

World Bank, IMF heads urge US, China to play by trade rules

11/10/2018 09:02 by admin

Leaders of Southeast Asian nations were also gathering in Bali for finance-related meetings, as finance ministers of the Group of 20 industrial nations and officials from the Group of 24 developing economies.

Earlier in the week, the IMF downgraded its global economic outlook, forecasting growth will be 3.7 per cent this year rather than its earlier estimate for 3.9 per cent growth.

Indonesia: The heads of the World Bank and IMF on Thursday urged the US and China to play by world trade rules and de-escalate a dispute over Beijing's technology development strategy that threatens to do lasting damage to the global economy.

Christine Lagarde, managing director of the International Monetary Fund, said she would advise Beijing and Washington to cool down, fix aspects of the world trading system that need fixing and "don't break it."

Lagarde and World Bank President Jim Yong Kim spoke separately on the sidelines of the lenders' annual meeting in a resort zone of the tropical Indonesian island of Bali.

The event brings together finance ministers and central bankers from many economies, amid tight security: a line of armed personnel carriers were lined up alongside a beach path and access to the area was tightly controlled.

Asked about the escalating dispute between the US and China, Lagarde said that so far there had been no "contagion" of major damage from penalty tariffs imposed by the two countries on each other's exports, but that they do risk hurting "innocent bystanders."

Lagarde said her advice was in three parts: "De-escalate. Fix the system. Don't break it." The rules-making World Trade Organization, based in Geneva, has ways of addressing US complaints that China's policies unfairly extract advanced technologies and put foreign companies at a disadvantage in its push to dominate certain industries, she said.

But she added that the WTO does need to work on addressing issues like subsidies. "Our strong recommendation is to escalate work for a world trade system that is stronger, that is fairer and is fit for the purpose," she said in opening remarks.

Lagarde also, somewhat obliquely, said policies aimed toward an excessively "dominant position" were not compatible with free and fair trade.

Earlier in the week, the IMF downgraded its global economic outlook, forecasting growth will be 3.7 per cent this year rather than its earlier estimate for 3.9 per cent growth. It also issued reports on government finance and financial stability that warn of the risks of disruptions to world trade.

Kim said the World Bank was working with developing countries to prepare for a further deterioration. If tariffs were imposed to their most extreme limits there would be a "clear slowdown and the impact on the developing countries would be greater," he said. "Trade is very critical because that is what has lifted people out of extreme poverty.

"I am a globalist. That is my job. That is our only chance of ending extreme poverty. We need more trade not less

trade,â€• he said.

Kim said the bank had offered help to Indonesia for its recent earthquake and tsunami and other disasters. The people gathered in Bali for the meetings got a taste of such hazards themselves with an overnight earthquake that shook hotels in the resort area cordoned off for the event. Indonesian officials said the worst damage occurred on Java island. There was no evidence of severe damage in the area near the finance meetings.

Bali, a popular tourist destination, reflects both the positive and negative aspects of Indonesiaâ€™s own rapid development over the past three decades â€” Lagarde praised the democratic, Muslim-majority country of 260 million for making huge progress in improving its finances and fostering strong growth. But the byproducts of the tourist boom in largely Hindu Bali have been significant inequality and environmental damage.

The annual meetings take place at a time of growing concern over trends other than trade, such as moves to raise borrowing costs in the US and some other regions to help cool growth and keep inflation in check. Rising interest rates are drawing investment flows out of emerging markets in Asia and Latin America at a time when growth in their exports is likely to slow.

Argentina and Pakistan are among countries grappling with potentially destabilising financial woes. Concerns are growing, also, over slowing growth in China and rising debts among some developing countries resulting from projects associated with Beijingâ€™s â€œBelt and Road Initiativeâ€• to develop ports, roads and other infrastructure.

On Monday, Pakistan Finance Minister Asad Umar said the country would seek a bailout loan from the IMF to address its mounting balance of payments crisis.

Asked about whether such help might amount to a â€œbailoutâ€• for Chinese loans, Lagarde said she had not yet seen a formal request for help but thought she might receive one later in the day when meeting with Umar. Any such help would have to be completely â€œtransparent,â€• she added.

â€œIn whatever work we do we need a complete understanding and complete transparency about the nature of a debt that is bearing on a country,â€• she said.

Leaders of Southeast Asian nations were also gathering in Bali for finance-related meetings, as finance ministers of the Group of 20 industrial nations and officials from the Group of 24 developing economies. The meetings include sideline events staged by non-governmental organizations.

- AP