

The end of the global financial safety net?

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IMF Resources

Source	2017
Quotas	691
New Arrangements to Borrow (NAB)	265
Bilateral borrowing	450
Total	1,407
Percent of global GDP	1.77

Left after 2022 if no renewal
Expires in 2022, unless renewed
Expires in 2020, unless renewed

(*) Source: Truman (2018)

Regional financial arrangements

- FLAR
 - Only small countries
 - Loans up to 2.5 times capital (small, bridge to IMF)
 - No conditionality

Regional financial arrangements

- FLAR
- Chiang Mai (ASEAN + 3)
 - Swap arrangements, now multilateral
 - 30% without IMF program
 - Total lending capacity: \$ 240 b.

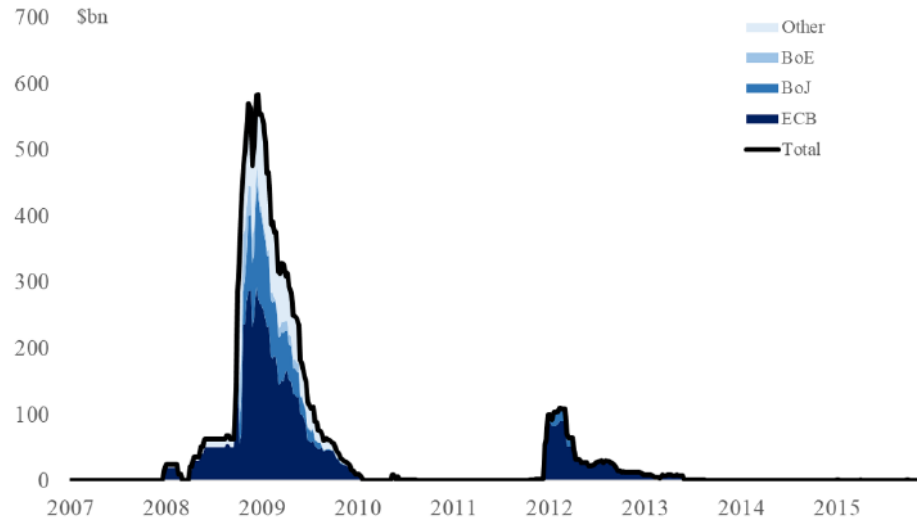
Regional financial arrangements

- FLAR: \$ 7 b.
- Chiang Mai (ASEAN + 3): \$ 240 b.
- European Stability Mechanism: \$ 580 b.

Bilateral swap agreements

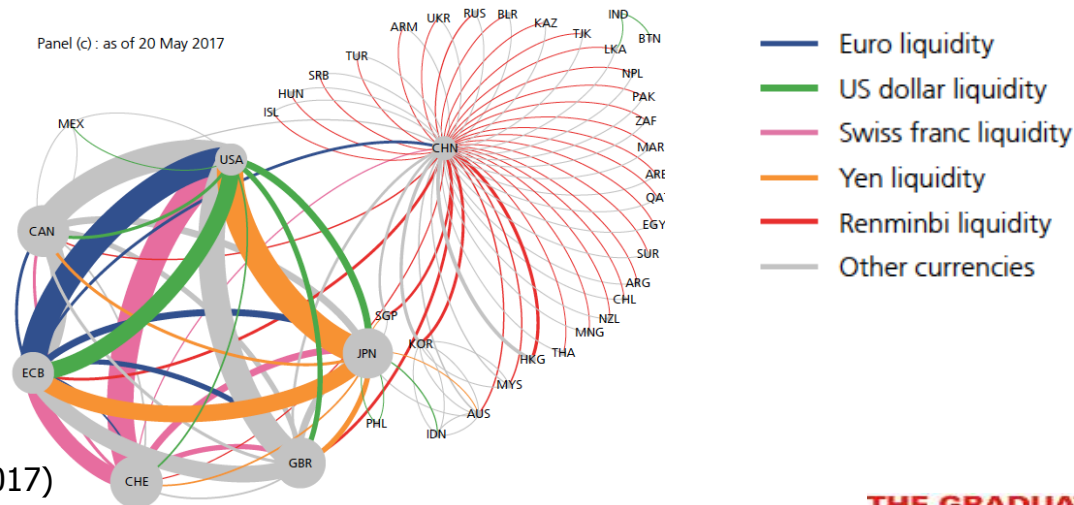
- A key role during the global financial crisis

Figure 1: Federal Reserve dollar lending through its swap lines



Bilateral swap agreements

- A key role during the global financial crisis
- Initially offered by Fed and ECB
- Large number offered by PBOC



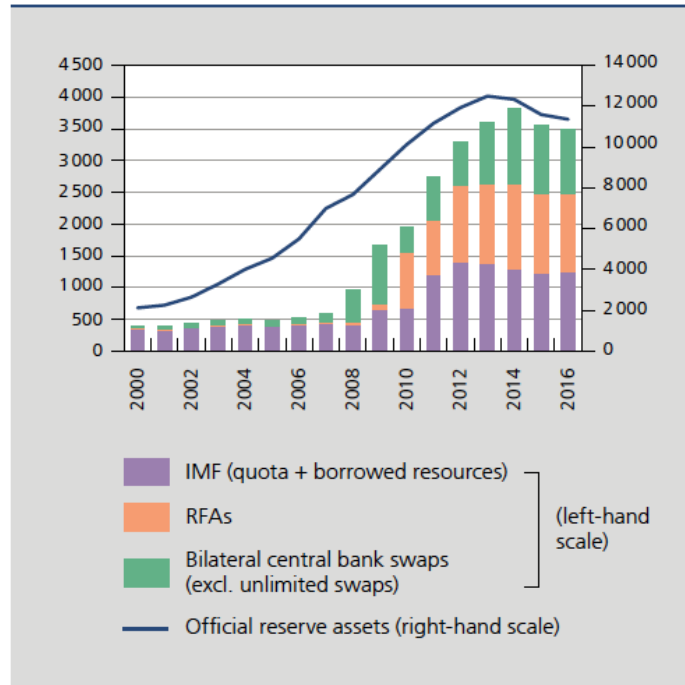
Source: Essers and Vincent (2017)

The China factor

- Eventually the world's largest economy
 - Massive implications for the IMF
 - Voting share
 - Location of headquarters
 - Management
- What does China want?

Conclusion

- The IMF is losing its role as the only safety net



Source: Essers and Vincent (2017)

Conclusion

- The IMF is losing its role as the only safety net
- The USA and Europe will have to give up control
- Europe and Asia have their own nets
- Africa and South America will have to rely on a much changed IMF