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Global Financial Architecture Transformation

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The modern global financial architecture was designed in 1945 at the Bretton Woods Conference. And the key actors in the global financial policy resulting from this conference that emerged were the International Monetary Fund (IMF), the World Bank and other “development institutes”. However, one should keep in mind that the aforementioned institutions were created with the purpose of providing aid to already developed countries, with involvement of their own capital. No one even mentioned any interests of developing and “third world” countries back then. Only after 1960 the global community realized the necessity to provide financial aid to those African and Latin American countries that had freed themselves from colonial dependence, and founded the International Development Association (IDA) and a number of other regional banks. Nevertheless, when certain decisions on international lending or related to changing international currency and lending relations, the leading role has been played and is still played by the IMF.

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The leading role of the IMF is explained by traditional domination of the USA in the charter capital of the organization. An IMF quota is established on the basis of the weight of a country's economy in the world – the larger the economy (integrated index), the greater is its charter capital contribution and the greater its voting power. So, to pass a resolution at the Fund, 85% of

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votes of all shareholders are required. The USA hold 17% of the capital, correspondingly, they have the power to veto any decision they do not like. For comparison, the size of the Russian IMF quota is only 2,7%, which shows a lack of any significant voting power and a need to enter coalitions with other countries to balance votes. This situation is no longer acceptable to the Russian side, considering the fact that since the start of the SMO, the IMF has turned into a forum for discriminating Russia, which was banned from exchanging SDR for US dollars, denying it the opportunity to get 12,3 billion in SDRs ($17,5 billion) from the fund, dedicated for support of national economies and fighting COVID-19. Other countries got their money, but not Russia.

At present, the countries have not made any decisions in relation to a review of new quotas for member countries. In its search for new financing sources, the IMF is no longer focused on the USA, European countries or Japan, but the fund has addressed such countries as China, Brazil and India, which in their turn are striving to drastically increase their country quota sizes. On the other hand, the aforementioned countries form the BRICS, which also has its own financial tool – the New Development Bank – where it is proposed to establish a new payment instrument, similar to the SDR.

Over almost 80 years that have passed since the Bretton Woods Conference, the balance of economic powers shifted radically. Today formerly developing economies of India, China and Brazil are in Top -10 economies of the world as per the UN data (2023), when their IMF quotas are still incomparably small. The USA are in no hurry to change this proportion. If in 1990 the share of developing markets amounted to 40% of the global GDP, then by 2030 it will be at least 60%.

It is noteworthy, that it is China that is named in strategic US documents as a threat to the country in the near term. That’s why any union of Russia with China, especially from the financial angle, is perceived by the American side as rather painful. Essentially, there has been a paradigm shift in the world of international finances. The IMF is no more the only global lender: the arena now features such other players as Chinese development banks, for example, the Asian Infrastructure Investment Bank, including 93 member countries. China, India and Russia are its three largest shareholders with 26,06 %, 7,5 % and 5,92 % of votes correspondingly. Those developing countries that are in dire need of loans now have a choice.

The political elite of Russia, having realized the need to look for alternative mechanisms for financial dialog at the world stage, has reviewed its views on the role and place of Russia in international financial and non-financial organizations, and is a direct participant in development of a new international financial architecture. So, for example, A. Shokhin, President of the Russian Union of Industrialists and Entrepreneurs, has proposed to set up an international liquidity fund and a settlement currency unit with yuan, rupee and gold in its basket. These activities could be promoted with SCO, EAEU and BRICS partners.

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Russia is envisioning its future in connection with a broad range of countries of the world. Moreover, the Foreign Policy Concept of Russia highlights building a special and privileged strategic partnership with India and China at the background of development of a broad integration circuit – the Greater Eurasian Partnership.

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