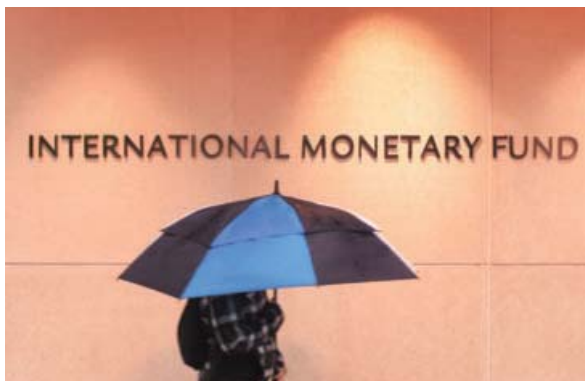


# US-China tussle fragmenting trade, IMF finds



**BLOOMBERG**

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The global economy is showing signs of dividing between US- and China-centered blocs, though the dynamics differ from the Cold War with less overall fragmentation and a greater role for non-aligned economies, an International Monetary Fund study found.

Trade flows between a US-aligned group and another linked more closely to China have declined by about 12 per cent more than trade between countries within the same bloc since Russia's full-scale invasion of Ukraine, according to a new working paper by IMF economists including First Deputy Managing Director Gita Gopinath.

Foreign direct investment projects fell by around 20 per cent more between blocs than within blocs over the same period, it added. "The magnitude of the decline is both economically and statistically significant," the paper said.

Still, those declines are a fraction of the shortfall during the Cold War, when trade between the rival Western and Eastern blocs declined by two-thirds, relative to trade within those blocs, the study found. "While the extent of fragmentation is still relatively small and we do not know how long-lasting it will be, the decoupling between the rival geo-

## PRIVATE CREDIT FACES LIQUIDITY RISKS IF STRESS INCREASES: IMF

Regulators should scrutinize the fast-growing private-credit market more closely, given potential concerns ranging from demands on funds' liquidity to the quality of underlying borrowers, the International Monetary Fund said in a report.

The study, released Monday as part of an IMF report on global financial stability, outlines the \$1.7 trillion sector's critical role in debt markets, and points to possible risks which are difficult to fully ascertain given the lack of information and transparency. **BLOOMBERG**

litical blocs during the Cold War suggests it could worsen considerably should geopolitical tensions persist and trade restrictive policies intensify," according to the paper.

### 'Connector' Economies

Another contrast is that many of those non-aligned economies are benefiting from a new status as "connector" economies between the two blocs, it added.