

Joblessness, rising prices could spark wars: IMF boss

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The world economy is beset by problems such as high unemployment and rising prices, which could fuel trade protectionism and even lead to war within nations, the head of the IMF warned yesterday.

Rising food and fuel prices in recent months have already hit poorer countries and are one of the factors behind massive anti-government protests in Egypt and in Tunisia.

“As tensions between countries increase, we could see rising protectionism — of trade and of finance. And as tensions within countries increase, we could see rising social and political instability within nations — even war,” Dominique Strauss-Kahn said in a speech in Singapore.

Strauss-Kahn said two “dangerous” imbalances that he said could sow the seeds of the next crisis.

The first was the unbalanced recovery across countries, as emerging nations grow much faster than developed economies and possibly overheat. The second was the social strains within countries with high unemployment and widening income gaps.

Over the next decade, 400 million young people would join the global labor force, posing a daunting challenge for governments, he said.

“We face the prospect of a ‘lost generation’ of young people, destined to suffer their whole lives from worse unemployment and social conditions. Creating jobs must be a top priority not only in the advanced economies, but also in many poorer countries,” he said.

“The pre-crisis pattern of global imbalances is re-emerging,” he said.

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demand. And growth in economies with large external surpluses, like China and Germany, is still being powered by exports," he said.

He said the IMF expected subdued growth of 2.5 percent for advanced economies this year as high unemployment and household debt weighed on domestic demand. Emerging markets would grow at a faster pace of 6.5 percent, with Asia, excluding Japan, expanding by 8.5 percent, he said.

Strauss-Kahn said the "global growth gap" was straining the recovery in other ways, with energy prices rising swiftly, reflecting the rapid growth in emerging economies.

"Food prices are rising too — though here supply shocks are the main reason with potentially devastating consequences for low-income countries. Together, these price increase are beginning to feed into headline inflation," he said.

He also said the IMF was ready to help Egypt and other nations stricken by chronic unemployment.

Strauss-Kahn said he did not want to comment on the turmoil in Egypt, but "clearly the situation in Egypt is the kind of situation that could have been expected not only in Egypt, when you see the problem created by the high level of unemployment," he told a questioner after giving a speech.

"Now the question is how to rebuild this, that's not only true for Egypt, [it] can be true also for countries where you didn't have this kind of unrest but are almost in the same situation," he said. "And of course the IMF is ready to help in defining the kind of policy that could be put in place."

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