The U.S. Opposes the IMF to Create Liquidity to Help Countries

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Washington blocks a new Special Drawing Rights issuance because it would give avenues of funding for Iran and China.

The United States Thursday rejects the possibility that the International Monetary Fund (IMF) creates liquidity by issuing Special Drawing Rights (SDRs) and argued that such nominal currency will not be effective in solving the pandemic-induced economic crisis.

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"A number of IMF countries support a general delivery of SDRs to the membership. In our view, an SDR allocation is not an effective tool to respond to urgent needs," the U.S. Treasury Secretary Steven Mnuchin said.

To justify his nation's stance, he mentioned that 70 percent of the SDRs would go to the G20 countries, "most of which do not need it," while all low-income countries, including those facing Balance of Payments (BOP) needs, would only receive the 3 percent.

To meet the poorest countries' needs, Mnuchin holds that it would be better to "strengthen" with additional funds the IMF existing instruments, that is, its mechanisms to grant loans.???????

Internationally renowned economists, politicians such as the U.K.’s former PM Gordon Brown, and international charities have recently asked the IMF to issue SDRs as it did during the 2009 financial crisis when it allocated US$250 billion to its members.

“The move was first floated by IMF Managing Director Kristalina Georgieva last month… But Washington, the IMF’s dominant shareholder, is blocking an allocation because it would give new avenues of funding for Iran and China,” Reuters commented.

The nominal value of the Special Drawing Rights fluctuates according to the price of the ???????world's main reserve currencies, namely the Chinese yuan, the U.S. dollar, the Euro, the British pound, and the Japanese yen.???????