

IMF members to push spending, revive trade to boost growth



World Bank President Jim Yong Kim, centre, talks to Finance Minister of Indonesia Sri Mulyani, left, and International Monetary Fund Managing Director Christine Lagarde during the IMF/World Bank annual meetings in Washington on October 8.

REUTERS, Washington

The International Monetary Fund's member countries on Saturday pledged to revive flagging global trade, boost government spending and remove barriers to business to fight weak growth that has left too many people behind.

The pledge came as world finance leaders fretted over a rising populist backlash against trade and globalization at the IMF and World Bank annual meetings in Washington.

"The persistently low growth has exposed underlying structural weaknesses and risks further dampening potential growth and prospects for inclusiveness," the Fund's steering committee said in a communique.

Britain's vote in June to leave the European Union, U.S. Republican presidential candidate

Donald Trump's anti-trade rhetoric and a global slowdown in trade volumes have prompted policymakers to try do a better job selling the benefits of global economic integration to the general public.

The International Monetary and Financial Committee said uncertainty and downside risks to the global recovery were elevated, and that it was increasingly threatened by protectionist policies and stalled reforms.

"We reinforce our commitment to strong, sustainable, inclusive, job-rich and more balanced growth. We will use all policy tools - structural reforms, fiscal and monetary policies - both individually and collectively," it said.

The steering committee, made up of people who represent the fund's 189 member countries, also included a pledge to "design and imple-

ment policies to address the concerns of those who have been left behind and to ensure that everyone has the opportunity to benefit from globalization and technological change."

IMF Managing Director Christine Lagarde has been urging countries to do more to boost growth, spending more on infrastructure and education where possible and relying less on loose monetary policy that is already reached the limits of its influence. She also has sought more pro-market reforms in many countries.

"We certainly decided to come up more loudly on this occasion to say, 'central bankers cannot be the only game in town,'" Lagarde told a news conference. "Let's get on with it and see some action on the part of the other authorities as well."

The members repeated their pledge to refrain from competitive currency devaluations, to not target exchange rates for competitive purposes and to clearly communicate their policy stances.

"We will also redouble our commitment to maintain economic openness and reinvigorate global trade as a critical means to boost global growth."

In addition, the IMF panel said it would "intensify" efforts to deal with bad loans and other financial sector problems left over from the last financial crisis in some advanced countries. The pledge comes as questions over Deutsche Bank's financial health also prompted considerable discussion around the talks.

The IMF statement said that 26 member countries had pledged \$360 billion in bilateral financing that can be used to supplement the Fund's normal lending resources.

The members agreed with Lagarde's proposal to delay the next review of the Fund's "quota" shareholding system by about two years. They pledged to complete the review by no later than October 2019, compared with an original timetable for completion in 2017.

The last quota review, completed in 2010 but only ratified by the US Congress in late 2015, resulted in a greater share for China, Brazil and other major emerging market economies.

Brexit 'clouds' eurozone growth outlook: Draghi

AFP, Washington

European Central Bank President Mario Draghi on Saturday said Britain's recent vote to leave the European Union "clouds" the medium-term outlook for growth in the eurozone.

Draghi spoke in Washington as the World Bank and International Monetary Fund wound up annual meetings, where popular resentment against globalization -- typified by the Brexit vote in June -- was a prominent topic.

"Many speakers have noted that the short-term effects of the outcome of the UK referendum were less dramatic than people expected," he said.

"To think that there wouldn't be any

consequence would be probably to hope for too much," said Draghi, noting that the consequences would depend on the length of time needed to finalize British secession from the EU.

"But certainly it's another of these political uncertainties that clouds the outlook for growth."

His remarks appeared to be an implicit acknowledgement that participants in the meetings had privately discussed the British pound's "flash crash" on Friday against the US dollar on currency markets.

The pound dropped sharply Friday on Asian currency markets, losing 6 percent against the dollar before regaining some of the lost territory.



European Central Bank President Mario Draghi addresses a news conference at the ECB headquarters in Frankfurt, Germany.



Fifth from left, Ricky Thirion, treasurer of Etihad Aviation Group, poses with the members of his treasury team after winning honours at the 2016 Middle East, African and Islamic Finance Aviation 100 Awards held in Dubai.

BOJ's Kuroda vows to cut rates, buy more assets to fight shocks

REUTERS, Washington

Bank of Japan Governor Haruhiko Kuroda said on Saturday the central bank will deepen negative interest rates or expand asset purchases if external shocks hit the economy and make the need for further monetary easing "substantial."

But Kuroda said he saw no immediate need to top up stimulus with the world's third-largest economy continuing a moderate recovery.

"The economy moves up and down and at this stage, we don't think it's necessary to further reduce" interest rates, Kuroda said at a seminar at Brookings Institution.

"But if there is a big shock and we need to further strengthen our monetary accommodation, we'll do more," he said, stressing that the BOJ won't hesitate to deepen negative rates or expand its already massive asset purchases.

Kuroda said that while the BOJ did not target currency rates in guiding monetary policy, the central bank was monitoring yen moves carefully due to their impact on the economy.

Asked whether it caused problems for the BOJ for the yen to be sought as a safe-haven currency, Kuroda said: "It's not a serious problem, but a problem from time to time as it could result in excessive (yen) appreciation and disrupt markets."

Sources have told Reuters the BOJ would deepen negative rates to thwart any sharp spikes in the yen, which it sees as an obstacle to stoking inflation and economic growth.

But analysts doubt how much ammunition the BOJ has left to counter external headwinds with negative rates hurting bank profits by pushing down their already thin margins.

Kuroda, who spoke after attending the

annual International Monetary Fund meetings, said there will be no significant changes in the management of the central bank's balance sheet under its new framework.

The BOJ last month switched its policy target to interest rates from the pace of money printing, after years of massive asset purchases failed to jolt the economy out of decades of stagnation.

Under a new "yield curve control" (YCC) framework, the BOJ's main means for easing would be to deepen negative rates from the current minus 0.1 percent, or lower its new 10-year government bond yield target - now set at around zero percent.

Some analysts saw the move as laying the grounds for a future tapering of the BOJ's huge balance sheet.

Kuroda said while the BOJ will keep buying bonds at the current pace for now, it may reduce the amount "significantly" in the future as long as the yield target can be met. The BOJ could also reduce the pace of bond buying if 10-year yields fall well below its target, he added.

"Even if the amount of our asset purchases declines or increases, that doesn't matter as long as we continue to control the yield curve as appropriate," Kuroda said.

Kuroda played down the likelihood the BOJ would resort to what he called "helicopter money," where the central bank directly finances government spending by underwriting bonds. But he stressed the benefits of close fiscal and monetary coordination to beat deflation.

"By continuing an extremely accommodative monetary policy, fiscal stimulus could be even more effective because we can avoid interest rate hikes" caused by increased fiscal spending financed by government debt, he said.

"This kind of synergy, or what you can call a policy mix, could be quite useful."

India to re-auction unsold airwaves when telcos' fortunes improve

REUTERS, New Delhi

India said on Friday it will consider re-auctioning mobile phone spectrum that remained unsold in a sale this week when the financial situation of its telecoms companies improves.

The government raised \$9.9 billion from a spectrum auction that ended on Thursday, but there were no takers for the most-efficient yet priciest 700 megahertz band of airwaves and only 40 percent of the total on offer was sold.

Indian telecoms services are among the cheapest in the world, making margins relatively lower than elsewhere and putting pressure on carriers' finances, with local ratings agency ICRA forecasting their combined debt to rise to 4.25 trillion rupees (\$64 billion) after funding the latest sale.

"If their financial situation is not good, and they can't buy it now, what is the guarantee that they will be able to if we do another auction immediately," Telecoms Minister Manoj Sinha told reporters, when asked about the unsold airwaves.

"So, we will take the appropriate decision at the appropriate time."

Protectionism a scourge? Maybe not in Africa

AFP, Washington

World economic leaders gathered in Washington this week to defend globalization, delivering a single message in unison: Protectionism will not save you.

But this glosses over the plight of Africa, which is sinking further into poverty despite years of free trade.

According to the International Monetary Fund, which held its annual meetings this week with the World Bank, growth in Sub-Saharan Africa is in free-fall this year, with a growth rate of 1.4 percent, down from 3.4 percent in 2015, its lowest in a quarter-century.

The regional economy will therefore grow more slowly than the population, at the risk of deepening poverty in a region already home to more than half of the 766 million people on earth who live on less than \$1.90 a day.

"I am actually concerned about Sub-Saharan African countries," said IMF Managing Director Christine Lagarde.

As the most rarified circles of economists gathered this week to ponder globalization's failures, the African region seems to offer a prime case in point.

Despite opening its economies and the explosion of trade with China, Sub-Saharan Africa is the only region in the world to have actually seen the number of people living in extreme poverty rise since 1990.

"The growing number of the poor

in Sub-Saharan Africa stands out as an exception," the World Bank said in a recent report.

With a recession in Nigeria, ravaged by the collapse of crude prices, virtual stagnation in South Africa and a booming Ivory Coast, where this year's growth rate is forecast at 8 percent, circumstances of course vary widely depending on the country.

Climate, security situations and political instability can also weigh heavily on economic outlooks.

But, according to NGOs, the region's general prognosis primarily reflects the failure of full-borne free trade, brought in by the structural adjustment plans of the 1980s and 1990s and the World Trade Organization.

"Africa did well in recent years because prices for oil and other raw materials climbed higher," Antonio Gambini, of the National Center for Development Cooperation, told AFP.

"But prices have collapsed and with the free trade imposed on them these countries spiraled downwards because they were unable to diversify," he added.

Contrary to the traditional prescriptions, a dose of protectionism could help African countries shore up their economies, sheltered from foreign competition.

"If we want to see a more inclusive global growth than it has to have a space for protection," said Max Lawson of Oxfam GB.

"It's just not as simple as more free

trade means less poverty," he added.

Some Asian countries, such as Vietnam, South Korea and Taiwan, built their own economic expansions on strong exports and severe restrictions on imports to protect their domestic markets.

On the African continent, Ethiopia, which is forecast to see strong growth in 2016 of 6.5 percent, has jealously guarded its own telecoms and financial sectors.

Makhtar Diop, World Bank vice president for Africa, still has no faith in inward-looking trade policies.

"In times of crisis, there's a protectionist reflex because we think it's the answer but all the evidence shows that international trade has been a factor in development," he told AFP.

According to Diop, a former Senegalese finance minister, the region's persistent poverty is tied to poor revenue redistribution policies, particularly when oil was above \$100 a barrel.

Once in place, protectionist barriers are hard to remove because they are supported by interest groups seeking to preserve their advantages, he said.

"We have to find a middle ground," he said, particularly by allowing nascent industries the time to size up foreign competition. But the priority, he said, is to strengthen trade, particularly among African countries.

"Sometimes it's cheaper to export a product out of Africa than to a neighboring country," he said.



Kazi Zeeshan Hasan, director of Kazi Food Industries Ltd, opens the 45th outlet of Kazi Farms Kitchen at Mirpur 11 in Dhaka. Zakaria Hossain, head of marketing, and Mizanoor Rahman, head of sales, were also present.