Role of the International Monetary Fund in the Recent Global Financial Crisis

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Abstract
This research will critically evaluate the role of the International Monetary Fund (IMF) in the recent global financial crisis. In light of the below statement, "[The global financial turmoil] has been a manmade catastrophe and responses to overcome it lie in all our hands." (Robert Zoellick, Former President of the World Bank, 2008). To achieve this we divide the research for two sections. The two major sections of the main body of this research consist of an elaborate literature review and a critical evaluation of the IMF's role in global financial crisis. The research has a suitable conclusion at the end.

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1. Introduction

This research is primarily aimed at critically evaluating the role of International Monetary Fund (IMF) in the recent global financial crisis. The global financial crisis of 2007-2009 has triggered a series of controversies with regard to today's world wide economic governance and integrity. As Zoellick (Former President of the World Bank) remarks, the crisis can be defined as a 'manmade catastrophe.' According to Dallas, a major reason behind the financial crisis was excessive emphasis on "short-term profit regardless of long-term consequences."[1] This kind of market tendency precipitated to manifest in the forms huge amounts of bad debt and widespread insolvency. Nevertheless, the different stakeholders in today's global economy must work together inside the framework of an international regulatory regime. The most important organisations in this context of business law are the World Trade Organisation (WTO), the World Bank, and the International Monetary Fund (IMF). Since the mid-1990s, these three major regulatory bodies have programmed to work together so that better economic performance can be ensured and more useful legal directives can be issued.[2] Therefore, a worldwide financial crisis cannot be regarded to have occurred outside the realm of international business law. Supranational economic institutions like the IMF must be involved in scrutinising the dynamics of internal economic crises and periodic recessions.

The two major sections of the main body of this research consist of an elaborate literature review and a critical evaluation of the IMF's role in global financial crisis. In the literature review, definitions on IMF as well as the recent global economic turmoil have been utilised with the help of reputable academic sources. A brief prelude to IMF's role in handling the crisis has also been included. In the critical evaluation part, both legal and economic aspects of the topic have been explored. The research has a suitable conclusion at the end.

2. Literature Review

2.1 Background research: The financial crisis

Signs of an impending economic turmoil were becoming more and more prominent with the difficulties arising with American housing sector as well as the large, international banking systems. By the year 2008, global financial crisis engulfed the whole world and hit at the centre of the global financial system that created trouble

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[1] LL Dallas, 'Short termism, the financial crisis, and corporate governance' (2011) 37 The Journal of Corporation Law 264, 266
[2] M Auboin, *Fulfilling the Marrakesh Mandate on Coherence: Ten Years of Cooperation between the WTO, IMF and World Bank* (WTO, 2007), VI. <https://www.wto.org/english/res_e/booksp_e/discussion_papers13_e.pdf > accessed 25 March 2016

for almost all large banking corporations.[1] Therefore, it is now necessary to understand that there are no certain stability implications with respect to multinational financial systems since the recent financial crisis has uncovered the inherent volatile nature of global financial markets. In the aftermath of the financial crisis, the international structure of economic governance and regulation has come under close scrutiny. The crisis has strengthened the criticism that the global economic government is not democratic enough. It follows a top down hierarchic model. The member countries of the international economic organisations do not always have equal representative rights. Moreover, there is a chronic deficiency of legitimacy and answerability, which has created sovereignty issues and opacity in the general framework of global governance.[2]

The manmade nature of the recent financial crisis is evident due to its functional dimensions and complex characteristics. For instance, as Wilmarth points out, mortgage crisis has been a key catalyst in spilling over localised economic disorders. In the US, the mortgage crisis began in 2007, which featured risky mortgage lending behaviour that led to excessive but short-term profiteering. However, unwarranted corporate lending also caused trouble, and several financial establishments ranging from banks to investment companies began either to default or came in unexpected but desperate need of external stimulus packages.[3] In analysing this scenario, it can be stated in a generalised way that the financial crisis spread all across the world due to increased international monetary coordination without adequate security and surveillance mechanisms. Unlike the localised financial crises of Mexico (during 1980s),[4] Russia (during 1990s),[5] etc., the housing and mortgage turmoil of the US and Europe spread rapidly since there were multiple "credit risks implicit in the underlying assets" coupled with international corporate loans.[6] Increased volumes of international trade helped the localised issues to overlap with each other and attain a global scale. Although these developments were comparatively rapid, the international framework of economic governance proved to be highly insufficient in controlling the deteriorating circumstances in proper time.[7]

2.2 The IMF as an international institution

The International Monetary Fund (IMF) is an organisation patronized by the United Nations (UN), which is headquartered in Washington D.C. The IMF operates autonomously, has its own charter, its own organisational arrangements, and its own financial resources. The IMF was set up during the final years of World War II, with a task of continuous monitoring the international monetary system. IMF has also been tasked with ensuring the stability of currency exchange rates. In 1944, representatives from 45 nations met in Bretton Woods to create the IMF for encouraging international economic cooperation with the help of an international level institutional framework. The IMF began its financial operations and related administrative functions in 1947.[8]

The IMF has its own institutional structure and functions that are aimed at expanding international financial coordination, trade, and commerce. The history of IMF reveals that economic coordination has been one of its most important pursuits. By the means of harnessing coordination objectives like exchange rate stabilisation, IMF has been designed to play an important role in both global economy and politics. According to Valvi, Fragkos, and Frangos:

> "As originally conceived at Bretton Woods, the IMF was to be a supranational body essentially doing two things: a) it would regulate the rates at which currencies were exchanged among member countries; and b) it would help ensure international stability by making loans at times of crisis in member countries' balances of payments."[9]

In the sphere of international economic relationships, interests of different stakeholders may clash. These diverse stakeholders may not always be national governments. For instance, the IMF may have to coordinate with other international establishments like the UN or the WTO. So, institutional frameworks for managing international economic relationships are often helpful and productive. Without having a supranational institutional structure, authorities may find it difficult to conduct international legal discourse (for example, dispute settlement) and financial monitoring.[10] [1]

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[1] R de Haas and I van Lelyveld, 'Multinational Banks and the Global Financial Crisis. Weathering the Perfect Storm?' (2011) DNB Working Paper No. 322 / November 2011, 1. <http://www.dnb.nl/en/binaries/Working%20Paper%20322_tcm47-261977.pdf> accessed 25 March 2016

[2] K Raustiala, 'Rethinking the Sovereignty Debate in International Economic Law' (2003) 6 Journal of International Economic Law 841, 844

[3] AE Wilmarth, 'The dark side of universal banking: financial conglomerates and the origins of the subprime financial crisis' (2009) 41 Conn. L. Rev. 963, 1040–43

[4] A Lowenfeld, *International Economic Law* (OUP, 2008), 671

[5] Ibid, 699

[6] Ibid, 837

[7] JW Head, 'The Global Financial Crisis of 2008-2009 in Context—Reflections on International Legal and Institutional Failings, "Fixes," and Fundamentals' (2010) 23 Pac. McGeorge Global Bus. & Dev. L.J. 43

[8] Lowenfeld (n6), 595-605

[9] AC Valvi, KC Fragkos, and CC Frangos, 'The International Monetary Fund, the World Bank and Financial Stability: The Case of Russian and East Asian Financial Crises' (2012) 2012 Journal of Economics Studies and Research 1

[10] J Gold, 'Development in the Law and Institutions of International Economic Relations' (1974) 68 American Journal of Institutional Law

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The IMF has a large and diverse international membership. It also conforms to the liberal standards of being an international institution. In general sense, international institutions designate norms, rules, programmes and the associated network of actors that influence the repertoire of actions by the states or the non-state members of the institution concerned.[2] The term institution includes formal organisations of both the actors and standards, which leads to stabilised patterns of different policy-level courses of action. Powerful international institutions like IMF have to partner with other similar organisations like the WTO, World Bank, etc.[3] Hence, the processes of social as well as economic "denationalisation" (or globalisation) are encouraged, which describe the gradual but steady increase in cross-border activities in various areas such as economy, environment, culture and science.[4]

1.3 IMF response to the crisis

Over the past several decades, the ascension of emerging markets and economies has created a number of unprecedented challenges before the IMF. Several developing markets and economic regions have surfaced, who argue that the current state of international monetary system of IMF does not provide for their proper role in the global economy.[5] In some countries, especially in East Asia and South America, their new economic weight has indirectly created imbalances in the IMF framework of funding and distributing international loans. Leaderships of several third world countries are of the opinion that the fiscal quotas for them, as provided by the IMF, are inadequate and biased.[6] In the wake of the global financial crisis, this situation has become even more complex.

According to Xafa, the global economic turmoil shifted the attention of policymakers towards financial sector reorganisation and worldwide policy stimulus. The issue of global imbalances were sidelined. Furthermore, monitoring of the different international financial transactions was prioritised and "the Surveillance Decision was watered down through subsequent revisions to its application." [7] Further in this context, Xafa also states that the pressure on Chinese government to allow its currency for appreciation was considerably eased.

On certain occasions, the financial crisis has resulted into serious regional implications, too. For example, unstable energy production and market environments have led to economic hassles in implementing IMF policies across the Middle East and various CIS countries like Ukraine. A major concern is that the recovery is stagnating in the Eurozone. Geopolitical issues like those in Ukraine or in the Middle East could cause economic damage far beyond the affected areas.[8] Such damages include rising energy prices coupled with increased market volatility. Any possible overheating of the financial markets has also been risky in implementing IMF policies. The high market prices would not reflect the fragility of the economic recovery. Especially in major economies, in spite of having low interest rates, underinvestment remains a serious issue.[9] The respective national governments have often done too little. Moreover, there are many countries in urgent need for structural reforms. The delayed effects of the recent global economic recession have proved to be more persistent than previously thought.

3. Critical Evaluation

3.1 Constructive role of the IMF

After World War II, there were some major attempts to systemise the international financial system. Perhaps the most important of these attempts was the establishment of the IMF. Originally, the IMF framework came to be known as the Bretton Woods system that would oversee the monetary and exchange issues across the world. In order to achieve this, 45 countries signed the IMF agreement in 1945.[10] Articles IV and V of the IMF agreement dealt with global exchange arrangements and international fund transactions respectively. Hence, it provided a strong platform for the different economic powers to sit together and discuss on the various fiscal issues around the world. After the initial shock of the global financial crisis in 2007, IMF came forward for providing its economic platform to the various member countries. This helped them to communicate the issues and discuss the situation with each other. Accordingly, in the year 2008, an emergency summit of the Group 20[11] leaders was

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687, 688, 706

[1] Lowenfeld (n6)

[2] KW Abbott, 'Why States Act Through Formal International Organisations' (1998) 42 Journal of Conflict Resolution 3, 4-10

[3] AH Qureshi and AR Ziegler, *International Economic Law* (Sweet & Maxwell, 2011), 334

[4] N Woods and A Narlikar, 'Governance and the Limits of Accountability: The WTO, the IMF, and the World Bank' (2001) 53 International Social Science Journal, 569, 580

[5] Ibid

[6] MA Weiss, *The Global Financial Crisis: The Role of the International Monetary Fund (IMF)* (Congressional Research Service, 2008), CRS-3

[7] M Xafa, 'Role of the IMF in the global financial crisis' (2010) 30 Cato Journal 475, 484

[8] S Pirani, *The Impact of the Economic Crisis on Russian and CIS Gas Markets* (Oxford Institute for Energy Studies, 2009), 5, 36

[9] Ibid

[10] Articles of Agreement of the International Monetary Fund (Bretton Woods Agreement 1945) 2 UNTS 39

[11] E Prasad and I Sorkin, *Assessing the G-20 Economic Stimulus Plans: A Deeper Look* (Brookings, 2009)

arranged in Washington D.C.[1] In this meeting, rescue packages for various financial institutions were given away in the US, Europe, and many other economic regions of the world. The primary objective of this Group 20 summit was all about preventing the possible orderly failures of the different local or regional financial subsystems. The action plan was aimed to "restore confidence in the financial system."[2]

During the inception of the Bretton Woods framework, IMF instituted a complex quota system for its member countries.[3] This made a member's economic importance somewhat directly proportional to its capability of voting or influencing the key IMF decisions. Nevertheless, since 1945, several decades have passed and global economic circumstances have changed considerably. By the beginning of the 21st century, powerful economies started to emerge in Latin America and Asia. Leaders of these new economies like those of Brazil, India, etc. believed that their "new economic weight and status" should help them in obtaining a bigger quota and a stronger voice at the IMF.[4] The IMF policymakers were able to understand these issues rather beforehand. In 2006, IMF embarked on the task of reforming the institution's "weighted voting system," which has been directly related with the pre-existing quota system.[5] Hence, during the financial crisis, much confusion could be avoided since the issues raised by the new economic powers were already being addressed. In this way, by the time a worldwide recession began to impend, the IMF had harnessed relatively more solidarity between its members and concentrated its energy for initiating immediate crisis control.[6]

After the initial shock, the Group 20 countries started to utilise IMF for enhanced and continuous communications. By the year 2009, leaders from the Group 20 countries as well as key IMF policymakers came together to propose solutions that were aimed at resolving clashes of interest, filling gaps in information, improving risk control and asset management, and cleaning out the main credit channels.[7] IMF especially emphasised the requirement for policymakers and economic experts to come up with suitable policy responses for mitigating the financial crisis. Thus, all the major economies were needed to initiate "macro-prudential and regulatory reforms" aimed to make the international financial institutions and system less prone to recessions.[8] Key objectives set out by the IMF were to widen the perimeter of international financial regulations and create transparency in banking practices.[9]

Another strong point of IMF is that it has partnered with several other intergovernmental organisations. The main framework of IMF structure and function is based on the Bretton Woods system that has been established by the international Agreement of the IMF.[10] However, in 1947, the GATT framework also came into existence. Both of the IMF Agreement and the GATT framework have been utilised together on many occasions. In fact, the GATT[11] has certain legal arrangements through which it can collaborate with the Bretton Woods system and help in ensuring better economic surveillance worldwide. In 1994, the WTO emerged as another powerful economic functionary. This organisation was established on the basis of the WTO Agreement.[12] However, within a decade of starting its operations, WTO now required to enter in direct collaboration with IMF. Consequently, in 2006, WTO and IMF signed an agreement between them that would help the two organisations to coordinate with each other on the various global economic affairs.[13]

Therefore, establishment of an economic institution is not always a guaranteed success. At the international level, general coordination between the different member countries and related intergovernmental bodies is also very critical and highly difficult at times.[14] However, IMF has proved to be successful in various ways to tackle the financial crisis. IMF organised a number of high-level intergovernmental meetings. It also came up with various policy specifications and directives. Furthermore, in times of international economic crises, IMF did not hesitate to establish coordination with the other economic institutions like the WTO and the World Bank.[15]

3.2 Critical issues and drawbacks

IMF has been considerably active in mitigating the effects of global financial crisis. But there is also an urgent need to understand what the follies of IMF were and why it could not play a timely, proactive role. One main reason behind some of IMF's key weaknesses is that there are incidents of internal trouble in the institution

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[1] Xafa (n19), 475
[2] Ibid
[3] Articles of Agreement of the International Monetary Fund (Bretton Woods Agreement 1945) 2 UNTS 39, Article III
[4] Weiss (n18), CRS-3
[5] DP Rapkin and JR Strand, 'Reforming the IMF's weighted voting system' (2006) 29 The World Economy 305, 322-323
[6] Weiss (n18)
[7] Xafa (19), 477
[8] Ibid
[9] IMF, *World Economic Outlook* (IMF, 2009)
[10] Articles of Agreement of the International Monetary Fund (Bretton Woods Agreement 1945) 2 UNTS 39
[11] General Agreement on Tariffs and Trade 1947 (GATT 1947), 55 U.N.T.S. 194
[12] Marrakesh Agreement Establishing the World Trade Organization (Marrakesh Agreement 1994), 1867 U.N.T.S. 154
[13] Agreement between the IMF and the WTO (1996) WT/L/195
[14] S Silard, 'International Economic Institutions: The Challenge of Coordination' (1989) 4 American University International Law Review 67
[15] Auboin (n2), 24

itself. According to Rapkin and Strand, the IMF has been a well-known institutional site where disagreements between impoverished and wealthy nations are frequently encountered since national inclinations often create hurdles in enforcing collective decisions.

"At the core of this disagreement is a fundamental problem that is both theoretical and practical: how best to reconcile the principle of sovereign equality with the fact of wide power asymmetries among members."[1]

There have been thus policy level rifts and difficulties within the IMF. Although the institution started some reforms before the global economic recession, the differences between its member countries have yet not been resolved. Consequently, IMF has been faced with a certain degree of indecisiveness and divisive politics.

Another big issue for the IMF is its income and assets. All during its operational history, the IMF has utilised its financial resources to handle several localised economic crises. According to Lowenfeld, the IMF can be described as "a pool of resources" that has the capability of coming forward to rescue troubled economies.[2] An organisation like IMF, therefore, should have consistent source of income. Although IMF works in close association with the UN, it has to sort out majority of its financial issues on its own. Hence, one of the major sources of income for the IMF is the interests gathered by the loans it delivered.[3] More lending by IMF has more chances for the institution to earn higher amounts of interests. In general circumstances, several developing countries take loan from the IMF. For example, countries like Brazil and Mexico took loans from the IMF during localised financial depressions of 1982-1995.[4] By giving away this kind of international loans, IMF conducted two major functions. First, it earned money by the interests accrued. Second, it helped in mitigating local financial crises. However, during the mid 2000s, different developing countries started to avoid drawing loans from the IMF. With the beginning of the 21st century, several developing countries concentrated on creating their own foreign currency reserves and attracting foreign direct investments.[5] The combined effect of the economic growth of various third world economies started to diminish the amounts of IMF lending. According to Weiss, the total amount of unresolved IMF loans "had decreased by $92.6 billion to $17.72 billion" through September 2008.[6] As a consequence, IMF now faced fund crunch. During the global economic crisis, major world powers like the US and several EU countries were faced with economic slow-down and even economic contraction. Nevertheless, IMF was now hardly capable of helping them financially. The global economic deficit was becoming too big to be handled by the IMF, especially when its majority quota-holders and powerful member countries like the US were already faced with great deal of financial difficulties.[7] [8]

Certain limitations of IMF's financial administration might also have contributed to the 2007-2009 global recession. During the financial crisis, economic problems were not manifesting simultaneously across the world. In fact, the mortgage crisis first began in the US.[9] Had IMF identified the issue with American economy in proper time, the chain reaction of financial turmoil might have been avoided. This was essentially a problem related to economic administration and surveillance on the part of the IMF itself. Xafa has explained the relatively unstable and lax situation of IMF's surveillance system as one of the main causes of the recent global economic turmoil.[10] Analysis of the backdrop of the financial crisis reveals that the build-up of numerous risks and volatilities due to supervisory and regulatory malfunction had not been identified by IMF's surveillance framework in proper time.[11] The financial crisis has thus clearly shown that there is a need of improvement of the existing surveillance framework to assess fiscal stability and for reinforcing early warning mechanisms in the developed countries as well as worldwide.[12]

The global spread of the economic crisis (2007-2009) also signalled that there is an immediate requirement of improved monitoring of international spill-over risks. Coupled with possible macroeconomic impact, lack of surveillance can lead to repeated loss of funds and recession.[13] Therefore, mismanagement on the part of IMF and it is flawed in surveillance were important contributory factors to the global financial crisis. Hence, describing the crisis as 'manmade' can be largely justified. In the same context, regulators and agencies that control the international currency framework are capable of overcoming such issues related with surveillance and stabilisation.

However, the signs of a impending financial turmoil did not go completely unnoticed. Since the US

[1] Rapkin and Strand (n28), 322
[2] Lowenfeld (n6), 610
[3] Weiss (n18), CRS-3
[4] Lowenfeld (n6), 669, 671, 677
[5] Weiss (n18), CRS-3
[6] Ibid
[7] Ibid
[8] JW Head, 'For richer or for poorer: Assessing the criticisms directed at the multilateral development banks' (2004), 52 U. Kan. L. Rev. 241
[9] Wilmarth (n5)
[10] Xafa (n19)
[11] EM Truman, *The IMF and the Global Crisis: Role and Reform* (Peterson Institute for International Economics, 2009), 3
[12] Xafa (n19), 476
[13] Ibid

policymakers were not careful enough to rebalance the global liability and lending disparities, the situation of US dollar was becoming precarious. As early as 2006, IMF had identified the growing imbalances between "surplus and deficit countries," and external liabilities of the US economic administration was increasing faster.[1] In fact, the IMF also called for stabilisation measures to be commenced by the means of fiscal adjustments with the help of the major economic powers like the US, the EU, Saudi Arabia, Japan, and China.[2] Yet, the global financial crisis could not be avoided largely due to the lack of international consensus coupled with weak financial surveillance mechanisms.

As far as the legal aspects of the functioning of IMF are concerned, its agenda of poverty alleviation has proved to be "a monitoring and legitimation device."[3] However, contemporary dynamics in international business law appear to be problematic. Instead of poverty alleviation, today's legal institutions appear to be more interested in giving away concessions to the powerful financial corporations. According to Supiot, the economic crisis of 2008 and related events have shown that the 21st century agenda of globalisation is often prone to award undue benefit to business firms.[4] Particularly in the economic regions like EU, the European Court of Justice (ECJ) has often ruled in favour of the right of the multinational companies to evade the law of those countries where they operate their industry by registering in another country that has a less constraining legal framework.[5] Furthermore, in the case of Commission of the European Communities v. Grand Duchy of Luxembourg, the ECJ held that "the objectives of protecting the purchasing power of workers and good labour relations"[6] cannot be recognised or prioritised as the core elements of a public policy framework. Due to this kind of legal approach on the part of major legal institutions, corporate undertakings are emboldened to evade national and international business principles and rules.[7] They also tend to draw benefit from the complexities of international case laws. Consequently, the private sector agencies have started playing the dominant role in international capital transactions, and the global supervisory systems have "failed to keep pace with many of the resulting implications for the countries attracting the inflows."[8] Therefore, IMF's undiminished tendency of pushing ahead for international economic liberalisation may prove to be excessively rewarding for the powerful corporate agencies.

4. Conclusion

The recent global financial crisis hit the world at a time when there was relative peace and stability. Neither warfare nor any natural calamity had triggered the process in real sense. The financial crisis, at first, struck the financial markets across the US and the European countries. This began with mortgage crisis, which spilled over the capital markets and lending behaviors, particularly in the private sector. The money-oriented nature of the initial shocks testifies that human agency played a key role in destabilising the financial markets and housing sector during 2007. In the case international economic institutions had taken proactive steps to stop the spread of the crisis, the economic turmoil might have been localised.

Not only IMF but also WTO and World Bank failed to understand the severity of the crisis when it went on full swing during 2008. Although topics like workers welfare and consumer rights are often sidelined in the sphere of market economy, excessive support for multinational companies led to surveillance issues. Complexities in international legal framework created even more serious problems. With regard to IMF, the institution had already failed to persuade China to appreciate its currency and help the Western countries to recover from the burden of their increasing public debts.[9] In sum, the role of IMF has not been satisfactory in tackling the financial crisis. Although the IMF took certain constructive measures such as coordinating with other organisations like WTO, it failed to restore confidence and detect the irregularities. It avoided punishing those firms and banks that behaved irresponsibly and excessively emphasised on revising its own policies.

Recommendations

IMF is being urged by various policy analysts and governments to initiate different structural and functional

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[1] Ibid, 483-484
[2] IMF, '*IMF's International Monetary and Financial Committee Reviews Multilateral Consultation*' (IMF 2007), Press Release No. 07/72. <www.imf.org/external/np/sec/pr/2007/pr0772.htm> accessed 27th March, 2016
[3] L Clegg, *Controlling the World Bank and IMF: Shareholders, Stakeholders, and the Politics of Concessional Lending* (Palgrave Macmillan, 2013), 45
[4] A Supiot, 'A legal perspective on the economic crisis of 2008' (2010) 149 International Labour Review 151
[5] Case C-438/05, *International Transport Workers' Federation and Finnish Seamen's Union v. Viking Line ABP and OÜ Viking Line Eesti* [2007] ECR I-10779
[6] Case C-319/06, *Commission of the European Communities v. Grand Duchy of Luxembourg* [2008] ECR I-04323, para. 53.
[7] M Bergstrom, *Spillover or Activist Leapfrogging? Criminal Competence and the Sensitiveness of the European Court of Justice* (Swedish Institute for European Policy Studies, 2007), 7-8
[8] Truman (n49)
[9] Xafa (n19), 483-484; also see Weiss (n18)

changes. However, certain recent measures by IMF need to be maintained. For example, the partnership framework between IMF and WTO should not be disturbed. Instead, the two institutions must identify more common areas where they can work together. As far as structural changes are concerned, IMF does not appear to have a powerful dispute resolution department and it has also admitted that its voting system should be revised. It is recommended, therefore, that this kind of key policy-level modifications should not be delayed anymore. The economic crisis has also shown that many member countries, particularly the developing ones (like Brazil and India), are willing to play a greater role to strengthen IMF's international economic surveillance mechanisms. Consequently, it is further recommended that IMF should attach more importance to the emerging economies and encourage surveillance cooperation between the different developed and developing countries at a global scale. Furthermore, IMF should recognise the importance of the new but powerful economic unions like EU, BRICS, etc., who are rapidly developing their own currency systems and banking institutions. In future, more of similar economic unions may be created which would play a significant role in minimising the risks of economic slowdown and help in further stabilising the financial exchange rates.

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