

IMF chief urges reform action to address global uncertainty

WASHINGTON, Sept. 24 (Xinhua) -- Prior to the annual meetings of the International Monetary Fund (IMF) and its sister agency the World Bank scheduled for next month, IMF Managing Director Christine Lagarde on Monday called on global policymakers to deliver on their reform promises and help strengthen the economic recovery momentum.

The global economy is still fraught with uncertainty and still far from where it needs to be, Lagarde said at a luncheon event hosted by the Peterson Institute for International Economics, a Washington-based think tank.

"A number of factors are weighing the global economy down. At the center of them all is the element of uncertainty; uncertainty about whether policymakers can and will deliver on their promises," she warned.

"We continue to project a gradual recovery, but global growth will likely be a bit weaker than we had anticipated even in July, and our forecast has trended downward over the last 12 months," Lagarde said before the scheduled release of the IMF's global economic growth outlook next month.

The Washington-based global lender in July projected the global economic growth rate at 3.5 percent for 2012 and 3.9 percent for 2013.

The global economic growth was confronted with a number of challenges including the ongoing eurozone debt crisis, a tepid recovery in the United States, the economic slowdown in emerging markets, and great concerns in low-income countries about rising food prices and volatile commodity prices, added the IMF chief.

The global economic recovery hinges on delivering on the policy commitments that have been made, she stressed.

Europe obviously remains the epicenter of the crisis and where the most urgent action is needed. A strong and effective banking union should be initiated as soon as possible to break the vicious cycle between banks and sovereigns, Lagarde said.

This will require eurozone leaders to deliver on their June 29 commitments, including establishing a single supervisory mechanism and enabling the direct recapitalization of banks, she noted.

In the United States, the immediate concern is the "fiscal cliff" triggered by a dramatic tightening of the deficit next year which would reduce U.S. economic growth by as much as 2 percent, Lagarde warned.

"We all recognize that political calendars impact the timing of key decisions. This is true everywhere. But the current uncertainty presents a serious threat for the United States and, as the world's largest economy, for the global economy," she said.

Some experts worried that a divided U.S. Congress would fail to address challenges including looming tax increases and spending cuts set for next year, which would significantly hamper U.S. economic growth -- a scenario dubbed the "fiscal cliff."

Major emerging economies are seeing slower growth paces, so they must follow through on the actions needed to position themselves as the global growth leaders of the future and address domestic or external vulnerabilities, Lagarde pointed out.

For all emerging economies, the key is to prepare for potential spillovers from other parts of the world, she suggested.

The changing global economy also means that the IMF needs to adapt so that it can better serve the needs of its changing global membership, said the IMF chief.

"We need certainty, not uncertainty. We need decision-makers to be real action-takers. We need delivery," she urged.