



## China Will Allow IMF to Perform Review of Its Economy (Update1)

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By Timothy R. Homan

May 7 (Bloomberg) -- China agreed to let the International Monetary Fund, which has rescued economies from Pakistan to Iceland, review the state of its economy and financial system, an IMF spokesman said.

The annual assessments, called Article IV Consultations, include talks with government and central bank officials, private investors, labor representatives, lawmakers and civic organizations. While the IMF has sent missions to China in recent years, no executive-level report has been published since 2006.

Nearly all of the IMF's 185 member nations undergo the examinations, with the lender's executive board offering its assessment as the final stage. An invitation by China for a review increases the likelihood that the results will eventually be taken up by the Washington-based institution's board. Previous executive-level reports weren't published due to disagreement over how to describe how China values its currency.

"The 2009 Article IV mission is expected to go to China in the coming weeks," spokesman **David Hawley** said today at a briefing in Washington.

The IMF delegation must compile a staff report before the fund's management can present the findings to the board. The institution's top officials must then reach an agreement on critiques and recommendations.

### Review's Timetable

"The fact that they've allowed a full-fledged Article IV consultation suggests that they are inclined towards allowing the report to go forward" to the executive board, said **Eswar Prasad**, a senior fellow at the Brookings Institution in Washington. He said the review will take place in early June, with the board likely to consider the report in late July or early August.

China, like other countries, reserves the right to review the executive-level report and delete what it considers market-sensitive information.

Hawley also said the global economic downturn is showing signs of easing. "Recent data suggest that the pace of contraction in the global economy, following steep declines in the fourth quarter of last year and the first quarter of 2009, is now slowing," Hawley said.

He said growth is projected to reemerge in 2010, "at a sluggish pace of 1.9 percent," citing the IMF's forecast released last month.

The IMF's talks with Turkey about a possible standby loan are "ongoing," Hawley said. "The authorities and the staff continue to assess the current macroeconomic conditions and the required response in terms of policies, reforms and targets."

### Russia's Policies

Hawley praised some of Russia's economic policies.

"We support the decision to use the substantial reserves to mitigate the impact of the credit crunch, and in this regard recent monetary tightening has helped to stem loss of reserves," Hawley said. "We also welcome the decision to widen the exchange-rate band. The tightening of monetary policy since the beginning of the year has helped to stabilize reserves."

Hawley said an IMF membership vote on whether to allow Kosovo to join is complete and results will be released soon.

"Voting by the membership on Kosovo's application for membership in the IMF has now closed," Hawley said. "The results have been circulated to our executive board for review and we will confirm the outcome of this vote within the days ahead."

GFSR 'Errors'

Hawley also said there were "errors" in last month's semi-annual Global Financial Stability Report that measured the external debt of some European countries. He said corrections will be made.

When asked if the IMF would undertake a similar review of that report's projections for European bank writedowns, estimated at \$750 billion through next year, Hawley said the GFSR "will be updated on a regular cycle." European officials last month questioned the IMF's forecasts.

"With regards to Europe, because of the methodology, in our view we do not have an entirely convincing analysis," European Central Bank President **Jean-Claude Trichet** told reporters April 24 in Washington after meeting with the Group of Seven finance chiefs. French Finance Minister **Christine Lagarde** said "many among us expressed our greatest reserve on the methodology adopted by the IMF."

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