Geoeconomics

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Rebalancing for Resilience at the IMF and World Bank

A Capital Framework

U.S. Treasury Secretary Scott Bessent called for deeper collaboration with and a renewed leadership role for the U.S. at the IMF and World Bank during his keynote address at the International Institute of Finance Global Outlook Forum on April 23, 2025. He encouraged these institutions to refocus on their core missions to restore fairness to the international system. He noted that successive American Administrations had relied on faulty assumptions that "trading partners would implement policies that would drive a balanced global economy." Now that the Administration is attempting to rebalance U.S. economic policy across the board, a systematic approach to achieving a policy rebalance at multilateral institutions to improve international economic resilience may be in order.

The IMF may be the most logical starting point. A two track approach focusing on resource collateralization and fiscal reforms with specific gates established to ensure private sector expansion, complemented by dollarization as appropriate, would further longstanding U.S. foreign policy goals to stabilize and expand free markets. The U.S. Treasury Department can take steps to work together with the IMF to stabilize the finances of resource rich countries with chronic economic instability issues related to inflation or currency fluctuation. Steps can include openly provisioning IMF support conditioned on specific, uniform, and verified fiscal reform milestones paired with resource collateralization would be sufficient to satisfy this approach. This approach, a "capital framework," would enable dollar collateralization of resources to ensure financial stability, combined with terms to ensure private sector resource ownership and development to expand capitalism at the expense of state owned enterprises.

Dollarization

Dollarization may be an additional logical step in many cases. This is a path not traditionally recommended by the IMF, however, the U.S. could utilize its key role as the leading IMF stakeholder to advocate successfully for this approach, which would end currency run induced instability for countries adopting the dollar. Financial stability is expanded because dollarization would mean the end of exogenous shocks immediately and severely affecting emerging market economies that dollarize.

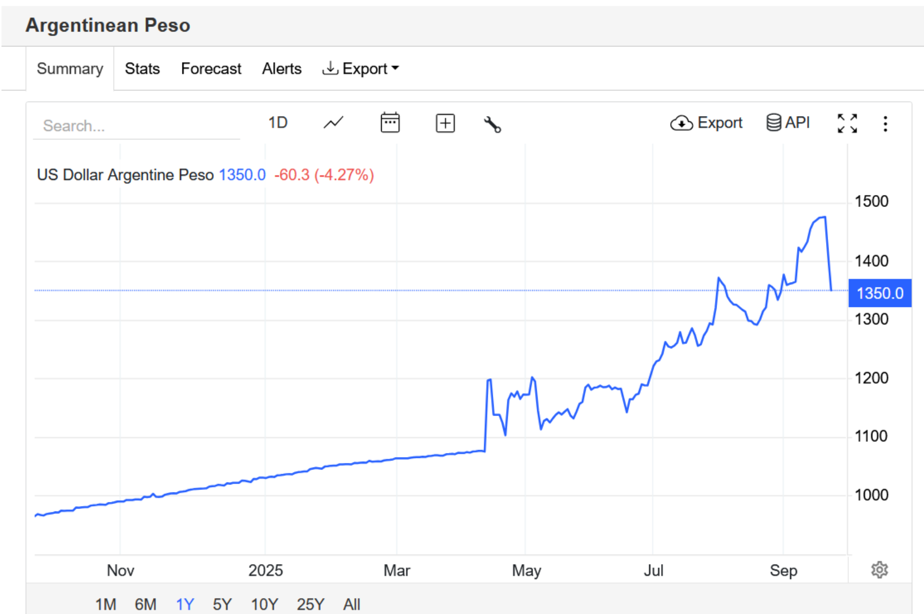
Current dollarized countries include Panama, Ecuador, El Salvador, and Palau. This list could be expanded, and the U.S. could facilitate this through the Department of the Treasury and the Office of the Executive Director of the IMF.

Argentine President Javier Milei has publicly advocated that his country be added to this list, but current economic challenges such as negative net foreign exchange reserves combined with the political challenge of a majority opposition control of the Argentinian congress make dollarization unfeasible in the short term. Without a source of significant exports that could be collateralized, such a significant economic change could not occur.

Fortunately, such a source exists in the form of the vast Patagonian shale deposit Vaca Muerte and a significant copper, silver, and gold discovery announced in 2024 by the Vicuña Corporation, a joint venture between BHP and Lundin Mining to develop the Josemaría and Filo del Sol deposits straddling the Chile–Argentina border, which can be collateralized to support national economic aspirations.

This can be a model from Tierra Del Fuego to Cape Horn. Multiple opportunities exist worldwide to catalog critical mineral deposits and energy reserves, and collateralize them to support national aspirations.

Returning to Argentina, which has expressed a direct interest in dollarization, the IMF just finalized provision of a $20 billion, four year Extended Fund Facility (EFF) for Argentina with an explicit goal to "catalyze a timely re-access to international capital markets." However, dollarization is not currently part of this plan. Under a Capital Framework the EFF would also include dollarization, per the previously stated goal of both the President and Finance Minister of Argentina.



https://tradingeconomics.com/argentina/currency

Delay is only causing additional unnecessary economic disruption as the Argentinian peso experiences a market rout caused largely by macro factors beyond the control of the government, leading to a reported request for direct assistance to the U.S. Treasury Department from the Argentine President, above and beyond what is being provided by the IMF. While this rout has been temporarily stabilized by public expressions of support by Secretary Bessent on September 22nd for the Argentinian peso, a long term solution is available.

A combined effort by the Department of the Treasury and the Office of the Executive Director of the IMF, could be utilized in this case to support Argentina's quest for dollarization in support of its in extremis request for financial support.

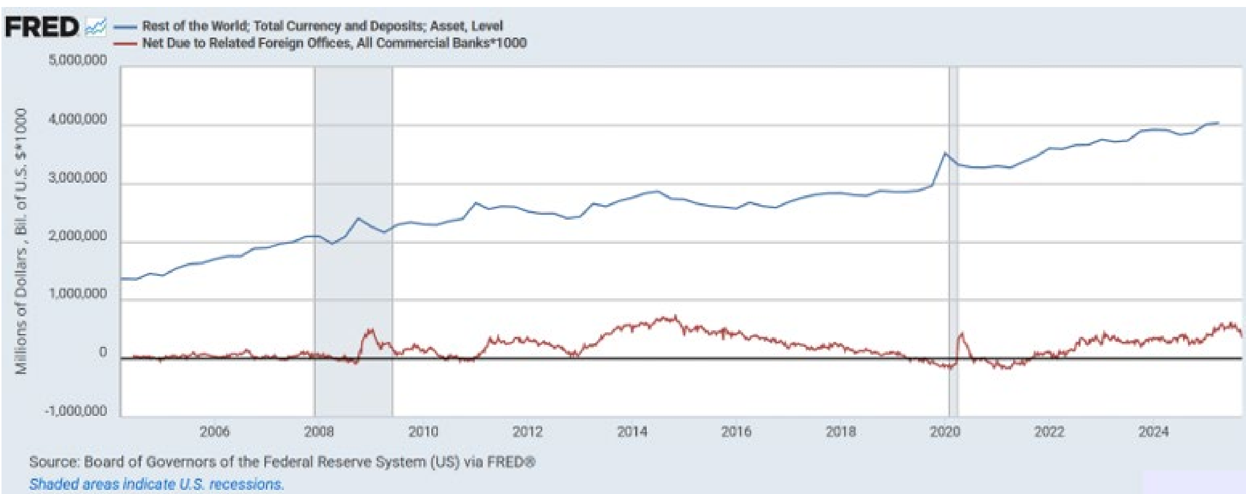
Such an outcome would also support U.S. interests in moving Argentina structurally away from China, which has provided in $18 billion swap line and owns significant interests in the country's oil and lithium mining operations, while providing significant port, nuclear power, and rail infrastructure development financed through the Belt and Road Initiative.

Argentina has experienced on average 60% annual inflation since 1940. This represents a fundamental politico-economic issue that it is in the U.S. interest to resolve in order to stabilize this critical mineral and commodity exporting powerhouse in the Western Hemisphere. Dollarization is therefore in the U.S. interest as well as that of IMF stakeholders.

Additional commodity exporting nations are candidates for dollarization worldwide, and proving dollarization feasibility in Argentina would be a significant test case to validate this approach.

Benchmarked Reform

While every country is unique, developing fiscal and regulatory benchmarks to apply globally to ensure consistent application of proven productive formulas is key to success. Private sector economic participation could be expanded through U.S. influenced IMF regulatory reform, e.g. tax reduction, regulatory reform, capital control liberalization, preventing the transfer of IMF loans to state owned enterprises, and requiring and confirming by audits that they be used only for central bank operations, payment of non-state owned enterprise government operations, or for pass through to the private sector.



https://fred.stlouisfed.org/graph/?g=IRl

Over time the level of total global currency deposits has been steadily rising. However, the individual currency value of these deposits has significantly fluctuated, due in large part to internal economic policies. Currency fluctuation and high inflation cause economic distress and affect political outcomes. When policies are aligned with economic best practices in a given country attempting reform, IMF provision providing proactive economic support to mitigate externally produced fluctuation can support continued reform.

Argentina, was ranked number 126 of 190 in the World Bank Ease of Doing Business rankings for 2020 (the most recent year available), just ahead of the Islamic Republic of Iran. Business taxes were previously estimated to be 106% of profits according to the Industriales Pymes Argentinos (IPA), double that of Mercosur neighbors. Argentina had 167 separate taxes when President Milei was elected in 2023, and he announced the elimination of 90% of them in December 2024, together with an end to currency controls. Tax reform was written into the April 2025 agreement with the IMF. President Milei is attempting wholesale reform. This progress could be recognized by an updated World Bank Ease of Doing Business Ranking, but perhaps more impactful globally, the steps taken in Argentina could be recorded and inform development of benchmarks which could be globally promulgated as a condition for IMF support.

Ensuring benchmarks are developed and consistently applied by the IMF in the over 40 countries where it currently provides significant support could be highly effective in affecting stabilization and steady growth, and may warrant extensive examination by the Office of the Executive Director of the IMF.

Unity of Effort

IMF and World Bank efforts can be aligned to ensure unity of effort, which will in turn vastly increase the chances of success for both. E.G. The World Bank Mission 300 initiative is investing billions to provision electricity to over 300 million Africans by 2030. While the World Bank's International Finance Corporation and Multilateral Investment Guarantee Agency are providing incentives and guarantees, strong support from the IMF to ensure that internal structural reforms to support this initiative are extant in participating countries can also contribute significantly to its success.

Unity of effort will be required on the U.S. side between the Department of the Treasury and the Office of the Executive Director of the IMF to ensure that this occurs.

Unity of effort between the Office of the Executive Director of the IMF and the Federal Reserve, Department of State, and other U.S. agencies as coordinated by the Treasury Department can also support foreign policy goals. The U.S., as the largest shareholder of the IMF, must at minimum maintain its position regardless of diplomatic pressure or rationalizations from other countries to redistribute voting shares in this critical organization. The global financial system is dollar based, and the Federal Reserve plays an irreplaceable role in it beyond the IMF as the lender of last resort, most recently demonstrated in the Global Financial Crisis of 2008. It is clearly in the interest of countries advocating for a multi polar world for the American position to be diluted, and these countries should be blocked in their efforts from accomplishing their goals in this regard.

State, Treasury, and the Office of the Executive Director of the IMF can also coordinate to block strategic competitors from utilizing their positions as IMF officers to commit economic espionage or circumvent strategic international projects in a world at war.

Capital Framework Review

The American effort to rebalance global trade can be supported through a Capital Framework to complementarily rebalance multilateral institutions. This framework could include a dual track approach on resource collateralization and fiscal reform, aligned with the core missions of the IMF. The approach would include strengthening American leadership throughout these institutions to ensure unity of effort between them, the standardization of benchmarked reform introduction into national agreements with multilaterals, and the exertion of American executive authority as necessary to ensure foreign policy was not being compromised from within these institutions. This approach could be complimented on an opportunistic basis with dollarization as policy to stabilize allied emerging market economies.