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I.M.F. Doesn't Press China on Currency

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WASHINGTON — The world's financial leaders failed on Saturday to reach agreement on how to contain an escalating currency dispute that has threatened to undermine global cooperation on economic recovery.

Despite loud calls from the United States, and more muted appeals by Europe, Japan and other countries, the annual meeting of the International Monetary Fund did not succeed in placing significant pressure on China to allow a prompt and meaningful rise in the value of its currency, the renminbi.

In essence, the topic was deferred until leaders of the Group of 20 economic powers, including President Obama, gather in Seoul, South Korea, in November.

But the leaders here called on the I.M.F. to play a stronger role in monitoring how the policies of each member affect the others — a move the Obama administration supports in the absence of more direct pressure on China to revalue the renminbi.

"The outcome of the I.M.F. meetings makes it clear that collective action remains an ideal rather than a reality," said Eswar S. Prasad, a former I.M.F. economist who now teaches at Cornell.

The meetings here focused in large part on the currency issue, underscoring its role as a flashpoint in relations between the United States and China and a source of global tension. The high jobless rate in the United States, along with the looming midterm elections, have prompted the administration to intensify calls for China to allow its currency to appreciate in the hope that it will increase American exports and help create jobs at home.

In addition, economists and some of the policymakers here have warned of the dangers of a currency war in which other nations weaken the value of their own currencies to better compete with China on the world market.

Slow growth in Europe and the United States has led to a surge of capital flowing into faster-growing economies like India, Mexico and South Korea, putting upward pressure on their currencies. Japan, Brazil and other countries have tried to limit currency appreciation.

Concern about currency-weakening applies to the United States as well. Expectations that the Federal Reserve will undertake a second round of bond purchases to lower long-term interest rates has pushed the dollar down against the euro and the yen.

Despite the volatility of the currency issue, the language in the concluding statement of the I.M.F.'s policy-setting committee was benign. It pledged to "work toward a more balanced pattern of global growth, recognizing the responsibilities of surplus and deficit countries."

The committee also vowed to "address the challenges of large and volatile capital movements, which can be disruptive."

"The language is ineffective," the I.M.F.'s managing director, Dominique Strauss-Kahn, conceded later. "The language is not going to change things. Policies have to be adapted."

The I.M.F. has said that the renminbi is substantially undervalued, but like American policymakers it is wary about pressuring China too severely, and has few tools to do so given that it operates by consensus. "There is no way to believe that global growth can be rebalanced without some change in currency values," Mr. Strauss-Kahn said.

The committee called on the I.M.F. to "deepen its work" in areas like global imbalances.

Youssef Boutros Ghali, chairman of the committee and Egypt's finance minister, said members "recognized explicitly that the solution to this issue is going to be cooperative" and want the I.M.F. to help solve it.

Christine Lagarde, the French finance minister, said the monetary system would be a priority next year when her country plays host to the G-20. "I regard it as an extremely positive outcome of these past two days that we talked about it extensively," she said.

Chinese officials tried to deflect the currency criticism, arguing that the large public debts of the richest countries and the easy-money policies of central banks like the Fed were also contributing to global imbalances.

China has agreed in principle to take steps like expanding its social safety net, rural development and the service sector, measures that would cut its dependence on exports and stimulate consumer spending. The United States has pledged to spend less and save more, at least in the long run.

Zhou Xiaochuan, the governor of China's central bank, who said on Friday that appreciation of the renminbi should only occur gradually, met with the Treasury secretary, Timothy F.

Geithner, on Saturday, in the latest of many discussions.

The I.M.F. committee agreed to amend the reports the staff produces about the economies of its 187 members. The reports will now take into account the international consequences of each nation's actions.

But in the past, China has resisted the release of reports critical of its policies, so the effectiveness of expanding the I.M.F.'s "surveillance" remains unclear.

Members also debated, but did not agree on, how to alter governance of the I.M.F. The United States has pushed for rapidly growing economies like China to have greater representation in the institution, hoping that in return Beijing will assume a greater responsibility for economic cooperation. But a proposal for Europe to surrender some seats on the I.M.F.'s board to emerging economies ran into resistance. The issue is not expected to be resolved until the G-20 meeting.

Compared to the past two annual meetings, in which the financial crisis galvanized cooperation, the mood this year was darker, according to participants at a forum here on global economic governance.

The cooperation of the last meetings "was driven by fear," the financier George Soros said. "Markets have come back to life, the fear has dissipated and the differences of opinion have become much sharper."