# IMF warns urgent resolution needed as US-China trade war threatens global economy



The escalating trade conflict between the United States and China has prompted urgent calls from the International Monetary Fund (IMF) for both nations to resolve their tensions swiftly, amid growing concerns that the dispute could tip the global economy into recession. The IMF's appeal came as a wide range of multinational corporations revealed the adverse effects tariffs are having on their operations and profitability.

Kristalina Georgieva, the managing director of the IMF, emphasised the economic risks during the Fund’s annual meetings in Washington. She warned: "It is most urgent for countries to work constructively to resolve trade tensions as swiftly as possible. I cannot stress this strongly enough: without certainty, businesses do not invest, households prefer to save rather than to spend, and this further weakens prospects for already weakened growth." Georgieva's remarks followed a recent sharp downgrade of the global economic outlook by the IMF.

The trade dispute, which has seen the US impose levies of up to 145 per cent on Chinese imports, with China retaliating at similar rates, has disrupted investment and consumption patterns worldwide. There has been mounting speculation that US President Donald Trump is preparing to reduce some of these tariffs, potentially cutting duties on Chinese imports by more than half.

Georgieva also directly criticised China, calling for reforms to reduce state subsidies and large trade surpluses. She urged Beijing to "pull back from too much intervention" and to "let the private sector function to its full capacity," highlighting the need for China to boost domestic consumption and transition towards a service-based economy. Regarding the US, she stressed the importance of reducing fiscal deficits, urging both countries to address the economic imbalances driving much of the bilateral friction.

The international economic community is closely monitoring the fallout. The Bank of England governor, Andrew Bailey, remarked that the institution is "certainly quite focused on the growth shock" linked to the ongoing trade disruption. Similarly, the German government downgraded its economic growth forecast for the current year from 0.3 per cent to zero.

Several global companies have publicly attributed profit warnings and operational challenges to the trade war. US corporations including PepsiCo, Procter & Gamble, and Thermo Fisher Scientific reduced their profit forecasts on account of trade-related headwinds. American Airlines suspended its 2025 profitability projections, citing unprecedented uncertainty within the aviation industry since the Covid pandemic began. South Korean car manufacturer Hyundai announced it has shifted some production from Mexico to the US, anticipating "a challenging outlook to continue."

In Europe, Swiss multinational Nestlé reported that "some political decisions have rather undermined already soft consumer confidence," leading the company to introduce price increases on products such as KitKat and Nespresso. German pharmaceutical company Merck projected losses of around £150 million this year due to tariffs, while Finnish mobile phone manufacturer Nokia forecasted a £25 million impact in the second quarter.

The trade war initially intensified after President Trump accused China of manipulating its currency to gain an unfair export advantage. In response to escalating tensions, the US imposed tariffs totalling 145 per cent on selected Chinese goods, with Beijing retaliating by slapping a 125 per cent levy on some American imports. Although some tariff measures have been temporarily paused, a universal 10 per cent tariff, alongside additional duties on aluminium, steel, and automobiles, remain in force.

The global economic consequences of the US-China trade dispute continue to reverberate, affecting investment decisions, consumer confidence, and manufacturing strategies around the world. The IMF's call to action underscores the urgency for de-escalation, while companies and governments alike brace for ongoing volatility in international trade relations.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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