

O G-20 e a reforma das instituições financeiras internacionais após a crise do *subprime*

The G-20 and the reform of the international financial institutions after the subprime crisis

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Recebimento do artigo Maio de 2017 | **Aceite** Agosto de 2017

Resumo O tema deste artigo é o G-20, um arranjo onde Estados coordenam esforços políticos em prol da governança econômica global. O objetivo deste artigo é compreender quem são os atores políticos relevantes e as disputas políticas que se desenvolvem nas negociações do G-20 para reformar os mecanismos de representatividade e os processos de tomada de decisão nas instituições financeiras multilaterais, em especial o FMI e o Banco Mundial, depois que a crise do *subprime* eclodiu nos Estados Unidos em 2008. O artigo chega à conclusão de que, apesar da ocorrência de uma melhora no poder de voz e representação das economias emergentes, especialmente dos BRIC, os Estados Unidos conduziram as negociações para legitimar as instituições de Bretton Woods como funções do seu poder hegemônico. Na verdade, após a reforma os Estados Unidos mantiveram e reforçaram o controle sobre essas instituições, mantendo-se como o único país com poder de veto sobre elas e, portanto, mantendo-se como o Estado mais poderoso na condução da arquitetura financeira internacional.. **Palavras-Chave** G-20; Reforma das Instituições Financeiras Internacionais; Estados Unidos; Economias emergentes; Governança Econômica Internacional.

Abstract The topic of this article is the G-20, an arrangement where states coordinate political efforts in favor of the global economic governance. The aim of the article is to understand who the relevant actors are and which political disputes developed from the G-20 negotiations to reform the mechanisms of representativeness and the decision-making processes in the multilateral financial institutions, especially the IMF and World Bank, after the subprime crisis had been unleashed in the United States in 2008. The article reaches the conclusion that despite the occurrence of an improvement in voice power and representativeness of the emerging economies, especially from BRIC, the U.S. conducted the negotiations to legitimate the Bretton Woods Institutions as functions of its hegemonic power. In fact, after the reform the United States kept on and reinforced its control over those institutions, maintaining itself as the sole country with veto power over them and thus as the most powerful state in the conduction of the international financial architecture. **Keywords** G-20; International Financial Institutions Reform; United States; Emerging Economies; International Economic Governance.

Introduction¹

The G-20 is an arrangement of economic and political coordination between the major economies of the world² and some International Financial Institutions (IFI's) as the International Monetary Fund and the World Bank Group to cite some of them. It was established in the post Asian Crisis in 1999 to deal with the successively financial crisis triggered by the end of the 20th century. In 2009, during the Pittsburg summit, G-20 member countries recognized it as “the premier forum for our international economic cooperation” in the aftermath of the subprime crisis (G-20, p. 2, 2009).

The change assumed by the G-20 as the main forum of global economic governance, surpassing G-8³, reinforced the perception of multipolarity in the international system. This is because the G-20 assembles both developed and developing countries what enlarged the scope of discussions and decision making in global governance and attracted political relevance to the arrangement.

The expansion in global governance was due mainly to the fact that the subprime crisis had as epicenter the United States, as well as had struck harder the developed countries while many developing and emerging economies had kept growth despite the crisis. Being that true, a perception was sparked within the G-20 that joint efforts between developed and developing countries would be needed in favor of the 2008 crisis' overcoming, leading the arrangement into the category of main forum to the international economic governance.

The crisis' context by affecting more the developed than the developing countries gave more political force to the latter to claim its demands within the G-20. Among the set of demands from developing countries this work is centered in the claims for reforming the international financial institutions, strictly the International Monetary Fund (IMF) and the World Bank⁴, two of the core institutions of the multilateral financial system.

In the G-20 summits, after the subprime crisis unleash, an agreement between developed and developing countries was reached in the sense that the reforms should be brought off based on the need of voice and representativeness improvements in favor of developing and emerging economies in the International Financial Institutions' (IFI's) governance (G-20, 2009).

The agreement consisted of a percentage change in developing countries' quota share which would improve their position in the quota share ranking of the IFI's. By this they would advance their influence and interference power, what means they would be more capable to carry out their interests in those institutions.

Besides, another agreement was reached in what regards the election of the chairs of the IMF executive board. In the new formula all chairs must be elected, different to what happened before when developed countries had captive chairs. Given the change, developing countries would have formally more opportunities of electing directors for the institutions and by that safeguarding a great representativeness to its objectives. However, the same agreement was not reached in the IBRD. The five major shareholders would maintain their permanent seats in the executive board while one plus chair would be given to sub-Saharan countries' representatives.

1 This article is a final version of scientific initiation research funded by the Research Foundation of the State of Rio de Janeiro (FAPERJ), which the author thanks very much the support.

2 It includes: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, South Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom and United States, along with the European Union (EU).

3 Arrangement that assembles only developed countries like the U.S., Japan, Canada, Italy, Germany and United Kingdom. Besides, Russia was also a member between 1998 and 2014. The arrangement was created in the 1970's with the aim to coordinate efforts in favor of the international economic governance after the end of fixed parity between the dollar and the gold in 1971 prompted by the U.S.

4 The World Bank reform studied in this work does not refer to all the World Bank Group institutions, rather only the International Bank for Reconstruction and Development (IBRD).

It could be observed the course of the reform followed different paths within both institutions. In the IMF these reforms were negotiated between 2008 and 2010 and finally agreed in 2010 when the IMF executive board put them to the approval of member countries. They would come into force in the case which three fifths of the total votes needed were approved. As IMF and IBRD member's votes are made by their percentage of quota share it was necessary 85% of votes for the reform to be approved (INTERNATIONAL MONETARY FUND, 2010).

Notwithstanding, after five years, in 2015, only the U.S. vote was missing for the IMF reform. It represents about 16% of the total of quota share votes and without it the reform would not be approved, due to the American veto power. As the reform was an article of amendment of IMF its approval or rejection should be put under voting in the American Congress, according to American legislation. Nevertheless, that voting only took place by the end of December 2015, when the reform was approved with a five years' lag and much criticism from emerging powers and analysts (BERSHIDISKY, 2015).

In the case of World Bank reform the process moved more positively: in 2008 an IBRD reform proposal was drafted and approved in 2009 when a new reform was proposed and approved in the next year. The Bank claims this two-steps reform made a realignment of 4,5% of quota shares in favor of developing and emerging countries plus a large amount of capital increase (WORLD BANK, 2015).

The facts observed towards the agreements to reform the IFI's: the delay in IMF reform approval, occasioned mainly by the American Congress' lag to vote it and the relative success of a moderate reform in the World Bank voting power structure bring some light to the problems related to the multipolarity perception in the international system⁵ after the 2008 crisis and whether it had truly and effective impact into the power relations within the IFI's.

Thus, the research problem raised in this paper is the degree of multipolarity verified in the international financial institutions after the subprime crisis. In other words, how much and how far emerging and developing states had been able to carry out their reform interests to widen its representativeness towards the multilateral financial system. Or, inversely, how much the U.S. superpower controls this system, making the international financial architecture⁶ a function of its hegemonic interests.

Based in Cox's (1969) methodology for the study of international organizations our research was centered more in the IFI's internal politics than its formal mechanisms, as well as it focused in the way its internal politics relate to the system of world politics (COX, 1969, 1977, 1996b).

Besides, based in Cox's (1981) concepts of institution and hegemony the following hypothesis is raised: the reform of IMF and IBRD was conducted by U.S. to reinforce the legitimacy of those institutions and keep the American control over them. This hypothesis is formulated under Cox's understanding of what international organizations are: instruments of the superpower to create and reinforce hegemony towards the world order (COX, 1981).

Hegemony and International Institutions

According to Cox (1981), power relations must be studied within social material relations, the structure, as well as within the collective consciousness, the superstructure. The inquiry of both aspects allows us to evaluate the social construction of hegemony.

A historic-structure is made up by thought patterns, material conditions and institutions that are molded by a certain coherence one in face of each other. Among the historic-structure elements the most

5 It refers to the perception that the balance of power within the system is more equally distributed among the superpowers, major and minor states.

6 Following the definition of international financial architecture as stated by Underhill: "the institutional, regulatory, and supervisory framework governing the world's monetary and financial system" (UNDERHILL, 2007, p. 1).

important to our study are the institutions for their role to organize thought and material action. For Cox (1981) institutions are responsible for the establishment of order which is the way ideas and material survival conditions are determined over the history in any society (COX, 1981).

Institutions can be contested by opposing groups, aiming to establish a new social order. Those groups may try to settle new institutions to function as an alternative to the existing ones and by that challenge the status quo. This is so because institutions are social instruments of power, capable to influence thoughts and actions.

Cox (1981) states institutions make feasible the exercise of power under the form of hegemony, which is the balance between consensus and coercion, since institutions plead to their commanding group's interests, transforming them into ideas and forms of organization accepted to a whole collectivity. The institution's commanding groups are named social forces by Cox (Ibid.).

Institutions serve as power instruments to social forces when they set up an ideological framework, which is a set of ideas capable to determine thought and action and through that establish, in last instance, a social order in line with their formulators. But for Cox (1981) the ideological framework by itself is not enough to settle order. It is a reinforcement of power in its material basis, which is the control of the mode of production (Ibid.).

When social forces dominate institutions, and set up an ideological framework, they become able to control consent in a society because their interests become universally accepted through the determination of certain patterns of thoughts and actions. Notwithstanding, for attaining hegemony social forces shall also to control the coercion instruments, so they need to control the state apparatus. It is precisely the balance between coercion and consent that constitutes power in the form of hegemony, a deeply dialectical movement.

Who first made out the relation among society, hegemony and the state apparatus was Gramsci. However, Cox (1987) transposed his ideas to the study of politics in the World system. For Cox, the most powerful social forces control the worldwide mode of production, so they have enough means to maintain a strong repressive state apparatus, with strong military power (COX, 1987).

However, the military apparatus is not sufficient to attain world power in the form of hegemony. That is why the social forces of the superpower also engage in framing international institutions, which produce an ideological framework with the aim to plead for their interests, through the creation of a set of patterns of ideas that come to be norms and rules guiding states perspectives and action in some area of international relations. So, in practice, as institutions settle orders in societies, international institutions establish world order in the international system, consolidating the superpower hegemony.

The international institutions function as advocates of the hegemonic state, though, at the same time, try to promote consent among the all states' interests, always putting the most powerful ones at first. In that sense, the international institutions' fora are used to gather consent and to prompt a share of interests in which the superpower's preferences are diluted into the accepted norms and rules of those institutions. That's why they are, according to Cox (1996a), the fundamental site of hegemony building in the system of world politics (COX, 1996a).

Within international institutions the most powerful states seek acquiescence to their interests from the less powerful states while allowing some of their objectives to be carried out, since their claims do not harm the superpower's interests. This will make consent more likely to be reached and hegemony easier to be built through the setting of a world order.

In the words of Cox:

Among the features in international organization which express its hegemonic role are the following: (1) they embody the rules which facilitate the expansion of hegemonic world orders; (2) they are themselves the product of the hegemonic world

order; (3) they legitimate the norms of the world order; (4) they co-opt the elites from peripheral countries and (5) they absorb counter hegemonic ideas (COX, 1996a, p. 62).

The financial crisis and the perception of multipolarity in the international financial architecture

The financial crisis unleashed in the U.S. had rapidly extended to the whole international financial system. Dam (2010) explains that process analyzing that the collapse of the real estate boom in the U.S., whose mortgages had been sold as securitized bonds in the American financial market as well as in the international financial market, caused a generalized liquidity crisis in the international financial system and made solid financial institutions to go bankrupt (DAM, 2010).

The toxic assets of the American mortgage financial system acquired an international flux that affected the international financial system and decreased investors' confidence worldwide, prompting a generalized liquidity crisis.

Given the need to avoid both confidence and liquidity crisis in the international financial system, states looked forward a rapid intervention in their national financial systems, bailing out the major financial institutions, injecting money in the economy and even buying bonds from large corporations.

One of the most important actions states implemented towards the crisis was the political coordination over the international economy carried out within G-20 by the reasons asserted in the introduction: better economic situation of developing countries over developed countries, what generated the need for joint action.

Developing countries had enough political force to claim for the international financial institutions reform since they were less affected by the crisis than the developed countries. Their claim was based in the excessive control developed countries have over the norms, rules and decision making mechanisms of the multilateral financial institutions, or in other words, developing countries denounced developed countries' political power concentration over the international financial system through their international financial institutions' rigid control.

The claim was also possible to be made due to the critical posture adopted by emerging and developing countries towards the economic governance standards prompted by developed countries, as well, the economic policies carried by them, as Elder (2008) highlights. In this regard, developing countries yearned to great participation in the decision-making process of the multilateral financial system, so they could advance their own economic interests and economic policy objectives (ELDER, 2008).

Developed countries ended by agreeing to the developing countries' claim over the current situation of the international financial institutions and the need to reform it. That agreement was reached in the first G-20 summit in Washington, in 2008, yet in the initial moments of crisis turbulence (G-20, 2008).

From then on a consensus was reached within G-20, between developed and developing countries, that a reinforcement in the IFI's performance would only become effective if a reform that would enlarge voice power and representativeness of emerging economies and developing countries was brought off. That would better reflect the change in the weight of these emerging and developing economies vis-a-vis the global economy (G-20, 2009).

Thus, a sense of urgency is formed about the reform of the international financial institutions as a way to broaden the participation of new states in the political coordination of the international financial system. This can be better observed in the final declaration of G-20 summit in 2008:

We are committed to advancing the reform of the Bretton Woods Institutions so that they can more adequately reflect changing economic weights in the world economy in order to increase their legitimacy and effectiveness. In this respect, emerging and developing economies, including the poorest countries, should have greater voice and representation (G-20, 2008, p. 3).

The negotiations on the reform of the international financial institutions

Kamel (2014) analyzes how were the negotiations to reach the consensus over the structure of the IFI's reform and the way in which states should coordinate efforts to overcome the crisis. Her sources are leaked documents on WikiLeaks website and official's declarations during the G-20 summits. Stemming from that, the author connected, in a causal chain, the path of negotiations among the countries during the summits (KAMEL, 2014).

For her the Pittsburg summit is decisive to the comprehension of the reasons that lead to a greater relevance of G-20 as a coordination and decision-making forum. This summit was also much important in making the developed countries to negotiate the reform of the international financial institutions.

Likewise Ramos *et al* (2012) and Enríquez (2012), Kamel (2014) had separated in three groups the most fundamental positioning in dispute during the negotiations. Those authors study the interests of the negotiations' blocs formed among G-20 countries and led by some key-countries (ENRÍQUEZ, 2012; RAMOS *et al*, 2012; KAMEL, 2014).

Following that perspective Kamel analyzes that instead of two binary blocs between developed and developing countries there were actually three blocs: the first was the Anglo-Saxon bloc formed by the United States and the United Kingdom and led by the superpower. That bloc defended the diagnosis of the causes of the crisis was the macroeconomic imbalances in the world economy and because of that surplus countries (emerging economies plus Germany) should accept expansionist spending policies from deficit countries (specially the U.S.) in favor the global economy adjustment as crisis solution.

European Union (excluding the United Kingdom) formed the second bloc, led by Germany, that adopted the view inappropriate financial regulation⁷, especially in the American financial system, was the cause of the crisis. So, to this bloc, the crisis solution should come from a joint effort among G-20 countries to regulate their national financial systems.

The third bloc was formed by the emerging economies, led by the China, whose belief was that the lack of proper financial regulation in the international financial system caused the crisis, like the EU asserted, and the way to overcome it was to improve financial regulatory mechanisms (RAMOS *et al*, 2012).

In the first moment, the U.S. sought to avoid any international financial regulation deep commitment. In fact, the U.S. did not want to discuss issues of its domestic financial regulation in the international arena, since it would represent a lack of autonomy to its political decisions. In addition, U.S. tried to avoid any political diagnosis of the crisis that would condemn the superpower for inappropriate financial regulation because it would undermine the legitimacy of its own financial system, which is the basis of its economic and military power, with the supremacy of dollar in the monetary and financial international system as Tavares (1998) puts it (TAVARES, 1998).

Instead, the U.S. started to negotiate mainly with China and Germany to the recognition of the

7 According to Kamel, Germany claim was that U.S. didn't implement Basel II international regulatory requirements – only EU had done, to the Chancellor – so it was American lack of compromise with international regulatory standards that led to the crisis. (KAMEL, 2014).

cause of the crisis as a result of global imbalances. Since the two blocs diagnosis of the cause of the crisis ruined U.S. image as a responsible hegemonic state. As Kamel (2014) puts it: “In her public statements in the run-up to the summit, Chancellor Merkel highlighted that the G20’s focus on global imbalances would deflect attention away from the real cause of the crisis, which was financial market regulations” (KAMEL, 2014, p. 180).

On the other hand, if global imbalances actually became the official positioning of G-20 in what regards the causes of the crisis the U.S. would have legitimacy to apply stimulus packages in its economy which would benefit it in times of electoral campaign.

However, the European bloc opposed the global imbalances positioning to defend countries, especially the U.S., should keep fiscal equilibrium. Emerging economies also opposed the American purpose to see in it a way to push them into adjustment packages what would be against their interests of maintaining economic growth.

In face of European opposition, the U.S. started to bargain with China, leader of the emerging economies’ bloc, the recognition of the of global imbalances positioning, linking it to the reform of the international financial institutions, one of the main claims the emerging economies wanted to see brought off. China accepted the proposal, but without the commitment to fight those imbalances because it would mean to put its economy on a recessive route what was against the country’s national interest of high and continuous growth.

Both countries realized it was important to involve Germany into the negotiations and Merkel ended up by accepting the linkage the U.S. bargained with China of promoting the reform of the IFI’s if the global imbalances were considered the G-20’s official main cause of the crisis. Germany accepted those negotiations to improve its benign leader image in global governance, even unsatisfied with the American position of avoiding the financial regulation agenda and the Chinese position of not sticking to fiscal equilibrium (KAMEL, 2014).

At the end of negotiations a consensus was reached, under American political pressure and leadership, among the three different blocs, which considered the global macroeconomic imbalances the main official G-20’s diagnosis of the cause of the financial crisis. As the G-20 2008 Washington summit final declaration states:

“Major underlying factors to the current situation were, among others, inconsistent and insufficiently coordinated macroeconomic policies, inadequate structural reforms, which led to unsustainable global macroeconomic outcomes. These developments, together, contributed to excesses and ultimately resulted in severe market disruption” (G-20, 2008).

Yet in the summit some mentions were made about unsound regulation connected to the cause of the crisis. Nevertheless, American financial regulation in special was not mentioned. From that the strategies for the crisis management focused less in the regulation of the international financial system and more in the stimulus and recovery packages the multilateral financial institutions, especially the IMF, should contribute to the countries, a fact directly influenced by U.S.

The strategies in the crisis management can be observed in the final declaration of G-20’s 2008 summit when the references about the regulation of the international financial system mention only the need for more government’s and IMF’s surveillance towards the national financial systems. On the other hand, the need to reform the international financial institutions so they can better reflect the change in today’s global economy is patent, as well as the recognition those institutions should have their lending capacity broaden. (G20, 2008).

After the initial negotiations for the reform of the IFI's, in the Pittsburg summit, in 2009, the U.S. claimed the emerging economies should contribute capital to an additional reserve's fund⁸ in IMF to provide the Fund with enough resources to bail out the economies in crisis (G-20, 2009).

It was necessary due to the liquidity shortage the institution had been having, caused by a decrease in capital inflow during the first decade of the 21st century because it was when developing economies repaid their debts and started to avoid contracting new ones with the Fund. Largely the because the recessionist policies and structural reforms demanded along with the lending packages in the 1990's financial crisis in the, then so called, emerging financial markets (ELDER, 2008).

The U.S. imposed that condition with the aim to get the IMF's lending capacity back on track and to recover the institution's image of international crisis manager. That image had been seriously damaged by the Fund's recessionist policies and structural reforms demanded from developing countries during the 1980's and 1990's when they asked for economic recovery lending.

Therefore, once more the U.S. linked one of its strategic interest as a condition to keep up the negotiations of the international financial institutions reform, as it had already done with the bargain with China. The emerging economies ended up by accepting the condition and the contributions to the New Arrangements to Borrow of IMF in the post-2008 were entirely from that countries.

Notwithstanding, emerging economies and developing countries would not accept to contribute capital to the Fund without governance reforms in the institution, as well as in the IBRD. But, the IMF could not abide from receiving a capital injection⁹ and it was on the interest of both, the U.S., and the developed countries, that the Fund should be able to reinforce its lending capacity to legitimate it as a crisis manager institution. That is why developed countries agreed in a governance reform both in the IMF and in the World Bank.

The consensus was only possible because both developing and developed countries saw themselves as benefited: on the one hand developed countries could brought off their interest of expanding the lending capacity of IMF, what would reinforce its role as a global economic recovery actor and would as well get more legitimacy to it and the World Bank, after the developing countries' rejection of both institutions' lending packages and policy recommendations by the end of the 20th and the beginning of the 21st century.

On the other hand, with the commitment with the reform of IMF and World Bank as part of the reform of the IFI's, the emerging economies would be better represented and would have more power of influence to make their interests to be carried out in both institutions.

The developing and emerging countries identified legitimacy as the main deficit in the international financial institutions' performance. That's why in the summit's official documents there is a reference that the reform should increase voice and representativeness to developing countries (G-20, 2008, 2009, 2010).

The emerging economies, in special, led the claim the IMF and IBRD reform should better reflect the changes in the 21st century world economy when emerging powers, due to their rapid and continuous growth, outpaced some developed economies, especially the Europeans. Notwithstanding, those emerging economies were not properly represented in the IMF's and IBRD quota share ranking (G-20, 2008).

Following that claim a consensus was reached in the Pittsburg summit (2009) for reviewing the quota share percentage in favor of emerging economies and developing countries with a view to increase their voice power and representativeness in IMF and World Bank (G-20, 2009).

8 Called New Arrangements to Borrow.

9 According to Stein, member of the U.S. Council of Foreign Relations, the mistrust from emerging countries in developed countries during the negotiations of the reform of the IFI's was evident, due to the borrowing conditions the latter used to demand in the 1990's. However, again following Stein, developed countries could not abide from the emerging economies' political cover due to the bad intervention the IMF had been undertaking after the crisis unleash, especially in Greece and Ukraine, with a low lending capacity (DONNAN, 2015).

The increase in those countries' quota share percentage would increase their voting power in those institutions since the more quota shares a country has the more voting power it has towards the amendments proposed by the executive board.

Initially, emerging economies claimed for 7% and 6% of quota share review, respectively in IMF and World Bank. Nevertheless, the consensus between them and the developed countries was only reached on a 6% and 3% of quota share review for each institution. This review of quota share percentages in practice took China to the third place and led each BRIC countries to be in the top ten IMF shareholder's ranking, being the major winners from emerging and developing countries in this reform (KAMEL, 2014).

In what regards the World Bank reform China had been raised to the third position in quota share ranking of the International Bank for Reconstruction and Development (IBRD), the main agency of World Bank Group. Among the emerging countries, China was the one which figured best in the ranking. With the reform, emerging and developing countries stepped to 30% of total voting power in IBRD, while developed countries assured 60% of voting power and the rest went to less developed countries (VESTERGAARD; WADE, 2013).

In IMF quota shares' realignment, the European countries were the ones that lost more positions in the shareholders' ranking, though the European Union as whole would still be the second largest shareholder, inclusive being ahead of Japan (the second largest individual shareholder). The U.S. would still be in the first position and maintain its veto power (INTERNATIONAL MONETARY FUND, 2010).

In the IBRD quota share review the U.S., Japan, France, the United Kingdom, and Germany lost share percentages equally. However, emerging and developing countries reached an agreement so the share realignment would be carried considering not only economic power criterion, but also the countries' capital contribution to World Bank.

Economic power criterion would raise some emerging countries' voting power beyond some developed countries' voting power in the case it was adopted and it would give the developing countries the control of the institution, specially benefitting China.

Nevertheless, China abided to defend economic power as sole criterion to the voting reform under penalty of developed countries' blocking of the process. In the IBRD reform the U.S. also kept its voting power, being the sole country with veto power in both IMF and IBRD (VESTERGAARD; WADE, 2013).

Another consensus, reached between the 2008 and 2010 G-20 summits, was the need for enlarging developing countries' representativeness which would be carried out in a change on how the IMF executive board is elected. Before the changing proposal, the largest shareholders (the U.S., European countries, and Japan) had captive chairs.

Kamel reveals that the first proposal made by the U.S. to emerging economies claimed the later should contribute capital to the IMF additional fund so a 5% quota share review in favor of emerging economies could take place, plus a shortening of the executive board from 24 to 20 chairs, which would bring a loss of chairs to Europeans (KAMEL, 2014).

The author argues the U.S. made that proposal aiming to negotiate exclusively with emerging countries because, in effect, the superpower wanted to reduce the Europeans' overrepresentativeness in IMF while creating the possibility to negotiate with new countries, renewing discussions and enhancing the control over the negotiations.

Notwithstanding, Europeans stated they would only accept that bargain if the U.S. declined its veto power in the institution. But Americans refused it, so the representativeness reform ended up by stating the election of all the 24 chairs of the IMF executive board, or the directors that conducted day-to-day operations in the institution, as approving loans, for instance. With the election of all chairs developing countries and emerging economies would have more chances to carry out its interests, electing more of their own directors.

In what regards the representativeness reform in IBRD it would keep five captive chairs to the largest shareholders, enabling the others to election and enlarging the number of directors from 24 to 25, in order that one chair should necessarily represent a sub-Saharan country (WORLD BANK, 2015).

It is possible to observe the participation of emerging countries in G-20 acquired a strategical character: American aim was to bring those countries to the global economic elite forum, guaranteeing they would be listened and by that preventing disruptions in the multilateral financial structure while utilizing the same countries as some kind of shield against the European positions – such as the international financial regulation – that could harm the American legitimacy (KAMEL, 2014).

Results in the process of reforming the international financial institutions

In what refers to the IBRD reform the register was positive: the 2008 executive board proposal of increasing basic votes in favor of developing and transitions countries was approved in 2009 when it was proposed a second part of voice realignment, reviewing the quota shares percentages to 3% in favor of developing and emerging countries what was finally approved in 2010.

The first part of the reform consisted in a share increase in basic votes to emerging and developed countries. The second part consisted in share realignment in favor of those countries. The second part of the reform was the one negotiated in the Pittsburg G-20 summit between developed and developing countries.

The executive board of the Bank affirms that considering the two parts of the voice reform a total of 4,5% of quota share percentage was reviewed in favor developing and emerging economies, reducing proportionally developed countries voting shares. A compromise of reviewing the member's shares in light with agreed principles and an agreed formula was also reached, for future reforms.

A capital increase of US\$ 58 billion was also approved to IBDR and by September 2015, the last report of the Bank about the progress of the reform affirmed 68% of the total increase of capital had been allocated. Also, 95% of share subscription of the first part of the reform and 80% of the second part of the reform had been allocated¹⁰ by that time (WORLD BANK, 2015).

In what refers to the IMF reform, after the final agreements in the G-20 Seoul Summit in 2010, it was put to the vote of the Board of Governors¹¹, being part of the 14th general reform of the institution¹² (G-20, 2010).

3/5 of votes or 85% of total quota shares percentages were needed so the reform could be approved, but it took five years so it was finally approved by the U.S. Congress, when it came into force. That happened because as said above, the U.S. has veto power in IMF, with about 16% of the total quota share percentages, so if it does not vote decisions stall and if it gives a negative vote decisions are whittled down.

U.S. delay was caused by the American legislation which only validates international agreements made by the executive once they are discussed and voted into Congress. Levy (2014) states that despite the presidency's efforts in trying to pass the reform in the Congress it had been deferred continuously over the years, frustrating emerging economies' expectations (LEVY, 2014).

¹⁰ Voting realignment was based in an executive board authorization of capital increase in favor of emerging and developing countries' shares. Once this authorization was voted and approved by the states, countries could subscribe capital to guarantee more voting power.

¹¹ In which all member-countries may vote.

¹² The IMF has been conducting reforms on its institutional structure along the years. The emerging countries agreed on a limited 14th general reform so they could advance on greater proposals in further reforms (UCHOA, 2014).

Final remarks

The recognition of G-20 as the main forum of global economic governance was a strategical action engendered by developed countries to co-opt developing and emerging economies to a project of joint political coordination that would benefit the former on taking advantage of the latter's better economic situation.

The United States was the leader of the strategy of coopting the emerging countries' claim to more power in decision-making within the international financial institutions. This cooptation would guarantee the U.S. reinforced its hegemonic control of the international financial architecture, whose fundamental pillars are the IMF and the World Bank.

In practice, the reform would reduce the discredit of those institutions after the orthodox and recessive policies demanded as loan conditionality during the external debt crisis of developing countries along the 1980's and the 1990's. Key in the reforms process, was the superpower aim to strengthen the IMF and IBRD loan capacities with capital contribution from emerging economies so those institutions could be utilized as crisis' managers. It was clearly designed to reinforce those institutions legitimacy and drive the attentions to the efforts of crisis overcoming and not to the reasons that led to its broke out, in an effort to ease the politicization of the issue of unsound American domestic financial regulation as the cause of the crisis (KAMEL, 2014).

These evidences show the hypothesis raised in this work can be sustained: the U.S. conducted IMF and IBRD reform to reinforce the legitimacy of those institutions to keep the American power over them, deviating attention from the American weaknesses – the financial regulation – and avoiding dissent among major powers. For this last stance, IFI's were particularly important for their roles in prompting norms and procedures for international action and coordination for the crisis overcome. This view is in line with Cox's analysis on international institutions. According to the author, international organizations are founded by the hegemonic state and kept under its control as a way to maintain consensus in the economic world governance, which is the basis of its hegemonic power. (COX, 1981).

International institutions are important to sustain a hegemonic world order because they bring dissent to an instance of power that can be instrumentalized by the hegemonic state to achieve consent without using coercion. Therefore, international organizations enable the hegemonic state to use dialogue, negotiation, and political pressure as tools for achieving consensus.

Again, in line with Cox (1981), it is a function of international institutions as hegemonic instruments to offer limited concessions to absorb claims and include them into the rationality that sustains the hegemonic power. It can perfectly be seen in the way the reform was conducted: even it has rebalanced the economic forces in the international financial system, ranking up BRIC to the top ten major IMF shareholders, and renewing the representative board of the institution, the U.S. did not lose any power influence in the IFI's.

Further investigations should inquire the impact of the IMF reform delay in the legitimacy of U.S. hegemonic control over the multilateral financial institutions and how it could possibly have guided emerging countries to engage in building up alternatives out of the American hegemony of the international multilateral system, such as the foundation of the Asian Bank of Investment and Infrastructure, the New Development Bank and the Contingent Arrangements Reserve; institutions founded by China alone and the BRICS countries in 2015, after five years of wait for the U.S. approval of the IMF reform.

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