

# World Leaders Meet as Global Economy Faces Multiple Threats

High inflation, food insecurity and a possible global recession loom large as the Group of 20 summit discussions begin.



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BALI, Indonesia — World leaders gathered on Tuesday at a moment of severe geopolitical turmoil, as the global economy slinks toward recession, weighed down by high inflation, a growing scarcity of food and the side-by-side threats of oil shock and financial crisis.

President Biden and his counterparts in many of the Group of 20 nations, which include wealthy countries like Britain and Japan and emerging markets like India and Brazil, are pushing for an aggressive and coordinated response to those threats. They hope to broker agreements meant to dampen global oil prices, help emerging markets escape crushing debt and increase food supplies to poorer nations where the cost of grain, rice and other staples has spiked since Russia's invasion of Ukraine.

But the administration's efforts have hit strong opposition from the two countries that will dominate Mr. Biden's attention at the summit, and that can arguably do the most right now to lift the world's economic outlook: Russia and China.

Russia's war in Ukraine has been responsible for much of the economic uncertainty facing the world, and on Tuesday world leaders called for ending the war and easing global conflict.

President Volodymyr Zelensky of Ukraine addressed the G20 gathering by video link and called again on Russia — whose leader, President Vladimir V. Putin, is not

attending — to immediately withdraw its troops. Russia’s foreign minister, Sergey V. Lavrov, is attending the summit in Mr. Putin’s place.

Repeating his demands for accountability for Russian violations of international law, Mr. Zelensky said that Ukraine would not end its resistance until its territory was restored. “Every day of delay means new deaths of Ukrainians, new threats to the world, and an insane increase in losses due to continuation of the Russian aggression — losses for everyone in the world,” he said.

China’s leader, Xi Jinping, did not directly mention the war in his remarks at the summit but referred to a tense geopolitical environment and disrupted supply chains for food and energy.

“All countries should replace division with unity,” he said, according to a transcript from the Chinese Foreign Ministry. China, which has an increasingly strong partnership with Russia, has not condemned Moscow’s invasion, but this month Mr. Xi cautioned against “the threat or use of nuclear weapons” in the conflict.

It is a pivotal moment for the global economy, as rising interest rates around the world are slowing growth and heightening recession fears. The strengthening U.S. dollar is worsening the debt burdens of developing economies, increasing the chances that government defaults rip through the world financial system like wildfire.

The International Monetary Fund, which downgraded its growth outlook last month, expects global output to remain sluggish this year and in 2023. In its latest projections, the I.M.F. forecast the global economy to grow 3.2 percent this year and to slow to 2.7 percent in 2023. China’s growth appears to have stalled. Countries like Britain are already entering a recession, economic data suggest.

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“Hopeful signs of recovery last year were replaced by an abrupt slowdown in the world economy because of Covid, the war in Ukraine and climate disasters on all continents,” Kristalina Georgieva, managing director of the I.M.F., said in a speech at the Group of 20 meetings on Tuesday.

The World Bank said in a separate report released on Monday that food insecurity remained a major problem despite signs that rising food prices had eased in recent

months. More than 200 million people are projected to experience “severe food insecurity” in 2022.

“Domestic food price inflation continues to remain high in almost all low- and middle-income countries and high-income countries,” the World Bank said. “Despite decreases in global food prices since their peak in April, multiple risks threaten the downward trend in prices.”

Mr. Biden insists that the American economy is strong enough to endure the economic crosswinds. But, as they meet in Bali, Biden administration officials say the United States and its wealthiest allies want to act in concert with poorer nations to soften what could be a protracted downturn — and an especially damaging one for emerging nations.

Rishi Sunak, the new British prime minister, warned in an opinion essay published in *The Wall Street Journal* on Monday that global leaders must find a way to restore the economic stability that has been shaken by Russia’s war in Ukraine.

“Our collective economic security has been threatened by this war. So we need to get on with the job that the G20 was created to do, in stewarding the global economy through the turbulence this act of aggression set off,” Mr. Sunak wrote.

Russia has destabilized food and energy markets by invading Ukraine. A punitive European embargo of its oil that is set to begin next month could drive crude prices skyward and slam consumers already hit hard by soaring price growth. American and European officials are working to finish the details on a program that would allow Russian oil to effectively bypass those sanctions — but only if it is sold at an even steeper discount than the one countries are already demanding from Moscow. Negotiators are hammering out the plan’s final details, including the level of the price cap.

The officials are also hoping to help heavily indebted nations avoid setting off a financial crisis.

Central banks around the world are raising interest rates rapidly, in order to tame the runaway inflation that has been fueled in part by supply shortages prompted by Russia’s war. Those rate increases are helping to strengthen the dollar against foreign currencies, and they are hurting countries like Sri Lanka, Chad and Ghana, which borrow in dollars to bring food, fuel and other necessities to their people.

Administration officials want to push the International Monetary Fund to accelerate debt-forgiveness efforts as more countries come under financial pressure from rate

increases.

Eswar Prasad, a professor of trade policy at Cornell University, said the increased strength of the dollar relative to other currencies was amplifying inflation for countries such as India, because the goods they import that are denominated in dollars have become more expensive.

“Indians acknowledge that the Fed needs to do what the Fed needs to do, but there is some resentment that the U.S. monetary policy is creating a lot of complications for India,” Mr. Prasad, a former I.M.F. official, said.

But at the talks, it is China, a major lender to much of the developing world, that looms as the biggest obstacle to defusing such a credit crisis in low-income nations over the coming months.



President Biden met with Xi Jinping, the Chinese president, for three hours in Bali on Monday. Doug Mills/The New York Times

On Monday, Mr. Biden pushed Xi Jinping, the Chinese president, to work with the United States on debt relief when they met for three hours in Bali ahead of the summit. Mr. Xi, in turn, chided Mr. Biden for a suite of economic policies meant to support American manufacturing at China’s expense, like subsidies and tax breaks for clean energy and semiconductor production that were included in bills Mr. Biden signed this summer, and restrictions aimed at choking off China’s access to semiconductor technology.

The Chinese description of the meeting suggested that those policies, and others meant to redirect American supply chains away from China, “completely violate the principles of market economy and undermine the rules of international trade.”

The American description said Mr. Xi and Mr. Biden had agreed to empower senior leaders to negotiate on debt relief and several other issues, a possible sign of progress.

Still, American negotiators have sought to work around China and Russia on economic issues ahead of the gathering, leaning on help from Britain, Germany and India, among other nations, on efforts like the oil price cap. The approach jeopardizes the traditional consensus-based efforts of the Group of 20, which was meant to bring a wide range of countries together to solve global problems.

In previous gatherings of Group of 20 officials this year, the usual joint statement, or “communiqué,” could not be drafted. China has resisted strong language about debtors and debt, and there have been differing opinions among the countries about Russia’s war in Ukraine.

“In October, when there was discussion of the macro outlook, many, many countries said the single most important thing that we can do to improve the macro outlook is for Russia to end its invasion of Ukraine,” Janet L. Yellen, the Treasury secretary, told reporters in Bali, adding that there was broad support for that sentiment. “And, of course, Russia is a member of the G20, and there are other countries that are reticent about criticizing Russia, so that’s been a problem all year.”

Amid concern that slowing growth in China is dragging down the global economy, Ms. Yellen planned to ask her Chinese counterparts about its zero-tolerance approach to Covid, which has included strict lockdowns, and about the state of its property market, Treasury officials said.

But, three weeks before the European embargo of Russian oil is set to take effect, the United States and its allies in the Group of 7 have yet to settle on the mechanics of a price cap.

The Biden administration hopes that countries such as India and China, which have been stocking up on discounted Russian oil this year, will use the cap as leverage to negotiate even lower prices. Ahead of the Group of 20 meetings, Ms. Yellen traveled to India to meet with officials and deepen ties with the country at a pivotal moment.

However, it remains uncertain if the untested policy will be enforceable and if Russia will retaliate, sending energy prices around the world even higher.

In an interview with The New York Times on her flight from India to Indonesia, Ms. Yellen said the process of rolling out the price cap had been complicated because the European Union must unanimously agree to the price, and the 27 member states have differing views.

However, she said she expected that the price would be unveiled by Dec. 5 and that the policy would be effective.

“Our motives are to hold down Russia’s revenues to impede its ability to fight the war,” Ms. Yellen said. “And, second, to make sure that there’s enough global supply of oil that global oil prices don’t jump, because that would both exacerbate inflation and would likely cause a recession.”