

## **20091121 WEF: Tentative global economic recovery raises questions about reforms to the post-crisis world**

### **World Economic Forum**

*Dubai*

- While countries around the world are recovering from the crisis, there are growing doubts that the reforms and restructuring needed to balance the global economy are being fully implemented
- Despite concerns about its capacity to rebound from the crisis because of its perceived dependence on exports, the Chinese economy is expected to exceed its 8% growth target for this year
- For more information on the Summit and the Network of Global Agenda Councils, visit [www.weforum.org/gac](http://www.weforum.org/gac)

As countries around the world recover from the crisis, unanswered questions about the necessary restructuring of the global economy require urgent attention, four leaders from business, academia and civil society said on the opening day of the World Economic Forum's Summit on the Global Agenda.

"We've got a window of opportunity," Sharan Burrow, President of the International Trade Union Confederation, told reporters in a press conference. "The crisis has focused the minds of governments, particularly the G20, on what you need to do to rebalance globalization. It means rebuilding economies, balancing exports with domestic demand and investing in jobs, jobs and jobs. You must combine that with social protection." Burrow called for investments to focus on generating green growth and helping the poorest people in the world.

While global efforts to address the crisis have stopped the downward spiral of the broad economy and sparked renewed confidence in the financial markets, there are "acute worries that the momentum for reform might be ebbing," warned John Gieve, Senior Fellow at Harvard University's Belfer Center for Science and International Affairs. "There is wide consensus that we have to build up the strength of international governance machinery in Europe. The question is: should we be doing something like that on the world stage?" Gieve added that there are growing concerns that "the stimulus imbalances in the West are fuelling asset bubbles in the East."

The quality of the rebound has been patchy, Howard Davies, Director of the London School of Economics and Political Science, remarked. "We have so far seen rather weak recovery where there has been one," he observed. "We have still not solved the global imbalance problem that was behind the recession." Countries will have to manage exit strategies from the large fiscal stimuli they implemented to counter the crisis, Davies said. While the private sector has borne the brunt of the pain so far, the public sector will eventually be hit, particularly when government spending is curtailed, he cautioned.

The economic recovery in Asia is stronger than it is in the US and EU, Davies noted. Laura M. Cha, Deputy Chairman of the Hongkong and Shanghai Banking Corporation, agreed. "China is leading Asia out of the doldrums," she said. While there have been doubts about the Chinese economy's capacity to recover strongly because of its perceived dependence on exports, the combination of stimulus spending, particularly on infrastructure, and the growth of industrial production spurred by domestic demand has put China on track to exceed its 8% growth target for this year. China has been protected to some extent from the turbulence in the global economy because its currency is not fully convertible, Cha reckoned. She predicted that China's financial markets will be liberalized further and its banking and financial systems strengthened so they would weather any future crisis well.

Cha, Davies, Gieve and Burrow are among the over 700 participants in the 76 Global Agenda Councils of the World Economic Forum that are meeting in Dubai this weekend. The Council Members include three Nobel Laureates, 300 business leaders, 240 members from academia, 100

leaders from civil society, over 50 leaders from international organizations and 30 public figures. The three-day Summit is organized in partnership with the Government of Dubai.

## **NovaRes Team**