

Business

SUNDAY, SEPTEMBER 19, 2021

IMF chief denies altering World Bank report to appease China

World Bank drops Doing Business report after irregularities found

WASHINGTON: IMF chief Kristalina Georgieva disputed an independent investigation which found that in her previous job at the World Bank, she pressed staff to alter a report to avoid angering China. Based on the findings, the World Bank announced it was immediately discontinuing its Doing Business report after the investigation found irregularities in the 2018 and 2020 editions.

Georgieva, a Bulgarian national who took the helm of the International Monetary Fund in October 2019, rejected its conclusions regarding her role. "I disagree fundamentally with the findings and interpretations of the Investigation of Data Irregularities as it relates to my role in the World Bank's Doing Business report of 2018," she said in a statement.

The allegations could damage her reputation, and provide grist for long-time US critics of the multilateral organizations and their treatment of China. "These are serious findings," the US Treasury said in a statement, noting it is "analyzing the report." "Our primary responsibility is to uphold the integrity of international financial institutions."

Georgieva said she briefed the IMF's board on the situation. The board is expected to meet to discuss the issue but it is unclear when. Justin Sandefur of the Center for Global Development, who has written extensively about the problems with the report's methodology, said: "We need to hear her side of the story, but it doesn't look great right now."

"For the head of the IMF to have been involved in data manipulation is a pretty damning allegation," he told AFP. "That does seem like a real hit on their credibility."

Critics warn of Apple, Google 'chokepoint' repression

WASHINGTON: The global dominance of tech giants serves as a convenient online chokepoint for authoritarian governments to crack down on dissent or rig elections, critics of Apple and Google said Friday. The companies were facing international outrage after pulling a Russian opposition voting app off their online marketplaces in response to authorities' escalating pressure, including arrest threats.

Google and Apple, whose operating systems run on 99 percent of the world's smartphones, have a stranglehold on the markets for the applications that allow users to do everything from watch movies to hail a ride. "The app stores are the new frontier for censorship," Natalia Krapiva, tech legal counsel at rights group Access Now told AFP. "We're witnessing a new stage of assault on digital rights."

The companies face a growing pile of new legislation, legal trouble and regulators scrutiny over worries their dominance is a competition-killing monopoly. Concerns recently had been about consumers' choice and app developers ability to avoid paying Apple an up to 30 percent cut on purchases made via its App Store. But after an app advising opposition supporters on how to vote out Kremlin allies in Russia's parliamentary election was removed from the app stores of both Apple and Google, advocates warned of another threat.

"As long as Apple maintains a stranglehold over

UK retailers face supply crunch as Christmas looms

LONDON: UK retailers are facing a double whammy of sliding sales and global supply crunch, making it tough for stores to obtain goods ahead of the Christmas shopping season, data showed Friday. Retail sales dropped 0.9 percent in August from the prior month, with the grocery sector hit by people returning to restaurants and pubs after the lifting of virus curbs, the Office for National Statistics said in a statement.

A significant number of retailers are additionally unable to source enough products because of the supply crunch caused in large part by a shortage of lorry driver owing to COVID and Brexit fallout.

The ONS said on Friday that 6.5 percent of retail firms were unable to obtain materials, goods or services needed from within the UK in the two weeks to August 22. Department stores were the hardest hit at 18.2 percent, followed by clothing stores at 11.1 percent.

Economists said Friday's gloomy news spells Christmas trouble for retailers. "A perfect storm of labor shortages, supply chain issues and increased demand will continue to test retail leaders," said Oliver Vernon-Harcourt, head of retail at accountancy group Deloitte. "Christmas will be impacted by these headwinds; there will very likely be shortages in some categories which will force consumers to make different choices."

The ONS added that almost 9.0 percent of retail businesses were forced to change suppliers or find alternative solutions. "Managing price increases and stock shortages will be one of the main challenges retail leaders will have to address in the coming months," added Vernon-Harcourt.

The ONS said food store sales suffered in August as a result of the recovering hospitality industry, which was shuttered by lockdowns during much of the pandemic but reopened earlier this year.

Changing China's ranking

The flagship report ranks countries based on their business regulations and economic reforms, and has caused governments to jockey for a higher spot to attract investors. According to the investigation, Beijing complained about its ranking of 78th on the list in 2017, and the next year's report would have shown Beijing dropping even further.

The Washington-based development lender's staff was preparing the 2018 edition while leadership engaged in sensitive negotiations to increase its lending capital, which hinged on an agreement with China and the United States. In the final weeks before the report was released in late October



Kristalina engineered a cover-up: Romer

2017, the World Bank's then-president Jim Kim and Georgieva, at the time the bank's CEO, asked staff to look into updating the methodology in regard to China, according to the investigation by law firm WilmerHale.

Kim discussed the rankings with senior Chinese officials who were dismayed by the country's ranking, and his aides raised the issue of how to improve

what software millions of people (use)... the App Store will continue to be a convenient chokepoint for government censorship and crackdowns on dissent," said Evan Greer, director of digital advocacy group Fight for the Future.

The digital world has been an incubator for opposition from the Arab Spring to Hong Kong's pro-democracy protests by giving people a way to communicate and organize movements rapidly. Yet that same technology can be turned against people, as was demonstrated by the scandal around Pegasus, a hugely invasive spyware that can essentially turn a phone into a pocket listening device.

Limits of Big Tech

Allegations that the software has been used by governments worldwide to eavesdrop on human rights activists, business executives and politicians sparked a global uproar in July. In the case of Russia, pressure has been building after Moscow accused the US tech giants of election interference and demanded they remove the app. "This demonstrates the limits of Big Tech to resist crackdowns with regards to dissent, in Russia and elsewhere, during elections and outside them," said David Levine, an election integrity fellow at think tank Alliance for Securing Democracy.

Sources close to the decision to pull the opposition app said both companies faced threats of criminal charges or the jailing of staff and general "bullying" from authorities.

Levine noted this type of escalating pressure could become a "page in the playbook" for repressive governments. The firms are for-profit, yet because of their global reach and key role in mass communication, can end up being called on to combat hate, lies and repression on their



PARIS: In this file photo taken on May 18, 2021, International Monetary Fund Managing Director Kristalina Georgieva speaks during a joint press conference at the end of the Summit on the Financing of African Economies in Paris. —AFP

it, according to the summary of the probe, released by the World Bank. It is considered one of Kim's signature achievements that he shepherded a deal for a \$13 billion increase in World Bank resources. The bargain required support from the US president at the time Donald Trump, who opposed concessional lending to China, and from Beijing, which agreed to pay more for loans.

Amid the pressure from upper management, staff changed some of the input data, which boosted China's ranking in 2018 by seven places to 78 — the same as it was the previous year, according to the investigation that analyzed 80,000 documents and interviewed more than three dozen current and former employees of the lender.



devices or platforms.

As a result, Big Tech can and will get entangled in these type of fights on delicate matters with the governments of places where they do business. "Giant IT companies are going to have to think about how they operate in these markets, like how far they'll go in terms of complying and cutting off the freedom of people to see things," said Kathryn Stoner, a Stanford political science professor.

Especially for social media companies like Facebook, the role of information gatekeeper is one that the firms have played with widely varying outcomes. The case in Russia, though, has resonated in particular because it touches on something deeply personal, which also has tremendous consequences. "This is the government going into your house and saying you cannot talk about voting against us," Isabel Linzer, a Research analyst at NGO Freedom House, said. "That is as much election interference as it would be to go and stuff a ballot box," she added. —AFP



LONDON: British retail sales dropped 0.9 percent in August from the prior month, with the grocery sector hit by people returning to restaurants and pubs after the lifting of virus curbs.

Motor fuel sales however rose on the month as people ventured out more after the economy fully reopened in July. Overall retail sales are 4.6 percent higher than before the start of the deadly coronavirus outbreak. However, Britain's economic recovery is flattening as a result of the stubborn pandemic, supply chain bottlenecks and the elevated cost of

commodities. The economy grew at just 0.1 percent in July, while annual inflation spiked in August to a nine-year peak of 3.2 percent. "The decline in retail sales volumes... suggests that the stalling in the economic recovery in July continued into August," noted economist Paul Dales at research consultancy Capital Economics. —AFP

'For multilateralism'

Georgieva chastised a World Bank senior official for "mishandling the Bank's relationship with China and failing to appreciate the importance of the Doing Business report to the country," the report said. After the changes were made, she thanked him for "doing his part for multilateralism." Georgieva later visited the home of the manager in charge of the report to retrieve a copy, and thanked them for helping to "resolve the problem."

Paul Romer, a Nobel Prize winner who served as World Bank chief economist at the time, resigned in January 2018 after telling a reporter that the methodology for the ranking had been changed in a way that could give the impression political considerations affected the results, notably for Chile. At the time, the World Bank strenuously denied any political influence over rankings.

Romer told AFP in an interview Thursday that during his World Bank tenure he was unaware of Georgieva pushing staff on China, though he said he had "suspicions."

Regarding the rankings, he said that when he raised those questions, "Kristalina engineered a cover-up, a whitewash." "I was reporting to people who lacked integrity. It was intolerable," Romer said. "The kind of intimidation this report describes was real."

The investigation also found "improper changes" in the 2020 report affecting the rankings of Saudi Arabia, United Arab Emirates and Azerbaijan. Nadia Daar, head of Oxfam International's Washington office, applauded the decision to scrap the report, saying the index "encouraged governments to adopt destructive policies that worsen inequality." —AFP

China applies to join trans-Pacific free-trade pact

BEIJING: China has formally applied to join a major trans-Pacific trade partnership, its commerce ministry said late Thursday, despite rising geopolitical tensions with member country Australia. Signed by 11 Asia-Pacific countries in 2018, the partnership is the region's biggest free-trade pact and accounts for around 13.5 percent of the global economy.

"On September 16, Minister of Commerce Wang Wentao submitted China's official application to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)," the ministry said in an online statement. It added the application was submitted via a letter to New Zealand's trade minister Damien O'Connor and that both Wentao and O'Connor had a phone conversation about follow-up work for China's membership application.

China had already signaled interest in joining the CPTPP multiple times, with Premier Li Keqiang saying in March that the world's second-largest economy "will actively consider joining".

The CPTPP is the successor to a previous trans-Pacific trade pact that the United States withdrew from under Donald Trump in 2017. The Chinese Embassy of Australia this week lobbied Canberra to join, writing to an Australian parliamentary inquiry that "China's accession to the CPTPP would yield large economic benefits," Bloomberg reported.

However, all eleven members of the CPTPP would need to reach a consensus to allow Beijing to join—a tricky prospect during the tumultuous geopolitical dispute with Canberra that has seen China impose tariffs on a range of Australian goods including wine and barley.

Australia asked the WTO on Thursday to rule against tariffs on wine exports to what was once its largest market. On Wednesday, Canberra unveiled a strategic military partnership with the US and UK that would provide it with nuclear-armed submarines in a bid to counter Chinese influence in the Indo-Pacific. China blasted the alliance as "extremely irresponsible".

Foreign ministry spokesman Zhao Lijian said on Thursday that "the export of highly sensitive nuclear submarine technology to Australia by the US and the UK proves once again that they are using nuclear exports as a tool for geopolitical game and adopting double standards." —AFP