions among member countries, did not make a determination. A statement from the IMF after the Friday meeting, said the executive board had conducted a "thorough, objective and timely review" of the issue but had not concluded its review which it hoped to complete "very soon."

Reuters reported that a further meeting was to be held on Sunday, but no details have emerged at the time of this writing.

In remarks delivered to the Wednesday meeting and obtained by the *Financial Times*, Georgieva said she could not "stress more strongly" that she would never urge the alteration of data to please any government and she had played a "very limited role" in preparing the 2018 report.

Georgieva took issue with what she described as five "critical errors" in the WilmerHale report. She accused it of drawing "wrong conclusions on the basis of impressions and opinions of those without direct knowledge of or participation in key events" and substituting hearsay and innuendo for facts.

The issue has gone beyond the confines of Georgieva and the IMF board with major countries becoming involved.

Last week it was reported that European governments, following an initiative from France, which played a major role in securing Georgieva's IMF appointment, had decided to back her. A report in the FT, citing officials briefed on the discussions, said Georgieva's additional backers included Germany, Italy and the UK.

Hungary's finance minister had earlier provided support for Georgieva, saying "the attacks on her have a political background that has no place in international financial institutions."

Sixteen African nations also weighed in with a statement published on October 1. They said the allegations surrounding the *Doing Business* report were serious and should be investigated but in a manner that does not undermine the integrity of the IMF and "most of all" there had to be a "fair and just process."

They clearly indicated where they aligned themselves, emphasising the importance of multilateralism and Georgieva's role.

"At a time when multilateralism gave way to vaccine and economic nationalism, the IMF under her leadership, was able to provide global solutions for a global commons."

The statement also drew attention to Georgieva's role in the \$650 billion increase in IMF Special Drawing Rights that provided "liquidity and reserve buffers to many countries in need."

However, the US, as the IMF's largest shareholder, has been mobilising powerful forces. The Biden administration has not officially defined its position but there is no doubt as to where it stands.

Bloomberg reported at the end of last month that Treasury

Secretary Janet Yellen had declined to return calls from Georgieva. According to the report, Georgieva previously had easy access and the pair spoke regularly. The US Treasury issued a brief statement last week calling for “thorough and fair accounting of all the facts.”

Meanwhile the opponents of Georgieva have been gathering their forces.

At the end of last month, a group of 331 former World Bank employees signed a letter pointing to the “unprecedented reputational risks” generated by the report. It said the WilmerHale findings had to be addressed with “decisive and substantive action to restore public confidence that the bank’s data and resulting statistical products are free from political and strategic manipulation.”

Anne Krueger, the World Bank chief economist from 1982 to 1986, stepped in with an article on Project Syndicate directly calling for Georgieva to be removed.

She wrote that her “reported actions” raised serious doubts about her commitment to integrity of the data, “including in the context of her new role.”

Should Georgieva remain in her position, she and other staff would be subject to pressure and even if they resisted, the reports they produce would be “suspect” and the work of the institution devalued.

“That prospect alone should be enough for the IMF’s political masters to find a new managing director whose commitment to the integrity of the work is not in question” she concluded.

The Krueger piece appears to have been a reply, without directly engaging with him, to an earlier Project Syndicate post by another former World Bank chief economist, Joseph Stiglitz.

“Having read the WilmerHale report,” he wrote, “having talked directly to the key people involved, and knowing the whole process, the investigation appears to me to be a hatchet job.”

He noted that the full testimony of Shanta Deverajan, the head of the unit overseeing the *Doing Business* report and reporting directly to Georgieva, was not included in the report. Deverajan has said that the World Bank’s lawyers only included half of what he told them in hours of testimony.

According to Stiglitz, the real scandal in the report was how World Bank President David Malpass emerged unscathed from an episode in 2020 when there was an attempt to upgrade Saudi Arabia in its *Doing Business* report.

“Malpass would go to Saudi Arabia, touting its reforms on the basis of *Doing Business* just a year after Saudi security officials murdered and dismembered the journalist Jamal Khashoggi,” he wrote.

Stiglitz pointed to what he called an “unvarnished attempt by Malpass to change the methodology of *Doing Business* to move China down in the rankings.”

As with all major political scandals, manufactured or real, the issues go deeper than a few points on the business ranking scale. In this case they involve nothing less than profound shifts in the world economy and their expression of the IMF as one of the leading institutions of global capitalism.

As *Financial Times* columnist Edward Luce noted, the world’s hegemon, the United States, which has “dominated the Bretton Woods system since it began in 1944, faces a challenger that is knocking with growing conviction at the door. How could such a damning report land without a thud?”

China’s economy, he continued, is growing and by some measures may be larger than the US with the gap as measured in dollar terms “closing fast.” But whereas the US has 17 percent of the IMF quota, the largest heft, China accounts for only 6 percent. At the turn of the century China’s economy was \$1 trillion, today it is \$15 trillion.

In an editorial on the issue, the *Wall Street Journal*, one of the premier voices of US corporate capital and the state, pointed to bipartisan concern regarding Georgieva and bluntly laid out the issues.

“The scandal is a symptom of the larger problem of rising Chinese influence in multilateral institutions,” it said. “China’s economic rise will inevitably give the country more sway across the United Nations and institutions like the World Bank and the IMF. But China has the habit of turning these institutions to serve the interests of the Communist Party.”

It said the Biden administration believes in multilateral institutions for their own sake. “But if they can’t be trusted, they corrupt their mission and undermine American interests and values.”

In other words, US imperialism is all in favour of multilateralism so long as the IMF and other such bodies carry out the “Washington consensus.” Whatever the immediate outcome of Georgieva issue it will be repeated in one form another as the US doubles down on its anti-China drive.



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