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US and China agree to reopen trade talks in October

The US and China have agreed to reopen trade talks next month as concerns grow that the tariff war between the world's two largest economies could tip the global economy into recession. Senior negotiators will meet in early October, after a call on Wednesday night between the Chinese vice-premier, Liu He, and the US trade representative, Robert Lighthizer, and treasury secretary, Steven Mnuchin. Officials from the two countries will hold discussions from mid-September to prepare the way for the talks.

Investors welcomed the news, pushing the S&P 500, the US benchmark stock index, rose by 1.3% and the Dow Jones industrial average ended the day 1.4% higher. Germany's trade-sensitive Dax index closed up 0.85% on Thursday, while France's Cac 40 index rose by 1.1%. Shanghai's CSI 300 index had earlier closed more than 1% higher.

"However, we still don't expect a deal to be reached before the 2020 US presidential elections, and our base case is for a prolonged period of trade tensions."

China's commerce ministry struck a relatively positive tone. "Both sides agreed that they should work together and take practical actions to create good conditions for consultations," the ministry's spokesman, Gao Feng said, in a weekly briefing."Lead negotiators from both sides had a really good phone call this morning. We'll strive to achieve substantial progress during the 13th high-level negotiations between China and the US in early October."

Trump raised tariffs last month on imports from China worth $550bn (£446bn), escalating tensions and adding a new round of uncertainty. The tariff rate on goods worth another $250bn will rise from 25% to 30% on 1 October. Trump imposed 15% tariffs on just under half of China's remaining $300bn in annual imports, including smart speakers and Bluetooth headphones, on 1 September. The remainder will be taxed from 15 December onwards, unless a breakthrough is reached.

China has imposed retaliatory tariffs, including levies on goods worth $75bn last month.

The trade war has raised economists' concerns over a possible recession in the US, with market measures – including the closely followed US government bond yield curve – signalling that a contraction could be on the way. The tariffs already imposed and the uncertainty over the future of global trade caused by the dispute have prompted weaker economic conditions well beyond the US and China.

Factory orders in Germany, the largest economy in Europe, slid by 2.7% month on month in July, according to the country's federal statistical office, almost twice as fast as economists' average expectations. Demand for global airfreight, another indicator of economic activity, contracted by 3.2% year on year in July, the ninth consecutive decline, according to data published on Thursday by the International Air Transport Association (IATA), the global lobby group for airlines.

Britain and EU spar over Brexit as clock ticks down

Three years after Britons voted to leave the EU, hopes of a breakthrough over the terms of its departure have been stoked in recent days by British Prime Minister Boris Johnson saying the shape of a deal is emerging and European Commission President Juncker saying agreement is possible. But diplomats say the two sides are split over London's desire to remove the Irish border "backstop" from the divorce deal struck by Johnson's predecessor, Theresa May, and then work out a replacement in coming years.

The backstop is an insurance policy to keep the 500-km (300-mile) border between Ireland, which will remain in the EU, and the British province of Northern Ireland open after Brexit.

"We both want to see a deal," British Brexit Secretary Stephen Barclay said after talks in Brussels with EU negotiator Michel Barnier. "The meeting overran, which signals we were getting into the detail.""There is a still a lot of work to do but there is a common purpose to secure a deal," Barclay said, adding that Juncker and Johnson also both wanted a deal.

Leaving the EU would be Britain's biggest shift in trade and foreign policy for more than 40 years and deprive the 28-nation bloc of one of its biggest economies. The EU has set a deadline for a deal to be reached by Oct. 31.British parliament has rejected the deal May agreed with the EU. Johnson has said he wants to secure an amended deal at an EU summit on Oct. 17-18 but that Britain will leave the bloc if that is not possible. He will meet European Council Donald Tusk at the United Nations in New York next week. Ireland is crucial to any Brexit solution. Unless the Irish border backstop is removed or amended, Johnson will not be able to win parliamentary approval but Ireland and the EU are unwilling to sign a deal without a solution to the border.

The EU fears a hard border could cause unrest in Northern Ireland and undermine the fragile peace provided by a 1998 peace deal that ended three decades of violence between Irish nationalists seeking a united Ireland, and the British security forces and pro-British "unionists".

The Withdrawal Agreement that was agreed with the EU last November says the United Kingdom will remain in a customs union "unless and until" alternative arrangements are found to avoid the return of border controls in Ireland.

The British government, worried the backstop will trap it in the EU's orbit for years to come, wants to remove it and find a solution before December 2020, when a planned transition period ends.The British pound fell from a two-month high after the Financial Times reported Johnson had told colleagues he did not expect to reach a full "legally operable" deal next month.

"There is certainly a lot of commentary now and some of it is spin I think, in the context of where we are," he told the BBC. "We need to be honest with people and say that we're not close to that deal right now."

"Everybody needs a dose of reality here, there is still quite a wide gap between what the British government has been talking about in terms of the solutions that they are proposing, and I think what Ireland and the EU will be able to support."

Britain said on Thursday it had shared documents with Brussels setting out ideas for a Brexit deal, but an EU diplomat described them as a "smokescreen" that would not prevent a disorderly exit on the Oct. 31 departure date. Coveney, Ireland's second most powerful politician, said a no-deal could lead to civil unrest."Trade across 300 road crossings that has created a normality and a peace that is settled on the island of Ireland for the last 20 years, that now faces significant disruption," he said. "That is what we're fighting for here.

World economic growth is 'fragile'

Former IMF chief, and presumed ECB successor, says central banks must remain predictable..

World economic growth is "fragile" and "under threat," former International Monetary Fund director Christine Lagarde says, and is over-reliant on the actions of central banks. In an interview published late Thursday by Agence France-Presse, Lagarde — who exited her IMF post last week and is in line to become president of the European Central Bank before year's end — also said central banks should be predictable and "stick to [their] mandate."

"A central bank has to do the job that it is assigned to do... they should stick to facts and data so that they could be predictable."

Lagarde urged governments to take a more active role in resolving economic threats on their own, instead of relying on central banks to clean up their mess. "I think central bankers have done an awful lot and were for many years regarded as the only game in town," she told AFP.

Lagarde took over the IMF in 2011, right after the financial crisis, and is credited with helping stabilize the global economy though uncertain times. She gave few hints as to how she may govern the ECB.

While she told AFP that tariff wars and Brexit are the biggest current threats to global growth, she noted that those issues "are manmade and can be man-fixed." "A bit of woman wouldn't hurt," she added. Earlier the Organization for Economic Cooperation and Development downgraded its world economic outlook to the worst growth rate since the financial crisis.

World economy on track for its worst year since 2009, OECD says

This year will be the worst for the global economy since the financial crisis, the OECD has predicted, pointing the finger at the US-China trade conflict but also noting the risks from a no-deal Brexit. The world's economic output will grow by 2.9 per cent in 2019 and 3 per cent in 2020 – the weakest rates since the contraction in 2009 and lower than the OECD forecast in May. The organisation's latest Economic Outlook downgrades 2019 forecasts for 14 out of the world's biggest 19 economies, most heavily for those most exposed to the recent decline in global trade and investment. But it also includes a small downward revision for Britain.

The OECD focused on the trade spat between the US and China, the world's two largest economies, but noted that Donald Trump may also pick a fight with the EU, with a US decision due in the coming months on whether to impose tariffs on car imports.

"The trade conflicts [are] the principal factor undermining confidence, growth and job creation across the world economy," the OECD said. "Continuation of trade restrictions and political uncertainty could bring additional adverse effects."

It went on to single out the uncertainty around the timing and nature of Brexit. Even a "relatively smooth" no-deal departure, with fully operational border infrastructure, could push the UK into recession in 2020 and reduce production in a number of sectors in the EU, the OECD added.

That scenario will set Britain on a slower growth path over the next few years at least, shaving nearly 3 per cent off annual GDP in 2022, while the comparable impact on the euro zone will be a 0.6 per cent loss.

In July the IMF also forecast the slowest global economic growth in a decade for this year. It was still more upbeat than the OECD, pencilling in 3.2 per cent growth, but that was before the latest imposition of tit-for-tat tariffs by the US and China.

OECD urged governments in developed countries to loosen the purse strings in order to support their economies."The global economy is facing increasingly serious headwinds and slow growth is becoming worryingly entrenched," said Laurence Boone, the organisation's chief economist."Governments need to seize the opportunity afforded by today's low interest rates to renew investment in infrastructure and promote the economy of the future."Mario Draghi, the outgoing president of the European Central Bank, said "fiscal policy to take charge" after years of central bankers doing the heavy lifting through interest rate cuts and so-called quantitative easing.

Global economy must be ready for downturn, says new IMF boss

The economist said she was taking charge of the Washington-based organisation at a time when growth was slowing, trade tensions growing and with debt at record levels.

Despite criticism of the way in which the top jobs at the IMF, which lends to countries in distress, and its sister organisation, the World Bank, which seeks to alleviate poverty, remain the fiefdoms of Europe and the US, Georgieva was unopposed in her bid to replace France's Christine Lagarde in the post.

In a statement, Georgieva said: "The IMF is a unique institution with a great history and a world-class staff. I come as a firm believer in its mandate to help ensure the stability of the global economic and financial system through international cooperation. Indeed, in my view, the Fund's role has never been more important."

Georgieva added that she had a "huge responsibility" taking on the job at a time of faltering economic growth, trade tensions and historically high debt levels. She said the IMF's long term objectives included "dealing with issues like inequalities, climate risks and rapid technological change."

Georgieva, previously number two at the World Bank, begins her five-year term next week, in time for the IMF's annual meeting later in the month.

The gathering of finance ministers and central bank governors will be dominated by the need to head off the threat of a global recession, ease the trade tensions between China and the US, and minimise the risks of a no-deal Brexit and the threat to oil supplies from tension in the Middle East.

The IMF is also likely to be questioned over the decision by her predecessor, who is soon to become the head of the European Central bank, to grant a record $56bn loan to Argentina, which is teetering on the brink of debt default.

Under a tacit agreement that stretches back to the creation of the two organisations at the Bretton Woods conference in 1944, America has chosen the head of the World Bank while Europe picks the person to lead the IMF.

Despite growing criticism from developing countries, which account for a much bigger share of the global economy than they did at the end of the Second World War, the tradition has never been broken. Europe raised no objections when Donald Trump nominated David Malpass to run the World Bank earlier this year and the US returned the favour by giving Europe a free run at the IMF.

Nadia Daar, the head of Oxfam's Washington DC office said: "We congratulate Kristalina Georgieva and trust she will be a strong voice in the fight against inequality and an advocate for climate action and gender equality. These issues, which impact heavily on growth, stability and poverty, require strong political leadership from the IMF now, more than ever."

However, raising concerns over the lack of a non-European candidate, Daar added: "We can't overstate the importance of improving the selection process for IMF managing director. The IMF's board calls it 'open, merit-based and transparent', but it is too politicised for a non-European candidate to be nominated or succeed.

"The status quo undermines the legitimacy of multilateralism at a time when we should be demonstrating its strength."