
LAGARDE SAYS GLOBAL ECONOMIC OUTLOOK DARKENING BY THE DAY

- 12.06.2018

EurActiv (12 June 2018)

International Monetary Fund chief Christine Lagarde led an attack by global economic organisations on US President Donald Trumps America First trade policy on Monday, warning that clouds over the global economy are getting darker by the day.

Trump backed out of a joint communique agreed by Group of Seven leaders in Canada at the weekend that mentioned the need for free, fair and mutually beneficial trade and the importance of fighting protectionism.

The US president, who has imposed import tariffs on metals, is furious about the United States large trade deficit with key allies. Fair trade is now to be called fool trade if it is not reciprocal, he tweeted on Monday.

In response, Lagarde unleashed a thinly veiled attack on Trumps trade policy, saying challenges to the way trade is conducted were damaging business confidence, which had soured even since the weekend G7 summit.

The Washington-based IMF is sticking to its forecast for global growth of 3.9% both this year and next, she said, before adding: But the clouds on the horizon that we have signalled about six months ago are getting darker by the day, and I was going to say by the weekend.

The biggest and darkest cloud that we see is the deterioration in confidence that is prompted by (an) attempt to challenge the way in which trade has been conducted, in which relationships have been handled and in which multilateral organisations have been operating, Lagarde said.

The IMF managing director spoke after a meeting in Berlin with German Chancellor Angela Merkel and the chiefs of the World Trade Organisation (WTO), the World Bank, the Organisation for Economic Cooperation and Development (OECD), the International Labour Organization and the African Development Bank.

Merkel said on Sunday the EU would implement counter-measures against US tariffs and described Trumps rejection of the G7 communique as sobering and a bit depressing.

Investors are fearful of a tit-for-tat trade war, though markets were relatively calm on Monday after an early wobble.

Stop the escalation

WTO Director-General Roberto Azevedo told the Berlin news conference: We must * stop this escalation of tensions. A tit-for-tat process is not going to be helpful.

He also criticised the United States conduct at the WTO.

The US has been focusing much more on bilateral □ unilateral even sometimes □ measures, which is not something that is support of the rules-based trading system.

They have been complaining about the system, they say that they want to improve the system, but we would expect a more constructive approach on their part, Azevedo said.

Earlier, Germanys economy minister said Berlin saw no immediate solution to the trade row between the United States and other major economies but remained open to talks among friends, seeking to head off a full-blown global trade war.

As Europes biggest exporter to the United States, and with more than one million German jobs at stake, Germany is desperate to avoid an EU trade war with the United States.

I believe a win-win situation is still possible, Economy Minister Peter Altmaier, one of Merkels closest lieutenants, told broadcaster Deutschlandfunk.

At the moment, however, it seems that no solution is in sight, at least not in the short term.

Particularly concerning for Germany, a major car exporter to the United States, is Trumps weekend tweet that Washington is looking at tariffs on automobiles.

The European Commission, which coordinates trade policy for the 28-member EU, aims to target □□□ billion worth of US imports, including bourbon and jeans, with additional 25 percent duties from early July.

Trump starts trade war with allies, Europe to respond 'within hours'

President Donald Trump announced on Thursday (31 May) that the United States would slap tariffs on steel and aluminium from the EU, Canada and Mexico, prompting Europe to say it would respond with counterbalancing measures within hours in what amounts to a trade war with Washington.

It already has broad backing from EU member states, but needs to consult with them in the next couple of weeks.

European Commission President Jean-Claude Juncker, while questioning whether the United States was truly an ally, said the bloc did not want to stop talking with Washington.

We do not want to cut off discussions and further talks will of course need to address the automobile sector, he said.

Kaynak/Source: